

EXELON CORP
Form 10-Q
November 07, 2013

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, 2013

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	36-0938600

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(an Illinois corporation)

440 South LaSalle Street

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	<input checked="" type="checkbox"/>			
Exelon Generation Company, LLC			<input checked="" type="checkbox"/>	
Commonwealth Edison Company			<input checked="" type="checkbox"/>	
PECO Energy Company			<input checked="" type="checkbox"/>	
Baltimore Gas and Electric Company			<input checked="" type="checkbox"/>	

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, 2013 was:

Exelon Corporation Common Stock, without par value	856,903,972
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,855

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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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<u>Baltimore Gas and Electric Company</u>	246, 256

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>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

Other Terms and Abbreviations

<i>Note " " of the Exelon 2012 Form 10-K</i>	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2012 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>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
<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

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<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>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>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
<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>LIFO</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

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<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>PJM</i>	PJM Interconnection, LLC
<i>POLR</i>	Provider of Last Resort
<i>POR</i>	Purchase of Receivables
<i>PPA</i>	Power Purchase Agreement
<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

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<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>SFC</i>	Supplier Forward Contract
<i>SGIG</i>	Smart Grid Investment Grant
<i>SGIP</i>	Smart Grid Initiative Program
<i>SILO</i>	Sale-In, Lease-Out
<i>SMP</i>	Smart Meter Program
<i>SMPPI</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>TEG</i>	Termoelectrica del Golfo
<i>TEP</i>	Termoelectrica Penoles
<i>Upstream</i>	Natural gas exploration and production activities
<i>VIE</i>	Variable Interest Entity
<i>WECC</i>	Western Electric Coordinating Council

FILING FORMAT

This combined Form 10-Q is being filed separately by the Registrants. Information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf. No Registrant makes any representation as to information relating to any other Registrant.

FORWARD-LOOKING STATEMENTS

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 Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2012 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 19; (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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating revenues	\$ 6,502	\$ 6,579	\$ 18,725	\$ 17,235
Operating expenses				
Purchased power and fuel	2,743	3,026	8,143	7,398
Operating and maintenance	1,735	2,170	5,391	5,979
Depreciation and amortization	530	500	1,606	1,376
Taxes other than income	277	290	825	737
Total operating expenses	5,285	5,986	15,965	15,490
Equity in earnings (loss) of unconsolidated affiliates	37	10	7	(69)
Operating income	1,254	603	2,767	1,676
Other income and (deductions)				
Interest expense	(228)	(240)	(1,091)	(678)
Interest expense to affiliates, net	(6)	(6)	(19)	(19)
Other, net	155	101	311	253
Total other income and (deductions)	(79)	(145)	(799)	(444)
Income before income taxes	1,175	458	1,968	1,232
Income taxes	439	161	733	445
Net income	736	297	1,235	787
Net income (loss) attributable to noncontrolling interests, preferred security dividends and redemption and preference stock dividends	(2)	1	11	5
Net income attributable to common shareholders	738	296	1,224	782
Comprehensive income (loss), net of income taxes				
Net income	736	297	1,235	787
Other comprehensive income (loss), net of income taxes				
Pension and non-pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost	1			1
Actuarial loss reclassified to periodic cost	49	44	151	126
Transition obligation reclassified to periodic cost				2
Pension and non-pension postretirement benefit plans valuation adjustment	(8)	(67)	69	(78)
Deferred compensation unit valuation adjustment			10	
Change in unrealized loss on cash flow hedges	(46)	(88)	(169)	(29)
Change in unrealized income on equity investments	16	17	51	23
Change in unrealized gain (loss) on foreign currency translation		2	(5)	
Change in unrealized loss on marketable securities			(1)	
Other comprehensive income (loss)	12	(92)	106	45
Comprehensive income	\$ 748	\$ 205	\$ 1,341	\$ 832

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Average shares of common stock outstanding:

Basic	857	854	856	804
Diluted	860	857	860	806

Earnings per average common share:

Basic	\$ 0.86	\$ 0.35	\$ 1.43	\$ 0.97
Diluted	\$ 0.86	\$ 0.35	\$ 1.42	\$ 0.97

Dividends per common share	\$ 0.31	\$ 0.53	\$ 1.15	\$ 1.58
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See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 1,235	\$ 787
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	2,844	2,909
Impairment of assets held for sale		278
Deferred income taxes and amortization of investment tax credits	(164)	263
Net fair value changes related to derivatives	(229)	(377)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(95)	(142)
Other non-cash operating activities	738	1,235
Changes in assets and liabilities:		
Accounts receivable	54	228
Inventories	(103)	12
Accounts payable, accrued expenses and other current liabilities	(243)	(817)
Option premiums paid, net	(38)	(122)
Counterparty collateral (posted) received, net	(73)	408
Income taxes	863	465
Pension and non-pension postretirement benefit contributions	(360)	(131)
Other assets and liabilities	(35)	(422)
Net cash flows provided by operating activities	4,394	4,574
Cash flows from investing activities		
Capital expenditures	(3,887)	(4,162)
Proceeds from nuclear decommissioning trust fund sales	3,344	6,262
Investment in nuclear decommissioning trust funds	(3,518)	(6,422)
Cash and restricted cash acquired from Constellation		964
Proceeds from sale of long-lived assets	32	
Proceeds from sales of investments	20	26
Purchases of investments	(3)	(13)
Change in restricted cash	(23)	(38)
Other investing activities	65	41
Net cash flows used in investing activities	(3,970)	(3,342)
Cash flows from financing activities		
Payment of accounts receivable agreement	(210)	
Changes in short-term debt	205	(139)
Issuance of long-term debt	2,031	1,558
Retirement of long-term debt	(1,156)	(731)
Redemption of preferred securities	(93)	
Dividends paid on common stock	(981)	(1,226)
Dividends paid to former Constellation shareholders		(51)
Proceeds from employee stock plans	40	61
Other financing activities	(102)	(20)
Net cash flows used in financing activities	(266)	(548)

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Increase in cash and cash equivalents	158	684
Cash and cash equivalents at beginning of period	1,486	1,016
Cash and cash equivalents at end of period	\$ 1,644	\$ 1,700

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,600	\$ 1,411
Cash and cash equivalents of variable interest entities	44	75
Restricted cash and investments	60	86
Restricted cash and investments of variable interest entities	87	47
Accounts receivable, net		
Customer (\$0 and \$289 gross accounts receivable pledged as collateral as of September 30, 2013 and December 31, 2012, respectively)	2,584	2,795
Other	1,232	1,141
Accounts receivable, net, variable interest entities	177	292
Mark-to-market derivative assets	730	938
Unamortized energy contract assets	460	886
Inventories, net		
Fossil fuel	288	246
Materials and supplies	821	768
Deferred income taxes	292	131
Regulatory assets	877	764
Other	699	560
Total current assets	9,951	10,140
Property, plant and equipment, net	46,495	45,186
Deferred debits and other assets		
Regulatory assets	6,509	6,497
Nuclear decommissioning trust funds	7,776	7,248
Investments	1,154	1,184
Investments in affiliates	23	22
Investment in CENG	1,939	1,849
Goodwill	2,625	2,625
Mark-to-market derivative assets	779	937
Unamortized energy contracts assets	803	1,073
Pledged assets for Zion Station decommissioning	486	614
Other	1,121	1,186
Total deferred debits and other assets	23,215	23,235
Total assets	\$ 79,661	\$ 78,561

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 214	\$ 210
Short-term notes payable — accounts receivable agreement		210
Long-term debt due within one year	1,461	975
Long-term debt due within one year of variable interest entities	182	72
Accounts payable	2,369	2,446
Accounts payable of variable interest entities	108	202
Accrued expenses	1,540	1,800
Deferred income taxes	50	58
Regulatory liabilities	314	368
Mark-to-market derivative liabilities	126	352
Unamortized energy contract liabilities	305	455
Other	838	853
Total current liabilities	7,507	7,791
Long-term debt	17,583	17,190
Long-term debt to financing trusts	648	648
Long-term debt of variable interest entities	339	508
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	11,931	11,551
Asset retirement obligations	5,118	5,074
Pension obligations	3,094	3,428
Non-pension postretirement benefit obligations	2,764	2,662
Spent nuclear fuel obligation	1,021	1,020
Regulatory liabilities	4,204	3,981
Mark-to-market derivative liabilities	218	281
Unamortized energy contract liabilities	314	528
Payable for Zion Station decommissioning	339	432
Other	2,514	1,650
Total deferred credits and other liabilities	31,517	30,607
Total liabilities	57,594	56,744
Commitments and contingencies		
Preferred securities of subsidiary		87
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 857 shares and 855 shares outstanding at September 30, 2013 and December 31, 2012, respectively)	16,716	16,632
Treasury stock, at cost (35 shares at September 30, 2013 and December 31, 2012, respectively)	(2,327)	(2,327)
Retained earnings	10,131	9,893
Accumulated other comprehensive loss, net	(2,661)	(2,767)
Total shareholders' equity	21,859	21,431
BGE preference stock not subject to mandatory redemption	193	193
Noncontrolling interest	15	106

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Total equity	22,067	21,730
Total liabilities and shareholders equity	\$ 79,661	\$ 78,561

See the Combined Notes to Consolidated Financial Statements

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	Non-controlling Interest	Preferred and Preference Stock	Total Equity
Balance, December 31, 2012		889,525	\$ 16,632	\$ (2,327)	\$ 9,893	\$ (2,767)	\$ 106	\$ 193	\$ 21,730
Net income (loss)					1,224		(6)	17	1,235
Long-term incentive plan activity		2,122	84						84
Common stock dividends					(986)				(986)
Impairment of long-lived assets							(4)		(4)
Consolidated VIE dividend to non-controlling interest							(63)		(63)
Deconsolidation of VIE							(18)		(18)
Redemption of preferred securities								(6)	(6)
Preferred and preference stock dividends								(11)	(11)
Other comprehensive income net of income taxes of \$(70)						106			106
Balance, September 30, 2013		891,647	\$ 16,716	\$ (2,327)	\$ 10,131	\$ (2,661)	\$ 15	\$ 193	\$ 22,067

