EXELON CORP
Form 10-Q
April 30, 2014

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 March 31, 2014

or

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

Commission File Number	**Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number**	**IRS Employer Identification Number**
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-7398	23-2990190
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348-2473 (610) 765-5959	23-3064219
1-1839	COMMONWEALTH EDISON COMPANY	36-0938600

	(an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605-1028 (312) 394-4321	
000-16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY (a Maryland corporation) 2 Center Plaza 110 West Fayette Street Baltimore, Maryland 21201-3708 (410) 234-5000	52-0280210

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 x 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 x No ¨

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

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

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

The number of shares outstanding of each registrant s common stock as of March 31, 2014 was:

Exelon Corporation Common Stock, without par value	858,721,507
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,912

PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000

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GLOSSARY OF TERMS AND ABBREVIATIONS

Exelon Corporation and Related Entities

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

Other Terms and Abbreviations

Note of the Exelon 2013 Form 10-K	Reference to specific Combined Note to Consolidated Financial Statements within Exelon s 2013 Annual Report on Form 10-K
1998 restructuring settlement	PECO s 1998 settlement of its restructuring case mandated by the Competition Act
Act 11	Pennsylvania Act 11 of 2012
Act 129	Pennsylvania Act 129 of 2008
AEC	Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
AEPS	Pennsylvania Alternative Energy Portfolio Standards
AEPS Act	Pennsylvania Alternative Energy Portfolio Standards Act of 2004, as amended
AESO	Alberta Electric Systems Operator
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMP	Advanced Metering Program
ARC	Asset Retirement Cost
ARO	Asset Retirement Obligation
ARP	Title IV Acid Rain Program
ARRA of 2009	American Recovery and Reinvestment Act of 2009
Block contracts	Forward Purchase Energy Block Contracts
CAIR	Clean Air Interstate Rule
CAISO	California ISO
CAMR	Federal Clean Air Mercury Rule
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CFL	Compact Fluorescent Light

GLOSSARY OF TERMS AND ABBREVIATIONS

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
kWh	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LILO	Lease-In, Lease-Out
LLRW	Low-Level Radioactive Waste
LTIP	Long-Term Incentive Plan
MATS	U.S. EPA Mercury and Air Toxics Rule
MBR	Market Based Rates Incentive
MDE	Maryland Department of the Environment
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.
mmcf	Million Cubic Feet
Moody s	Moody s Investor Service
MOPR	Minimum Offer Price Rule
MRV	Market-Related Value
MW	Megawatt
MWh	Megawatt hour
NAAQS	National Ambient Air Quality Standards
n.m.	not meaningful
NAV	Net Asset Value
NDT