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating revenues				
Operating revenues	\$ 3,871	\$ 3,558	\$ 10,729	\$ 9,276
Operating revenues from affiliates	384	473	1,129	1,263
Total operating revenues	4,255	4,031	11,858	10,539
Operating expenses				
Purchased power and fuel	2,179	2,122	6,294	5,018
Operating and maintenance	936	1,289	2,943	3,319
Operating and maintenance from affiliates	140	140	434	467
Depreciation and amortization	218	207	643	564
Taxes other than income	98	109	292	272
Total operating expenses	3,571	3,867	10,606	9,640
Equity in earnings (loss) of unconsolidated affiliates	37	10	7	(69)
Operating income	721	174	1,259	830
Other income and (deductions)				
Interest expense	(82)	(85)	(257)	(223)
Other, net	134	83	229	185
Total other income and (deductions)	52	(2)	(28)	(38)
Income before income taxes	773	172	1,231	792
Income taxes	288	85	436	373
Net income	485	87	795	419
Net loss attributable to noncontrolling interests	(5)	(4)	(6)	(6)
Net income attributable to membership interest	490	91	801	425
Comprehensive income (loss), net of income taxes				
Net income	485	87	795	419
Other comprehensive (loss) income, net of income taxes				
Change in unrealized loss on cash flow hedges	(49)	(171)	(316)	(185)
Change in unrealized income on equity investments	16	17	52	23
Change in unrealized income (loss) on foreign currency translation	1	2	(5)	
Change in unrealized loss on marketable securities			(1)	(1)
Other comprehensive loss	(32)	(152)	(270)	(163)
Comprehensive income (loss)	\$ 453	\$ (65)	\$ 525	\$ 256

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 795	\$ 419
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	1,937	2,178
Impairment on assets held for sale		278
Deferred income taxes and amortization of investment tax credits	183	69
Net fair value changes related to derivatives	(222)	(345)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(95)	(142)
Other non-cash operating activities	375	422
Changes in assets and liabilities:		
Accounts receivable	57	189
Receivables from and payables to affiliates, net	2	(58)
Inventories	(81)	34
Accounts payable, accrued expenses and other current liabilities	(162)	(546)
Option premiums paid, net	(38)	(122)
Counterparty collateral (paid) received, net	(123)	315
Income taxes	315	565
Pension and non-pension postretirement benefit contributions	(123)	(48)
Other assets and liabilities	(163)	(195)
Net cash flows provided by operating activities	2,657	3,013
Cash flows from investing activities		
Capital expenditures	(1,995)	(2,602)
Proceeds from nuclear decommissioning trust fund sales	3,344	6,262
Investment in nuclear decommissioning trust funds	(3,518)	(6,422)
Change in restricted cash	(30)	
Proceeds from sale of long-lived assets	32	
Cash acquired from Constellation		708
Other investing activities	18	(2)
Net cash flows used in investing activities	(2,149)	(2,056)
Cash flows from financing activities		
Issuance of long-term debt	831	957
Retirement of long-term debt	(471)	(138)
Change in short-term debt	12	(41)
Distribution to member	(550)	(1,384)
Other financing activities	(73)	(17)
Net cash flows used in financing activities	(251)	(623)
Increase in cash and cash equivalents	257	334
Cash and cash equivalents at beginning of period	671	496
Cash and cash equivalents at end of period	\$ 928	\$ 830

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 884	\$ 596
Cash and cash equivalents of variable interest entities	44	75
Restricted cash and cash equivalents of variable interest entities	37	16
Accounts receivable, net		
Customer	1,489	1,482
Other	417	472
Accounts receivable, net, variable interest entities	175	292
Mark-to-market derivative assets	730	938
Mark-to-market derivative assets with affiliates		226
Receivables from affiliates	107	141
Unamortized energy contract assets	460	886
Inventories, net		
Fossil fuel	169	130
Materials and supplies	661	626
Deferred income taxes	177	
Other	455	331
Total current assets	5,805	6,211
Property, plant and equipment, net	19,797	19,531
Deferred debits and other assets		
Nuclear decommissioning trust funds	7,776	7,248
Investments	401	420
Investment in CENG	1,939	1,849
Mark-to-market derivative assets	766	924
Prepaid pension asset	1,927	1,975
Pledged assets for Zion Station decommissioning	486	614
Unamortized energy contract assets	803	1,073
Other	798	836
Total deferred debits and other assets	14,896	14,939
Total assets	\$ 40,498	\$ 40,681

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	\$ 21	\$
Long-term debt due within one year	544	24
Long-term debt due within one year of variable interest entities	104	4
Accounts payable	1,254	1,346
Accounts payable of variable interest entities	108	202
Accrued expenses	925	1,116
Payables to affiliates	162	193
Deferred income taxes	44	128
Mark-to-market derivative liabilities	110	334
Unamortized energy contract liabilities	276	378
Other	348	372
Total current liabilities	3,896	4,097
Long-term debt	5,545	5,245
Long-term debt to affiliate	1,528	2,007
Long-term debt of variable interest entities	88	203
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,899	5,398
Asset retirement obligations	4,983	4,938
Non-pension postretirement benefit obligations	843	755
Spent nuclear fuel obligation	1,021	1,020
Payables to affiliates	2,593	2,397
Mark-to-market derivative liabilities	112	232
Unamortized energy contract liabilities	311	516
Payable for Zion Station decommissioning	339	432
Other	789	776
Total deferred credits and other liabilities	16,890	16,464
Total liabilities	27,947	28,016
Commitments and contingencies		
Equity		
Member s equity		
Membership interest	8,872	8,876
Undistributed earnings	3,419	3,168
Accumulated other comprehensive income, net	243	513
Total member s equity	12,534	12,557
Noncontrolling interest	17	108
Total equity	12,551	12,665
Total liabilities and equity	\$ 40,498	\$ 40,681

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(In millions)	Member's Equity			Noncontrolling Interest	Total Equity
	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income, net		
Balance, December 31, 2012	\$ 8,876	\$ 3,168	\$ 513	\$ 108	\$ 12,665
Net income (loss)		801		(6)	795
Noncontrolling interest acquired	(3)				(3)
Distribution to member		(550)			(550)
Consolidated VIE dividend to non-controlling interest				(63)	(63)
Deconsolidation of VIE	(1)			(18)	(19)
Impairment of long-lived assets				(4)	(4)
Other comprehensive loss, net of income taxes of \$177			(270)		(270)
Balance, September 30, 2013	\$ 8,872	\$ 3,419	\$ 243	\$ 17	\$ 12,551

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating revenues				
Operating revenues	\$ 1,155	\$ 1,484	\$ 3,393	\$ 4,152
Operating revenues from affiliates	1		2	2
Total operating revenues	1,156	1,484	3,395	4,154
Operating expenses				
Purchased power	158	498	522	1,255
Purchased power from affiliate	143	180	409	631
Operating and maintenance	296	313	907	882
Operating and maintenance from affiliate	37	37	113	118
Depreciation and amortization	164	157	501	458
Taxes other than income	80	81	225	224
Total operating expenses	878	1,266	2,677	3,568
Operating income	278	218	718	586
Other income and (deductions)				
Interest expense	(71)	(71)	(493)	(221)
Interest expense to affiliates, net	(3)	(3)	(10)	(9)
Other, net	7	5	18	12
Total other income and (deductions)	(67)	(69)	(485)	(218)
Income before income taxes	211	149	233	368
Income taxes	85	59	93	149
Net income	126	90	140	219
Other comprehensive income, net of income taxes				
Change in unrealized gain on marketable securities				1
Other comprehensive income				1
Comprehensive income	\$ 126	\$ 90	\$ 140	\$ 220

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 140	\$ 219
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	501	458
Deferred income taxes and amortization of investment tax credits	(152)	198
Other non-cash operating activities	26	310
Changes in assets and liabilities:		
Accounts receivable	(21)	22
Receivables from and payables to affiliates, net	(32)	(32)
Inventories	(12)	(11)
Accounts payable, accrued expenses and other current liabilities	48	(49)
Counterparty collateral received, net	50	93
Income taxes	262	116
Pension and non-pension postretirement benefit contributions	(120)	(19)
Other assets and liabilities	160	(124)
Net cash flows provided by operating activities	850	1,181
Cash flows from investing activities		
Capital expenditures	(1,074)	(896)
Proceeds from sales of investments	5	26
Purchases of investments	(3)	(13)
Change in restricted cash	(3)	
Other investing activities	33	12
Net cash flows used in investing activities	(1,042)	(871)
Cash flows from financing activities		
Changes in short-term debt	153	35
Issuance of long-term debt	350	
Retirement of long-term debt	(252)	(450)
Dividends paid on common stock	(165)	(95)
Other financing activities	(4)	(3)
Net cash flows provided by (used in) financing activities	82	(513)
Decrease in cash and cash equivalents	(110)	(203)
Cash and cash equivalents at beginning of period	144	234
Cash and cash equivalents at end of period	\$ 34	\$ 31

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 34	\$ 144
Restricted cash	3	
Accounts receivable, net		
Customer	443	539
Other	525	452
Inventories, net	103	91
Deferred income taxes	18	83
Counterparty collateral deposited	3	53
Regulatory assets	335	388
Other	31	25
Total current assets	1,495	1,775
Property, plant and equipment, net	14,444	13,826
Deferred debits and other assets		
Regulatory assets	819	666
Investments	5	8
Investments in affiliates	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,361	2,039
Prepaid pension asset	1,631	1,661
Other	300	299
Total deferred debits and other assets	7,747	7,304
Total assets	\$ 23,686	\$ 22,905

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 153	\$ 252
Long-term debt due within one year	617	379
Accounts payable	474	295
Accrued expenses	238	97
Payables to affiliates	61	136
Customer deposits	133	170
Regulatory liabilities	171	18
Mark-to-market derivative liability	16	226
Mark-to-market derivative liability with affiliate		82
Other	84	
Total current liabilities	1,947	1,655
Long-term debt	5,057	5,315
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	4,057	4,272
Asset retirement obligations	99	99
Non-pension postretirement benefits obligations	354	273
Regulatory liabilities	3,393	3,229
Mark-to-market derivative liability	106	49
Other	994	484
Total deferred credits and other liabilities	9,003	8,406
Total liabilities	16,213	15,582
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid-in capital	5,189	5,014
Retained earnings	696	721
Total shareholders' equity	7,473	7,323
Total liabilities and shareholders' equity	\$ 23,686	\$ 22,905

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance, December 31, 2012	\$ 1,588	\$ 5,014	\$ (1,639)	\$ 2,360	\$	\$ 7,323
Net income			140			140
Appropriation of retained earnings for future dividends			(140)	140		
Common stock dividends				(165)		(165)
Parent tax matter indemnification		175				175
Balance, September 30, 2013	\$ 1,588	\$ 5,189	\$ (1,639)	\$ 2,335	\$	\$ 7,473

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating revenues				
Operating revenues	\$ 727	\$ 805	\$ 2,294	\$ 2,393
Operating revenues from affiliates	1	1	1	3
Total operating revenues	728	806	2,295	2,396
Operating expenses				
Purchased power and fuel	207	155	632	626
Purchased power from affiliate	82	171	321	407
Operating and maintenance	162	172	480	491
Operating and maintenance from affiliates	24	27	74	83
Depreciation and amortization	57	55	171	161
Taxes other than income	41	48	121	122
Total operating expenses	573	628	1,799	1,890
Operating income	155	178	496	506
Other income and (deductions)				
Interest expense	(26)	(29)	(77)	(85)
Interest expense to affiliates, net	(3)	(3)	(9)	(9)
Other, net	1	2	4	6
Total other income and (deductions)	(28)	(30)	(82)	(88)
Income before income taxes	127	148	414	418
Income taxes	35	25	122	118
Net income	92	123	292	300
Preferred security dividends and redemption		1	7	3
Net income attributable to common shareholder	92	122	285	297
Comprehensive income, net of income taxes				
Net income	92	123	292	300
Other comprehensive income, net of income taxes				
Change in unrealized gains on marketable securities				1
Other comprehensive income				1
Comprehensive income	\$ 92	\$ 123	\$ 292	\$ 301

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 292	\$ 300
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	171	161
Deferred income taxes and amortization of investment tax credits	35	27
Other non-cash operating activities	84	96
Changes in assets and liabilities:		
Accounts receivable	41	36
Receivables from and payables to affiliates, net	(25)	15
Inventories	4	10
Accounts payable, accrued expenses and other current liabilities	9	(75)
Income taxes	66	127
Pension and non-pension postretirement benefit contributions	(10)	(12)
Other assets and liabilities	(47)	(57)
Net cash flows provided by operating activities	620	628
Cash flows from investing activities		
Capital expenditures	(374)	(274)
Changes in intercompany money pool	(1)	5
Change in restricted cash	(1)	2
Other investing activities	8	8
Net cash flows used in investing activities	(368)	(259)
Cash flows from financing activities		
Payment of accounts receivable agreement	(210)	
Issuance of long-term debt	550	350
Dividends paid on common stock	(248)	(258)
Dividends paid on preferred securities	(1)	(3)
Redemption of preferred securities	(93)	
Other financing activities	(3)	(4)
Net cash flows (used in) provided by financing activities	(5)	85
Increase in cash and cash equivalents	247	454
Cash and cash equivalents at beginning of period	362	194
Cash and cash equivalents at end of period	\$ 609	\$ 648

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 609	\$ 362
Restricted cash and cash equivalents	1	
Accounts receivable, net (\$0 and \$289 gross accounts receivable pledged as collateral as of September 30, 2013 and December 31, 2012, respectively)		
Customer	250	364
Other	116	161
Inventories, net		
Fossil fuel	58	65
Materials and supplies	21	19
Deferred income taxes	48	40
Receivable from Exelon intercompany money pool	1	
Prepaid utility taxes	38	21
Regulatory assets	22	32
Other	46	30
Total current assets	1,210	1,094
Property, plant and equipment, net	6,270	6,078
Deferred debits and other assets		
Regulatory assets	1,419	1,378
Investments	22	22
Investments in affiliates	8	8
Receivable from affiliates	410	360
Prepaid pension asset	368	373
Other	38	40
Total deferred debits and other assets	2,265	2,181
Total assets	\$ 9,745	\$ 9,353

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes payable accounts receivable agreement	\$	\$ 210
Long-term debt due within one year	300	300
Accounts payable	249	244
Accrued expenses	91	82
Payables to affiliates	51	76
Customer deposits	49	51
Regulatory liabilities	111	169
Other	28	26
Total current liabilities	879	1,158
Long-term debt	2,196	1,647
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,440	2,331
Asset retirement obligations	29	29
Non-pension postretirement benefits obligations	301	284
Regulatory liabilities	592	538
Other	105	113
Total deferred credits and other liabilities	3,467	3,295
Total liabilities	6,726	6,284
Commitments and contingencies		
Preferred securities		87
Shareholder's equity		
Common stock	2,388	2,388
Retained earnings	630	593
Accumulated other comprehensive income, net	1	1
Total shareholder's equity	3,019	2,982
Total liabilities and shareholders' equity	\$ 9,745	\$ 9,353

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance, December 31, 2012	\$ 2,388	\$ 593	\$ 1	\$ 2,982
Net income		292		292
Common stock dividends		(248)		(248)
Preferred security dividends		(1)		(1)
Redemption of preferred securities		(6)		(6)
Balance, September 30, 2013	\$ 2,388	\$ 630	\$ 1	\$ 3,019

See the Combined Notes to Consolidated Financial Statements

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,	
	2013	2012	2013	2012
Operating revenues				
Operating revenues	\$ 735	\$ 716	\$ 2,261	\$ 2,023
Operating revenues from affiliates	2	4	10	9
Total operating revenues	737	720	2,271	2,032
Operating expenses				
Purchased power and fuel	202	253	703	747
Purchased power from affiliate	144	120	356	296
Operating and maintenance	125	172	391	460
Operating and maintenance from affiliates	21	29	59	97
Depreciation and amortization	78	68	252	218
Taxes other than income	53	48	162	143
Total operating expenses	623	690	1,923	1,961
Operating income	114	30	348	71
Other income and (deductions)				
Interest expense	(29)	(35)	(94)	(110)
Other, net	4	5	13	18
Total other income and (deductions)	(25)	(30)	(81)	(92)
Income (loss) before income taxes	89		267	(21)
Income taxes	36		107	(7)
Net income (loss)	53		160	(14)
Preference stock dividends	3	4	10	10
Net income (loss) attributable to common shareholder	50	(4)	150	(24)
Comprehensive income (loss)	\$ 53	\$	\$ 160	\$ (14)

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net (loss) income	\$ 160	\$ (14)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	252	218
Deferred income taxes and amortization of investment tax credits	105	101
Other non-cash operating activities	105	148
Changes in assets and liabilities:		
Accounts receivable	(28)	
Receivables from and payables to affiliates, net	(12)	2
Inventories	(15)	21
Accounts payable, accrued expenses and other current liabilities	(5)	4
Income taxes	6	(50)
Pension and non-pension postretirement benefit contributions	(16)	(13)
Other assets and liabilities	(119)	(77)
Net cash flows provided by operating activities	433	340
Cash flows from investing activities		
Capital expenditures	(391)	(419)
Change in restricted cash	(20)	(19)
Other investing activities	2	8
Net cash flows used in investing activities	(409)	(430)
Cash flows from financing activities		
Changes in short-term debt	40	
Issuance of long-term debt	300	250
Repayment of long-term debt	(433)	(141)
Dividends paid on preference stock	(10)	(10)
Contributions from parent		66
Other financing activities	(3)	(3)
Net cash flows (used in) provided by financing activities	(106)	162
Increase (decrease) in cash and cash equivalents	(82)	72
Cash and cash equivalents at beginning of period	89	49
Cash and cash equivalents at end of period	\$ 7	\$ 121

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7	\$ 89
Restricted cash and cash equivalents of variable interest entity	50	30
Accounts receivable, net		
Customer	404	409
Other	132	111
Income taxes receivable		3
Inventories, net		
Gas held in storage	61	51
Materials and supplies	36	31
Deferred income taxes	5	1
Prepaid utility taxes	76	57
Regulatory assets	184	190
Other	7	8
Total current assets	962	980
Property, plant and equipment, net	5,713	5,498
Deferred debits and other assets		
Regulatory assets	509	522
Investments	5	5
Investments in affiliates	8	8
Prepaid pension asset	434	467
Other	26	26
Total deferred debits and other assets	982	1,028
Total assets	\$ 7,657	\$ 7,506

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 40	\$ 400
Long-term debt due within one year		67
Long-term debt of variable interest entity due within one year	69	195
Accounts payable	127	106
Accrued expenses	9	
Deferred income taxes	54	65
Payables to affiliates	72	71
Customer deposits	31	29
Regulatory liabilities	58	47
Other		
Total current liabilities	644	980
Long-term debt	1,746	1,446
Long-term debt to financing trust	258	258
Long-term debt of variable interest entity	230	265
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,759	1,658
Asset retirement obligations	7	8
Non-pension postretirement benefits obligations	221	229
Regulatory liabilities	218	214
Other	66	90
Total deferred credits and other liabilities	2,271	2,199
Total liabilities	5,149	5,148
Commitments and contingencies		
Shareholders equity		
Common stock	1,360	1,360
Retained earnings	958	808
Total shareholder's equity	2,318	2,168
Preference stock not subject to mandatory redemption	190	190
Total equity	2,508	2,358
Total liabilities and shareholders equity	\$ 7,657	\$ 7,506

See the Combined Notes to Consolidated Financial Statements

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, 2012	\$ 1,360	\$ 808	\$ 2,168	\$ 190	\$ 2,358
Net income		160	160		160
Preference stock dividends		(10)	(10)		(10)
Balance, September 30, 2013	\$ 1,360	\$ 958	\$ 2,318	\$ 190	\$ 2,508

See the Combined Notes to Consolidated Financial Statements

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution businesses. Prior to March 12, 2012, Exelon's principal, wholly owned subsidiaries included ComEd, PECO and Generation. On March 12, 2012, Constellation merged into Exelon with Exelon continuing as the surviving corporation pursuant to the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"). As a result of the merger transaction, Generation now includes the former Constellation generation and customer supply operations. BGE, formerly Constellation's regulated utility subsidiary, is now a subsidiary of Exelon. Refer to Note 4 "Merger and Acquisitions" for further information regarding the merger 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.

For financial statement purposes, beginning on March 12, 2012, disclosures that solely relate to Constellation or BGE activities now also apply to Exelon, unless otherwise noted. When appropriate, Exelon, Generation, ComEd, PECO and BGE are named specifically for their related activities and disclosures.

Exelon did not apply push-down accounting to BGE. As a result, BGE continues to maintain its reporting requirements as an SEC registrant. The information disclosed for BGE represents the activity of the standalone entity for the three and nine months ended September 30, 2013 and 2012 and the financial position as of September 30, 2013 and December 31, 2012. However, for Exelon's financial reporting, Exelon is reporting BGE activity for the three and nine months ended September 30, 2013 and from March 12, 2012 through September 30, 2012 and the financial position as of September 30, 2013 and December 31, 2012.

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

For the nine months ended September 30, 2013, BGE recorded a \$2 million correcting adjustment to decrease amortization expense related to regulatory assets that were originally recorded during 2012 and a \$4 million correcting adjustment to decrease operating and maintenance expense for an overstatement of BGE's life insurance obligation related to post-employment benefits in prior years. Exelon and BGE have concluded that these correcting adjustments are not material to their respective results of operations or cash flows for the nine

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

months ended September 30, 2013 or any prior period presented. Exelon and BGE do not expect these correcting adjustments to have a material impact on their respective results of operations or cash flows for the year ended December 31, 2013.

The accompanying consolidated financial statements as of September 30, 2013 and 2012 and for the three and 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, 2012 Consolidated Balance Sheets were obtained from audited financial statements. Certain prior year amounts in Exelon's and BGE's Consolidated Statements of Cash Flows, Exelon's, Generation's and BGE's Consolidated Statements of Operations and Comprehensive Income and in Exelon's, Generation's, ComEd's, and BGE's Consolidated Balance Sheets have been reclassified between line items for comparative purposes. BGE recorded an adjustment to its Consolidated Statement of Cash Flows for the nine months ended September 30, 2012 to reflect the change in operating cash flows and capital expenditures related to amounts not paid of approximately \$17 million. The reclassifications did not materially affect any of the Registrants' net income or cash flows from operating or investing activities. Financial results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for fiscal year ended December 31, 2013. 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 2012 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 2013.

Presentation of Items Reclassified out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued authoritative guidance requiring entities to present either in the notes or parenthetically on the face of the financial statements, reclassifications from each component of accumulated other comprehensive income and the affected income statement line items. Entities only need to disclose the affected income statement line item for components reclassified to net income in their entirety; otherwise, a cross-reference to the related note should be provided. This guidance was effective for the Registrants for periods beginning after December 15, 2012 and was required to be applied prospectively. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 16 - Changes in Accumulated Other Comprehensive Income for the new disclosures.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued (and amended in January 2013), authoritative guidance requiring entities to disclose both gross and net information about recognized derivative instruments, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing or lending transactions that are offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet. This guidance was effective for the Registrants for periods beginning on or after January 1, 2013 and is required to be applied retrospectively. This guidance is primarily applicable to certain derivative transactions for Exelon and Generation. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 10 - Derivative Financial Instruments for the new disclosures.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Inclusion of the Fed Funds Effective Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes

In July 2013, the FASB issued authoritative guidance permitting entities to designate the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes. Prior to the issuance of this guidance, only interest rates on direct treasury obligations of the U.S. government and the LIBOR swap rate were considered benchmark interest rates in the U.S. This guidance was effective immediately and can be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. Currently, the Registrants do not use the Fed Funds Effective Swap Rate as a benchmark interest rate, but may in the future.

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

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. Currently, the Registrants present their unrecognized tax benefits as liabilities on a gross basis unless an unrecognized tax benefit is directly associated with a tax position taken in a tax year that results in the recognition of a net operating loss or other tax carryforward for that year. This guidance is effective for the Registrants for periods beginning after December 15, 2013 and is required to be applied prospectively, with retroactive application permitted. The Registrants are currently assessing the impacts this guidance may have on their financial positions and cash flows. The adoption of this standard will not impact the Registrants' results of operations.

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 impact the entity's economic performance.

As of September 30, 2013 and December 31, 2012, the Registrants consolidated four and five VIEs or VIE groups, respectively, for which the Registrants were the primary beneficiary and the Registrants had significant interests in seven and nine other VIEs for which the Registrants do not have the power to direct the entities' activities, respectively, and, accordingly, were not the primary beneficiary.

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;

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

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

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

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

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

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. 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, 2013, BGE remitted \$24 million and \$63 million, respectively, to BondCo. During the three and nine months ended September 30, 2012, BGE remitted \$27 million and \$62 million, respectively, to BondCo.

Except for providing capital funding to the solar entities for ongoing construction of the solar power facilities and a \$75 million parental guarantee to the third-party gas supplier in support of the retail gas group, during the nine months ended September 30, 2013 and year ended December 31, 2012:

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

Exelon, Generation and BGE did not have any 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, 2013 and December 31, 2012 are as follows:

	September 30, 2013			December 31, 2012		
	Exelon(a)(b)	Generation(b)	BGE	Exelon(a)(b)(c)	Generation(b)(c)	BGE
Current assets	\$ 391	\$ 330	\$ 50	\$ 550	\$ 519	\$ 30
Noncurrent assets	1,900	1,877	3	1,802	1,762	
Total assets	\$ 2,291	\$ 2,207	\$ 53	\$ 2,352	\$ 2,281	\$ 30
Current liabilities	\$ 453	\$ 366	\$ 77	\$ 685	\$ 613	\$ 71
Noncurrent liabilities	859	608	230	837	532	265
Total liabilities	\$ 1,312	\$ 974	\$ 307	\$ 1,522	\$ 1,145	\$ 336

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- (a) Includes certain purchase accounting adjustments not pushed down to the BGE standalone entity.
- (b) Includes total liabilities of \$53 million as of September 30, 2013 and total assets of \$116 million and total liabilities of \$62 million as of December 31, 2012 related to deferred and accrued taxes that have been recorded and are not restricted for use by three of the consolidated VIEs.
- (c) Includes total assets of \$146 million and total liabilities of \$42 million as of December 31, 2012 related to a retail power supply company that is no longer a consolidated VIE as of September 30, 2013.

In August 2013, Generation executed an agreement to terminate its energy supply contract with a retail power supply company that was previously a consolidated VIE. Generation did not have an ownership interest in the entity, but was the primary beneficiary through the energy supply contract. As a result of the termination, Generation no longer has a variable interest in the retail power supply company and ceased consolidation of the

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

entity during the third quarter of 2013. Upon deconsolidation, there was no gain or loss recognized. The assets, liabilities, and non-controlling interest were removed from Generation's balance sheet and the change in non-controlling interest is also reflected on the Statement of Changes in Shareholders' Equity.

Unconsolidated Variable Interest Entities

Exelon's and Generation's variable interests in unconsolidated VIEs generally include three transaction types: (1) equity method investments, (2) energy purchase and sale contracts, and (3) fuel purchase commitments. For the equity method investments, the carrying amount of the investments is reflected on their Consolidated Balance Sheets in Investments in affiliates. For the energy purchase and sale contracts and the fuel purchase commitments (commercial 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.

Fuel purchase commitments where Generation has a variable interest, but the variable interest is not significant and Generation is not the primary beneficiary, thus consolidation is not required.

ComEd's, PECO's and BGE's retail operations frequently include the purchase of electricity and RECs through procurement contracts of varying durations. None of ComEd, PECO or BGE considers itself the primary beneficiary of any VIEs as a result of these commercial arrangements.

Investment in energy development projects for which Generation has concluded that consolidation is not required.

As of September 30, 2013 and December 31, 2012, Exelon and Generation had significant unconsolidated variable interests in seven and nine, respectively, VIEs for which they were not the primary beneficiary; including certain equity method investments and certain commercial agreements. The change in the number of unconsolidated variable interests is driven by the completion of certain obligations which cause the entities to no longer be unconsolidated variable interests. The following tables present summary information about the significant unconsolidated VIE entities:

	Commercial Agreement VIEs	Equity Method Investment VIEs	Total
September 30, 2013			
Total assets(a)	\$ 115	\$ 366	\$ 481
Total liabilities(a)	3	126	129

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Registrants ownership interest(a)		97	97
Other ownership interests(a)	112	143	255
Registrants maximum exposure to loss:			
Carrying amount of equity method investments		78	78
Contract intangible asset	9		9
Debt and payment guarantees		5	5
Net assets pledged for Zion Station decommissioning(b)	43		43

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2012	Commercial Agreement VIEs	Equity Method Investment VIEs	Total
Total assets(a)	\$ 386	\$ 354	\$ 740
Total liabilities(a)	219	114	333
Registrants' ownership interest(a)		97	97
Other ownership interests(a)	167	143	310
Registrants' maximum exposure to loss:			
Letters of credit	5		5
Carrying amount of equity method investments		77	77
Contract intangible asset	8		8
Debt and payment guarantees		5	5
Net assets pledged for Zion Station decommissioning(b)	50		50

(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 \$486 million and \$614 million as of September 30, 2013 and December 31, 2012, respectively; offset by payables to ZionSolutions LLC of \$443 million and \$564 million as of September 30, 2013 and December 31, 2012, respectively. These items are included to provide information regarding the relative size of the ZionSolutions LLC unconsolidated VIE.

For each unconsolidated VIE, 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 agreements with, or commitments by, third parties that would affect the fair value or risk of their variable interests in these variable interest entities.

4. Merger and Acquisitions**Merger with Constellation (Exelon, Generation, ComEd, PECO and BGE)*****Description of Transaction***

On March 12, 2012, Exelon completed the merger contemplated by the Merger Agreement among Exelon, Bolt Acquisition Corporation, a wholly owned subsidiary of Exelon (Merger Sub), and Constellation. As a result of that merger, Merger Sub was merged into Constellation (the Initial Merger) and Constellation became a wholly owned subsidiary of Exelon. Following the completion of the Initial Merger, Exelon and Constellation completed a series of internal corporate organizational restructuring transactions. Constellation merged with and into Exelon, with Exelon continuing as the surviving corporation (the Upstream Merger). Simultaneously with the Upstream Merger, Constellation's interest in RF HoldCo LLC, which holds Constellation's interest in BGE, was transferred to Exelon Energy Delivery Company, LLC, a wholly owned subsidiary of Exelon that also owns Exelon's interests in ComEd and PECO. Following the Upstream Merger and the transfer of RF HoldCo LLC, Exelon contributed to Generation certain subsidiaries, including those with generation and customer supply operations that were acquired from Constellation as a result of the Initial Merger and the Upstream Merger.

Regulatory Matters

In February 2012, the MDPSC issued an Order approving the Exelon and Constellation merger. As part of the MDPSC Order, Exelon agreed to provide a package of benefits to BGE customers, the City of Baltimore and the State of Maryland, resulting in an estimated direct investment in the State of Maryland of approximately \$1 billion.

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

The direct investment estimate includes \$95 million to \$120 million relating to the construction of a headquarters building in Baltimore for Generation's competitive energy businesses. On March 20, 2013, Generation signed a 20 year lease agreement that is contingent upon the developer obtaining all required approvals, permits and financing for the construction of the building. Once required approvals are received and financing conditions are met, construction will commence and the building is expected to be ready for occupancy in approximately 2 years after building construction commences. The direct investment estimate also includes \$625 million for Exelon's and Generation's commitment to develop or assist in development of 285-300 MWs of new generation in Maryland, expected to be completed over a period of 10 years. Such costs, which are expected to be primarily capital in nature, will be recognized as incurred. As of September 30, 2013, amounts reflected in the Exelon and Generation consolidated financial statements for these expenditure commitments were immaterial. On July 26, 2013, Generation executed an engineering procurement and construction contract to expand its Perryman, Maryland site with 120MW of new natural gas-fired generation to satisfy certain of these commitments and achievement of commercial operation is expected in 2015. See Note 18 - Commitments and Contingencies for additional information.

The MDPSC Order contemplates various options for complying with the new generation development commitments, including building or acquiring generating assets, making subsidy or compliance payments, or in circumstances in which the generation build is delayed, making liquidated damages payments. Exelon and Generation expect that the majority of these commitments will be satisfied by building or acquiring generating assets and, therefore, will be primarily capital in nature and recognized as incurred. If in the future Exelon determines that it is probable that it will make subsidy, compliance or liquidated damages payments related to the new generation development commitments, Exelon will record a liability at that time. As of September 30, 2013, it is reasonably possible that Exelon will be required to make subsidy or liquidated damages payments of approximately \$40 million rather than build one of the generation projects contemplated by the commitments, given that the generation build is dependent upon the passage of legislation and other conditions that Exelon does not control.

Associated with certain of the regulatory approvals required for the merger, on November 30, 2012, a subsidiary of Generation sold three Maryland generating stations and associated assets, Brandon Shores and H.A. Wagner in Anne Arundel County, Maryland, and C.P. Crane in Baltimore County, Maryland, to Raven Power Holdings LLC (Raven Power), a subsidiary of Riverstone Holdings LLC. In 2012, Exelon and Generation recorded a pre-tax loss of \$272 million to reflect the difference between the sales price and the carrying value of the generating stations and associated assets. In the first quarter of 2013, Exelon and Generation recorded a pre-tax gain of \$8 million to reflect the final settlement of the sales price with Raven Power.

Accounting for the Merger Transaction

The fair value of Constellation's non-regulated business assets acquired and liabilities assumed was determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing); discount rates reflecting risk inherent in the future cash flows; and future market prices. There were also judgments made to determine the expected useful lives assigned to each class of assets acquired and duration of liabilities assumed.

The financial statements of BGE do not include fair value adjustments for assets or liabilities subject to rate-setting provisions for BGE. BGE is subject to the rate-setting authority of FERC and the MDPSC and is accounted for pursuant to the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for BGE provide revenue derived from costs including a return on investment of assets and liabilities included in rate base. Except for debt, fuel supply contracts and regulatory assets not earning a return, the fair values of BGE's tangible and intangible assets and liabilities subject to these rate-setting

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

provisions are assumed to approximate their carrying values and, therefore, do not reflect any net adjustments related to these amounts. For BGE's debt, fuel supply contracts and regulatory assets not earning a return, the difference between fair value and book value of BGE's assets acquired and liabilities assumed is recorded as a regulatory asset and liability at Exelon Corporate as Exelon did not apply push-down accounting to BGE. See Note 1 Basis of Presentation for additional information on BGE's push-down accounting treatment. Also see Note 5 Regulatory Matters for additional information on BGE's regulatory assets.

The preliminary valuations performed in the first quarter of 2012 were updated in the second, third and fourth quarters of 2012, with the most significant adjustments to the preliminary valuation amounts having been made to the fair values assigned to the acquired power supply and fuel contracts, unregulated property, plant and equipment and investments in affiliates. There were no significant adjustments to the purchase price allocation in the first quarter of 2013 and the purchase price allocation was final as of March 31, 2013.

The final purchase price allocation of the Merger of Exelon with Constellation and Exelon's contribution of certain subsidiaries of Constellation to Generation was as follows:

Purchase Price Allocation, excluding amortization	Exelon	Generation
Current assets	\$ 4,936	\$ 3,638
Property, plant and equipment	9,342	4,054
Unamortized energy contracts	3,218	3,218
Other intangibles, trade name and retail relationships	457	457
Investment in affiliates	1,942	1,942
Pension and OPEB regulatory asset	740	
Other assets	2,265	1,266
 Total assets	 22,900	 14,575
Current liabilities	3,408	2,804
Unamortized energy contracts	1,722	1,512
Long-term debt, including current maturities	5,632	2,972
Noncontrolling interest	90	90
Deferred credits and other liabilities and preferred securities	4,683	1,933
 Total liabilities, preferred securities and noncontrolling interest	 15,535	 9,311
 Total purchase price	 \$ 7,365	 \$ 5,264

Intangible Assets Recorded

For the power supply and fuel contracts acquired from Constellation, the difference between the contract price and the market price at the date of the merger was recognized as either an intangible asset or liability based on whether the contracts were in or out-of-the-money. The fair value amounts are amortized over the life of the contract in relation to the present value of the underlying cash flows as of the merger date. Amortization expense and income are recorded through purchased power and fuel expense or operating revenues. Exelon and Generation present separately in their Consolidated Balance Sheets the unamortized energy contract assets and liabilities for these contracts. Exelon's and Generation's amortization expense for the three and nine months ended September 30, 2013 amounted to \$40 million and \$372 million, respectively. Exelon's and Generation's amortization expense for the three months ended September 30, 2012 and for the period March 12, 2012 to September 30, 2012 amounted to \$261 million and \$794 million, respectively. In addition, Exelon Corporate has established a regulatory asset and an unamortized energy contract liability related to BGE's power supply and fuel contracts. The power supply and fuel contracts regulatory asset amortization was \$19 million and \$57 million for the three and nine months ended September 30, 2013, respectively, and \$36 million and \$80 million

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

for the three months ended September 30, 2012 and for the period March 12, 2012 to September 30, 2012, respectively. An equally offsetting amortization of the unamortized energy contract liability has been recorded at Exelon Corporate in the Consolidated Statement of Operations.

Exelon's and Generation's amortization expense for the fair value of the Constellation trade name intangible asset for the three and nine months ended September 30, 2013 amounted to \$8 million and \$20 million, respectively. Exelon's and Generation's straight line amortization expense for the fair value of the Constellation trade name intangible asset for the three months ended September 30, 2012 and the period March 12, 2012 to September 30, 2012 amounted to \$6 million and \$14 million, respectively. The trade name intangible asset is included in deferred debits and other assets within Exelon's and Generation's Consolidated Balance Sheets.

The intangible assets for the fair value of the retail relationships are amortized as amortization expense on a straight line basis over the useful life of the underlying assets. Exelon's and Generation's straight line amortization expense for the three and nine months ended September 30, 2013 amounted to \$8 million and \$17 million, respectively. Exelon's and Generation's straight line amortization expense for the three months ended September 30, 2012 and the period March 12, 2012 to September 30, 2012 amounted to \$2 million and \$9 million, respectively. The retail relationships intangible assets are included in deferred debits and other assets within Exelon's and Generation's Consolidated Balance Sheets.

Exelon's intangible assets and liabilities acquired through the merger with Constellation included in its Consolidated Balance Sheets, along with the future estimated amortization, were as follows as of September 30, 2013:

Description	Weighted Average Amortization (Years)(b)	Gross	Accumulated Amortization	Net	Estimated amortization expense					2018 and Beyond
					Remainder of	2013	2014	2015	2016	2017
Unamortized energy contracts, net(a)	1.5	\$ 1,499	\$ (1,299)	\$ 200	\$ 79	\$ 75	\$ 18	\$ (31)	\$ (21)	\$ 80
Trade name	10.0	243	(40)	203	6	24	24	24	24	101
Retail relationships	12.4	214	(31)	183	5	19	18	18	18	105
Total, net		\$ 1,956	\$ (1,370)	\$ 586	\$ 90	\$ 118	\$ 60	\$ 11	\$ 21	\$ 286

(a) Includes the fair value of BGE's power and gas supply contracts of \$32 million for which an offsetting regulatory asset was also recorded.

(b) Weighted average amortization period was calculated as of the date of acquisition.

Impact of Merger

It is impracticable to determine the overall financial statement impact for the Constellation subsidiaries contributed down to Generation following the Upstream Merger for the three and nine months ended September 30, 2012. Upon closing of the merger, the operations of these Constellation subsidiaries were integrated into Generation's operations and are therefore not fully distinguishable after the merger.

The impact of BGE on Exelon's Consolidated Statement of Operations and Comprehensive Income included operating revenues of \$720 million and no net income during the three months ended September 30, 2012, and operating revenues of \$1,388 million and net loss of \$49 million during the nine months ended September 30, 2012.

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

During the three months ended September 30, 2013, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$43 million, \$32 million, \$5 million, \$3 million and \$2 million, respectively. During the nine months ended September 30, 2013, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$106 million, \$75 million, \$14 million, \$8 million and \$5 million, respectively. Of these amounts, Exelon, ComEd and BGE deferred \$15 million, \$10 million and \$5 million, respectively, as a regulatory asset as of September 30, 2013. Additionally, Exelon and BGE established a regulatory asset of \$6 million as of September 30, 2013 for previously incurred 2012 merger and integration-related costs.

During the three months ended September 30, 2012, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$95 million, \$79 million, \$8 million, \$3 million and \$1 million, respectively. During the nine months ended September 30, 2012, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$729 million, \$283 million, \$34 million, \$13 million and \$172 million, respectively. Of these amounts, Exelon, ComEd and BGE deferred \$49 million, \$30 million and \$19 million, respectively, as a regulatory asset as of September 30, 2012.

The costs incurred are classified primarily within Operating and Maintenance Expense in the Registrants' respective Consolidated Statements of Operations and Comprehensive Income, with the exception of the BGE customer rate credit and the credit facility fees, which are included as a reduction to operating revenues and other, net, respectively, for the three and nine months ended September 30, 2012. See Note 18 Commitments and Contingencies for additional information.

Severance Costs

The Registrants have an ongoing severance plan under which, in general, the longer an employee worked prior to termination the greater the amount of severance benefits. The Registrants record a liability and expense or regulatory asset for severance once terminations are probable of occurrence and the related severance benefits can be reasonably estimated. For severance benefits that are incremental to its ongoing severance plan (one-time termination benefits), the Registrants measure the obligation and record the expense at fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the required service period.

Upon closing the merger with Constellation, Exelon recorded a severance accrual for the anticipated employee position reductions as a result of the post-merger integration. The majority of these positions are corporate and Generation support positions. Since then, Exelon has identified specific employees to be severed pursuant to the merger-related staffing and selection process as well as employees that were previously identified for severance but have since accepted another position within Exelon and are no longer receiving a severance benefit. Exelon adjusts its accrual each quarter to reflect its best estimate of remaining severance costs. In addition, certain employees identified during the staffing and selection process also receive pension and other postretirement benefits that are deemed contractual termination benefits, which the Registrants recorded during the second quarter of 2012.

The amount of severance expense associated with the post-merger integration recognized for the three months ended September 30, 2013 for Exelon and Generation were \$3 million and \$3 million, respectively. For Generation, \$2 million represents amounts billed by BSC through intercompany allocations. The amount of severance expense associated with the post-merger integration recognized for the nine months ended September 30, 2013 for Exelon and Generation were \$6 million and \$6 million, respectively. For Generation, \$5 million represents amounts billed by BSC through intercompany allocations. There was no severance expense associated with post-merger integration recognized for the three and nine months ended September 30, 2013 for ComEd, PECO and BGE. Estimated costs to be incurred after September 30, 2013 are not material.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

For the three and nine months ended September 30, 2012, the Registrants recorded the following severance benefits costs associated with the identified job reductions within operating and maintenance expense in their Consolidated Statements of Operations, except for ComEd and BGE:

Three Months Ended September 30, 2012

Severance Benefits(a)	Exelon	Generation	ComEd(b)	PECO	BGE(c)
Severance charges	\$ 8	\$ 4	\$ 1	\$ 1	\$ 1
Stock compensation	3	2	1		
Total severance benefits	\$ 11	\$ 6	\$ 2	\$ 1	\$ 1

Nine Months Ended September 30, 2012

Severance Benefits(a)	Exelon	Generation	ComEd(b)	PECO	BGE(c)
Severance charges	\$ 117	\$ 68	\$ 16	\$ 8	\$ 18
Stock compensation	6	4	1		
Other charges(d)	7	4	1		1
Total severance benefits	\$ 130	\$ 76	\$ 18	\$ 8	\$ 19

(a) The amounts above include \$0 million and \$40 million at Generation, \$2 million and \$16 million at ComEd, \$1 million and \$8 million at PECO, and \$1 million and \$7 million at BGE, for amounts billed by BSC through intercompany allocations for the three and nine months ended September 30, 2012, respectively.

(b) ComEd established regulatory assets of \$2 million and \$18 million for severance benefits costs for the three and nine months ended September 30, 2012, respectively. The majority of these costs are expected to be recovered over a five-year period.

(c) BGE established regulatory assets of \$1 million and \$19 million for severance benefits costs for the three and nine months ended September 30, 2012, respectively. The majority of these costs are being recovered over a five-year period beginning in March 2013.

(d) Primarily includes life insurance, employer payroll taxes, educational assistance and outplacement services.

Amounts included in the table below represent the severance liability recorded by Exelon, Generation, ComEd, PECO and BGE for employees of those Registrants and exclude amounts billed through intercompany allocations:

Nine Months Ended September 30, 2013

Severance liability	Exelon	Generation	ComEd	PECO	BGE
Balance at December 31, 2012	\$ 111	\$ 33	\$ 1	\$	\$ 11
Severance charges(a)	5	1			
Stock compensation	1				
Payments	(52)	(20)			(4)
Balance at September 30, 2013	\$ 65	\$ 14	\$ 1	\$	\$ 7

(a) Includes salary continuance and health and welfare severance benefits. Amounts represent ongoing severance plan benefits.

Cash payments under the plan began in the second quarter of 2012. Substantially all cash payments under the plan are expected to be made by the end of 2016.

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

The Registrants provide severance and health and welfare benefits under Exelon's ongoing severance benefit plans to terminated employees in the normal course of business, which are not directly related to the merger with Constellation. These benefits are accrued for when the benefits are considered probable and can be reasonably estimated.

For the three and nine months ended September 30, 2013, the Registrants recorded the following severance costs associated with these ongoing severance benefits within operating and maintenance expense in their Consolidated Statements of Operations:

Severance Benefits(a)		Exelon	Generation	ComEd	PECO	BGE
Severance charges	three months	\$ 12	\$ 11	\$ 1	\$	\$
Severance charges	nine months	14	12	2		

(a) The amounts above for Generation include \$1 million for amounts billed by BSC through intercompany allocations for the three and nine months ended September 30, 2013.

For the three and nine months ended September 30, 2012, the Registrants recorded the following severance costs associated with these ongoing severance benefits within operating and maintenance expense in their Consolidated Statements of Operations:

Severance Benefits(a)		Exelon	Generation	ComEd	PECO	BGE
Severance charges	three months	\$ 5	\$ 3	\$ 1	\$	\$ 1
Severance charges	nine months	11	8	1		2

(a) The amounts above for Generation include \$1 million for amounts billed by BSC through intercompany allocations for the three and nine months ended September 30, 2012.

The severance liability balances associated with these ongoing severance benefits as of September 30, 2013 and December 31, 2012 are not material.

Pro-forma Impact of the Merger

The following unaudited pro forma financial information reflects the consolidated results of operations of Exelon and Generation as if the merger with Constellation had taken place on January 1, 2011. The unaudited pro forma information was calculated after applying Exelon's and Generation's accounting policies and adjusting Constellation's results to reflect purchase accounting adjustments.

The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved had the merger events taken place on the dates indicated, or the future consolidated results of operations of the combined company.

	Three Months Ended September 30, 2012	
	Generation	Exelon
Total Revenues	\$ 4,293	\$ 6,841
Net income attributable to Exelon	282	492
Basic Earnings Per Share	n.a.	\$ 0.58
Diluted Earnings Per Share	n.a.	0.57

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Nine Months Ended September 30, 2012	
	Generation	Exelon
Total Revenues	\$ 12,753	\$ 20,084
Net income attributable to Exelon	805	1,439
Basic Earnings Per Share	n.a.	\$ 1.79
Diluted Earnings Per Share	n.a.	1.79

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 2012 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. 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 to the performance-based formula rate tariff on or before May 1, with resulting rates effective in January of the following year. This 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. Throughout each year, ComEd records regulatory assets or regulatory liabilities and corresponding 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, 2013, and December 31, 2012, ComEd had recorded a net regulatory asset associated with the distribution formula rate of \$404 million and \$209 million, respectively.

During March 2013, the Illinois House and Senate each passed Senate Bill 9 with supermajority votes to clarify the intent of EIMA on three major issues: the use of year-end rather than average rate base and capital structure in the annual reconciliation, the use of ComEd's weighted average cost of capital interest rate to apply to the annual reconciliation and an allowed return on ComEd's pension asset. On May 22, 2013, the Illinois General Assembly overrode the Governor's May 5, 2013 veto of Senate Bill 9, which resulted in the legislation becoming effective immediately. ComEd projects the override of Senate Bill 9 will result in increased operating revenues of approximately \$25 million for 2013 and \$65 million in 2014. Also, ComEd projects that Senate Bill 9 will accelerate capital expenditures by approximately \$40 million and \$45 million in 2013 and 2014, respectively.

On May 30, 2013, ComEd updated the distribution formula rate structure to reflect the impacts of Senate Bill 9. On June 5, 2013, the ICC approved the May 30 filing implementing ComEd's formula rate structure change as well as the resulting reduction to the current revenue requirement in effect of \$14 million, which was reflected in customer rates effective July 1, 2013.

On May 31, 2013, ComEd updated its April 29, 2013, distribution formula rate filing to reflect the impacts of Senate Bill 9. The May 31, 2013 filing establishes the revenue requirement used to set the rates that will take effect in January 2014 after the ICC's review and approval, which is due by December 25, 2013. The revenue requirement requested is based on 2012 actual costs and projected 2013 capital additions as well as an annual

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

reconciliation of the revenue requirement in effect in 2012 to the actual costs incurred for that year. ComEd's current request is a total increase to the revenue requirement including the impacts of Senate Bill 9, of \$353 million, reflecting an increase of \$162 million for the initial revenue requirement for 2013 and an increase of \$191 million for the annual reconciliation for 2012. The revenue requirement provides for a weighted average debt and equity return on distribution rate base of 6.94% inclusive of an allowed return on common equity of 8.72%, reflecting the average rate on 30-year treasury notes plus 580 basis points.

On September 4, 2013, the Attorney General filed a complaint (the Complaint) with the ICC to change the formula rate structure approved by the ICC on June 5, 2013. In the Complaint, the Attorney General proposed the following three changes to the formula: the elimination of the income tax gross-up on the weighted average cost of capital used to calculate interest on the annual reconciliation balance, the netting of associated accumulated deferred income taxes against the annual reconciliation balance in calculating interest, and the use of average rather than year-end rate base for determining any ROE collar adjustment. On October 2, 2013, the ICC opened an investigation (the Investigation) in which it undertook to review the three issues raised in the Complaint and determine if ComEd's current formula rate structure complies with Senate Bill 9. On October 31, 2013, the Attorney General asked to voluntarily withdraw the Complaint. ComEd is unable to predict the outcome of the ICC's Investigation; however, if the ICC were to rule against ComEd on these three issues, the impact could be material to ComEd's results of operations, cash flows, and financial position. ComEd expects the Investigation to be resolved in the fourth quarter of 2013.

On April 1, 2013, ComEd filed annual progress reports on both its AMI Implementation Plan and Infrastructure Investment Plan as required by EIMA. On April 9, 2013, the ICC initiated an investigation to review ComEd's progress on its AMI Implementation Plan. The ICC did not initiate an investigation on ComEd's Infrastructure Investment Plan. On June 5, 2013, the ICC issued an interim order approving ComEd's accelerated AMI deployment plan consistent with the provisions of Senate Bill 9. In September 2013, ComEd began smart grid deployment with 60,000 meters to be installed by the end of 2013. On June 26, 2013, the ICC issued a final order on the overall progress of ComEd's AMI Implementation Plan with no significant findings.

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 (the same position ComEd took in its 2010 electric distribution rate case (2010 Rate Case) discussed below). 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 Rate Case became effective. In August 2011, ComEd filed testimony in the remand proceeding that no refunds should be required. The ICC subsequently initiated a proceeding on remand. On February 23, 2012, the ICC issued an order on remand in the proceeding 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.

On October 1, 2013, the Court ruled against ComEd on the accumulated depreciation issue. The Court affirmed that ComEd owes a refund to customers of \$37 million. As of September 30, 2013, and December 31, 2012, ComEd was fully reserved for this liability. ComEd will not seek rehearing or appeal on this matter and is working with the ICC on the process and timing for a refund to customers.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2010 Illinois Electric Distribution Rate Case (Exelon and ComEd). On June 30, 2010, ComEd filed its 2010 Rate Case requesting ICC approval for an increase of \$396 million to its annual delivery services revenue requirement. This request was subsequently reduced to \$343 million to account for changes in tax law, corrections, acceptance of limited adjustments proposed by certain parties and the amounts expected to be recovered in the AMI pilot program tariff. The request to increase the annual revenue requirement was to allow ComEd to recover the costs of substantial investments made since its last rate filing in 2007. The requested increase also reflected increased costs, most notably pension and OPEB, since ComEd's rates were last determined. The original requested rate of return on common equity was 11.5%. In addition, ComEd requested future recovery of certain amounts that were previously recorded as expense that would allow ComEd to recognize a one-time benefit of up to \$40 million (pre-tax). The requested increase also included \$22 million for increased uncollectible accounts expense, which would increase the threshold for determining over/under recoveries under ComEd's uncollectible accounts tariff.

On May 24, 2011, the ICC issued an order, which became effective on June 1, 2011. The order approved a \$143 million increase to ComEd's annual delivery services revenue requirement and a 10.5% rate of return on common equity. As expected, the ICC followed the Court's ruling in ComEd's 2007 Rate Case on the post-test year accumulated depreciation issue. The order allowed ComEd to establish or reestablish a net amount of approximately \$40 million of previously expensed plant balances or new regulatory assets, which was reflected as a reduction in operating and maintenance expense and income tax expense in 2011. The order also affirmed the current regulatory asset for severance costs, which was challenged by an intervener in the 2010 Rate Case. The order was appealed to the Court by several parties on a number of issues. On May 16, 2013, the Court dismissed as moot the appeals of the ICC's order in the 2010 Rate Case as ComEd now recovers distribution costs under EIMA through a pre-established formula rate tariff. See Note 3 of Exelon's 2012 Form 10-K for further details on ComEd's 2007 Rate Case and 2010 Rate Case.

Illinois Procurement Proceedings (Exelon and ComEd). ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. The IPA's 2013 procurement plan, approved by the ICC, provides for curtailment of the existing long-term contracts for renewable energy and RECs in response to the increased number of ComEd's customers purchasing their energy from competitive electric generation suppliers on their own or through municipal aggregation. In March 2013, ICC staff and the IPA approved ComEd's updated load forecast. Purchases under the existing long-term contracts for energy and the associated RECs were reduced on a pro-rata basis under the terms of those contracts for the June 2013 – May 2014 period to keep the purchases under the statutory rate impact cap. The curtailment's impact on ComEd's financial position and cash flows was immaterial.

On December 19, 2012, the ICC issued an order directing ComEd and Ameren (the Utilities) to enter into sourcing agreements 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 proposed term of the sourcing agreement is 20 years. The project was approved by the DOE on February 4, 2013. The sourcing agreement was approved by the ICC on June 26, 2013 in a separate proceeding, with the ICC ordering ComEd to execute the sourcing agreement no later than 60 days after the date of the order. The sourcing agreement stipulates that the Utilities will pay FutureGen's contract prices, which are set annually based on a formula rate construct. 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 the Utilities to recover (or pass along) these costs from the Utilities' distribution system customers, regardless of whether they purchase electricity from the utility or from competitive electric generation suppliers. On January 22, 2013, ComEd filed an application for rehearing, requesting the ICC reconsider its December 2012 order requiring the Utilities to

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

procure the entire output of the FutureGen facility. On January 29, 2013, the ICC denied ComEd's rehearing request. ComEd filed an appeal with the Illinois Appellate Court on February 22, 2013, questioning the legality of requiring ComEd to procure power for retail customers purchasing electricity from competitive electric generation suppliers.

On August 22, 2013, the Utilities executed the contract with FutureGen in accordance with the ICC order. However, in the event the order is reversed as a result of the appeal, ComEd's obligations under the contract should be suspended. Depending on the ultimate outcome of the appeals, the 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.

See Note 18 - Commitments and Contingencies for additional information on ComEd's energy commitments and ICC's proceedings related to storm waivers.

Pennsylvania Regulatory Matters

Pennsylvania Procurement Proceedings (Exelon and PECO). PECO's first PAPUC approved DSP Program, under which PECO was providing default electric service, had a 29-month-term that ended May 31, 2013. 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 the term of delivery. In December 2012 and February 2013, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential and 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 and small and medium commercial classes that will begin in December 2013. 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 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.

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 the remainder 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

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

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, 2013, PECO has spent \$364 million and \$111 million on smart meter and smart grid infrastructure, respectively, not including the DOE reimbursements received to date.

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, 2013, PECO has received \$181 million of the \$200 million in reimbursements. PECO's outstanding receivable from the DOE for reimbursable costs was \$6 million as of September 30, 2013, which has been recorded in Other accounts receivable, net on Exelon's and PECO's Consolidated Balance Sheets.

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 \$19 million, net of approximately \$16 million of reimbursements from the DOE. PECO is seeking full recovery of all incurred costs related to the original deployment of meters. For amounts not recovered from the vendor, PECO will seek regulatory rate recovery in a future filing with the PAPUC. PECO did not seek recovery of original meter costs in the January 2013 universal deployment filing, as resolution with the vendor is still pending. PECO requested and received approval from the DOE that the original meters continue to be allowable costs and that any settlement with the vendor will not be considered project income. In addition, PECO remains eligible for the full \$200 million in SGIG funds. In the May 31, 2013 Joint Petition for Settlement of the universal deployment plan, the parties agreed to defer any potential challenges to cost recovery of the original meters as discussed above.

As of September 30, 2013, PECO believes the amounts incurred for the original meters and related installation and removal costs are probable of recovery based on applicable case law and past precedent on reasonably and prudently incurred costs. As a result, a regulatory asset of \$17 million, representing the cost of the original meters, net of accumulated depreciation and DOE reimbursements, was recorded on Exelon's and PECO's Consolidated Balance Sheets. On August 15, 2013, PECO entered into an agreement with the vendor, which is anticipated to be part of a larger agreement, and under which PECO transferred the original uninstalled meters to the vendor and will receive approximately \$12 million in return, of which \$2 million has been received as of September 30, 2013. As a result, during the third quarter of 2013, the \$17 million regulatory asset was reduced to \$5 million. The agreement does not fully resolve the claim against the vendor for the original meter costs and PECO continues to seek full recovery from the vendor of all incurred costs related to the original deployment of meters. If PECO later determines that the remaining regulatory asset is no longer probable of recovery, PECO would be required to recognize a charge in earnings in the period in which that determination was made.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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. The peak demand period ended on September 30, 2012 and PECO communicated its compliance with the reduction targets in a preliminary report with the PAPUC on March 1, 2013. The final compliance report is due to the PAPUC by November 15, 2013.

On March 29, 2013, PECO filed a Petition with the PAPUC to change the recovery period of certain Direct Load Control (DLC) Program costs necessary to implement the Phase I Plan. The Petition seeks approval to allow PECO to recover \$12 million in equipment, installation and information technology costs for its Residential DLC program with the amounts collected for the Phase I Plan. As the Phase I Plan was implemented at a cost less than originally budgeted, PECO proposed to recover these expenses from its Phase I Energy Efficiency Program Charge over-collection consistent with PAPUC guidance to recover all Phase I costs through Phase I funding. The PAPUC approved PECO's Petition on May 9, 2013. A regulatory liability was established for the DLC program costs that will be amortized as a credit to the income statement to offset the related depreciation expense during the same period.

The PAPUC issued its Phase II EE&C implementation order on August 2, 2012, that provides energy consumption reduction requirements for the second phase of Act 129's EE&C programs, which went into effect on June 1, 2013. The PAPUC deferred a decision on peak demand reduction requirements until late 2013. On February 28, 2013, the PAPUC approved PECO's three-year EE&C Phase II plan that was filed on November 1, 2012, and sets forth how PECO will reduce electric consumption by at least 1,125,852 MWh in its service territory for the period June 1, 2013 through May 31, 2016.

On March 15, 2013, PECO filed a Petition for Approval to amend its EE&C Phase II Plan to continue its DLC demand reduction program for mass market customers from June 1, 2013 to May 31, 2014. PECO proposed to fund the estimated \$10 million cost of the one-year program by modifying incentive levels for other Phase II programs. On May 9, 2013, the PAPUC approved PECO's amended EE&C Phase II plan. The costs of DLC program will be recovered through PECO's Energy Efficiency Program Charge along with all other Phase II Plan costs.

Investigation of Pennsylvania Retail Electricity Market (Exelon and PECO). On July 28, 2011, the PAPUC issued an order outlining the next steps in its investigation into the status of competition in Pennsylvania's retail electric market. The PAPUC found that the existing default service model presents substantial impediments to the development of a vibrant retail market in Pennsylvania and directed its Office of Competitive Markets Oversight to evaluate potential intermediate and long-term structural changes to the default service model. On March 1, 2012, the PAPUC issued the final order describing more detailed recommendations to be implemented prior to the expiration of the electric distribution company's current default service plan and providing guidelines for electric distribution companies for development of their next default service plan. On October 12, 2012, the PAPUC approved PECO's second DSP Program, which includes several new programs to continue PECO's support of retail market competition in Pennsylvania in accordance with the order issued by the PAPUC on December 15, 2011. Further, the PAPUC issued a final order on February 14, 2013, outlining its proposed end-state for default service, which included default service pricing for residential and small commercial customers based on three month full requirements contracts, full requirement contracts using hourly spot market pricing for large commercial and industrial default service customers, and the inclusion of CAP customers in the customer choice programs.

Pennsylvania Act 11 of 2012 (Exelon and PECO). On February 13, 2012, Act 11 was signed into law by the Governor. Act 11 seeks to clarify the PAPUC's authority to approve alternative ratemaking mechanisms,

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which would allow for the implementation of a distribution system improvement charge (DSIC) in rates designed to recover capital project costs incurred to repair, improve or replace utilities' aging electric and natural gas distribution systems in Pennsylvania. Act 11 also includes a provision that allows utilities to use a fully projected future test year under which the PAPUC may permit the inclusion of projected capital costs in rate base for assets that will be placed in service during the first year that rates are in effect. The PAPUC's implementation order requires a utility to have a Long Term Infrastructure Improvement Plan (LTIIIP) which outlines how the utility is planning to increase its investment for repairing, improving, or replacing aging infrastructure, approved by the PAPUC prior to implementing a DSIC. On May 9, 2013, the PAPUC approved PECO's LTIIIP for its Gas Operations, which was filed on February 8, 2013.

Maryland Regulatory Matters

Smart Meter and Smart Grid Investments (Exelon and BGE). In August 2010, the MDPSC approved a comprehensive smart grid initiative for BGE that includes the planned installation of 2 million residential and commercial electric and gas smart meters at an expected total cost of \$480 million. The MDPSC's approval ordered BGE to defer the associated incremental costs, depreciation and amortization, and an appropriate return, in a regulatory asset until such time as a cost-effective advanced metering system is implemented. As of September 30, 2013 and December 31, 2012, BGE recorded a regulatory asset of \$52 million and \$31 million, respectively, representing incremental costs, depreciation and amortization, and a debt return on fixed assets related to its AMI program. Additionally, the MDPSC has determined that the cost recovery for the non-AMI meters that BGE retires will be considered in a future depreciation proceeding. The MDPSC continues to evaluate the impacts of a customer opt-out feature in BGE's Smart Grid program. In March 2013, BGE filed a description of the overall additional costs associated with allowing customers to retain their current meter, and for radio frequency (RF)-Free and RF-Minimizing options related to the installation of their smart meters as well as a proposed cost recovery mechanism. The MDPSC held a hearing in August 2013 to consider the filings made by BGE and other Maryland electric utilities. The ultimate resolution related to this feature could affect BGE's ability to demonstrate cost-effectiveness of the advanced metering system. Overall, BGE continues to believe the recovery of smart grid initiative costs in future rates is probable as BGE expects to be able to demonstrate that the program benefits exceed costs. Pursuant to the ARRA of 2009, BGE is a recipient of \$200 million in federal funding from the DOE for its smart grid and other related initiatives, which substantially reduces the total cost of these initiatives to BGE's ratepayers. The project to install the smart meters began in late April 2012.

As of September 30, 2013, BGE had received \$176 million in reimbursements from the DOE. As of September 30, 2013, BGE's outstanding receivable from the DOE for reimbursable costs was \$23 million, which has been recorded in Other accounts receivable, net on Exelon's and BGE's Consolidated Balance Sheets.

New Electric Generation (Exelon, Generation and BGE). On April 12, 2012, the MDPSC issued an order directing BGE and two other Maryland utilities to enter into a contract for differences (CfD) with CPV Maryland, LLC (CPV), under which CPV will construct an approximately 700 MW natural gas-fired combined-cycle generation plant in Waldorf, Maryland, that CPV projected will be in commercial operation by June 1, 2015. The initial term of the proposed contract is 20 years. The CfD mandates that BGE and the other utilities pay (or receive) the difference between CPV's contract prices and the revenues CPV receives for capacity and energy from clearing the unit in the PJM capacity market. The MDPSC's Order requires the three Maryland utilities to enter into a CfD in amounts proportionate to their relative SOS load.

On April 16, 2013, the MDPSC issued an order that required BGE to execute a specific form of contract with CPV, and the parties executed the contract as of June 6, 2013. As of September 30, 2013, there is no impact on Exelon's and BGE's results of operations, cash flows and financial positions. Furthermore, the agreement does not become effective until the resolution of certain items, including all current litigation.

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On April 27, 2012, a civil complaint was filed in the U.S. District Court for the District of Maryland by certain unaffiliated parties that challenges the actions taken by the MDPSC on Federal law grounds. On October 24, 2013, the U.S. District Court issued a judgment order finding that the MDPSC's Order directing BGE and the two other Maryland utilities to enter into a CfD, which assures that CPV receives a guaranteed fixed price regardless of the price set by the federally regulated wholesale market, violates the Supremacy Clause of the United States Constitution.

On May 4, 2012, BGE filed a petition in the Circuit Court for Anne Arundel County, Maryland, seeking judicial review of the MDPSC order under state law. That petition was subsequently transferred to the Circuit Court for Baltimore City and consolidated with similar appeals that have been filed by other interested parties. On October 1, 2013, the Circuit Court Judge issued a Memorandum Opinion and Order finding the decisions of the MDPSC were within its statutory authority under Maryland law. This decision is separate from the judgment in the federal litigation that the MDPSC Order is unconstitutional and the CfD is unenforceable under federal law. The federal judgment, if upheld, would prevent enforcement of the CfD even if the Circuit Court decision stands.

Depending on the ultimate outcome of the pending state and federal litigation, on the eventual market conditions, and on the manner of cost recovery as of the effective date of the agreement, the CfD could have a material impact on Exelon and BGE's results of operations, cash flows and financial positions.

Exelon believes that this and other states' projects may have artificially suppressed capacity prices in PJM and may continue to do so in future auctions to the detriment of Exelon's market driven position. In addition to this litigation, Exelon is working with other market participants to implement market rules that will appropriately limit the market suppressing effect of such state activities.

2012 Maryland Electric and Gas Distribution Rate Case (Exelon and BGE). On July 27, 2012, BGE filed an application for increases to its electric and gas base rates with the MDPSC. On February 22, 2013, the MDPSC issued an order in BGE's 2012 electric and natural gas distribution rate case for increases in annual distribution service revenue of \$81 million and \$32 million, respectively. The electric distribution rate increase was set using an allowed return on equity of 9.75% and the gas distribution rate increase was set using an allowed return on equity of 9.60%. The approved electric and natural gas distribution rates became effective for services rendered on or after February 23, 2013. As part of the rate order, the MDPSC approved both recovery of and return on merger integration costs incurred during the test year, including severance. As a result, the order affirmed the treatment of \$20 million of severance-related costs that BGE had recorded as a regulatory asset in 2012, consistent with prior MDPSC decisions. Additionally, BGE established a new regulatory asset of \$8 million related to non-severance merger integration costs, which includes \$6 million of costs incurred during 2012. Current MDPSC treatment of these merger integration regulatory assets is to provide recovery over a five year period.

MDPSC Derecho Storm Order (Exelon and BGE). Following the June 2012 Derecho storm which hit the mid-Atlantic region interrupting electrical service to a significant portion of the State of Maryland, the MDPSC issued an order on February 27, 2013 requiring BGE and other Maryland utilities to file several comprehensive reports with short-term and long-term plans to improve reliability and grid resiliency that were due at various times before August 30, 2013.

BGE's May 17, 2013 distribution rate case included a short-term plan to improve reliability as well as a proposal for a surcharge to recover incremental capital expenditures and operating costs associated with the short-term plan. On September 3, 2013, BGE filed a comprehensive long term assessment examining potential

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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alternatives for improving the resiliency of the electric grid and a staffing analysis reviewing historical staffing levels as well as forecasting staffing levels necessary under various storm scenarios. BGE currently cannot predict the outcome of these proceedings, which may result in increased capital expenditures and operating costs.

The Maryland Strategic Infrastructure Development and Enhancement Program (Exelon and BGE). In February 2013, the Maryland General Assembly passed legislation intended to accelerate gas infrastructure replacements in Maryland by establishing a mechanism for gas companies to promptly recover reasonable and prudent costs of eligible infrastructure replacement projects separate from base rate proceedings. On May 2, 2013, the Governor of Maryland signed the legislation into law; which took effect June 1, 2013. Under the new law, following a proceeding before the MDPSC and with the MDPSC's approval of the eligible infrastructure replacement projects along with a corresponding surcharge, BGE could begin charging gas customers a monthly surcharge for infrastructure costs incurred after June 1, 2013. The legislation includes caps on the monthly surcharges to residential and non-residential customers, and would require an annual true-up of the surcharge revenues against actual expenditures. Investment levels in excess of the cap would be recoverable in a subsequent gas base rate proceeding at which time all costs for the infrastructure replacement projects would be rolled into gas distribution rates. Irrespective of the cap, BGE is required to file a gas rate case every five years under this legislation. On August 2, 2013, BGE filed its infrastructure replacement plan and associated surcharge. The new surcharge rates are expected to take effect in the first quarter of 2014. BGE currently cannot predict the outcome of this proceeding or how much of the requested planned and related surcharge the MDPSC will approve.

2013 Maryland Electric and Gas Distribution Rate Case (Exelon and BGE). On May 17, 2013, BGE filed an application for increases of \$101 million and \$30 million to its electric and gas base rates, respectively, with the MDPSC. The requested rates of return on equity in the application are 10.50% and 10.35% for electric and gas distribution, respectively. In addition to these requested rate increases, BGE's application includes a request for recovery of incremental capital expenditures and operating costs associated with BGE's proposed short-term reliability improvement plan in response to a MDPSC order through a surcharge separate from base rates. On August 23, 2013, BGE filed an update to its rate request which altered the requested increase to electric base rates from \$101 million to \$83 million and the requested increase to gas base rates from \$30 million to \$24 million. The new electric and gas distribution base rates are expected to take effect in December 2013. BGE currently cannot predict the outcome of this proceeding or how much of the requested increases the MDPSC will approve.

Federal Regulatory Matters

Transmission Formula Rate (Exelon, ComEd and BGE). ComEd's and BGE's transmission rates are each established based on a FERC-approved formula.

ComEd's most recent annual formula rate update filed in April 2013 reflects 2012 actual costs plus forecasted 2013 capital additions. The update resulted in a revenue requirement of \$488 million plus a \$25 million adjustment related to the reconciliation of 2012 actual costs for a net revenue requirement of \$513 m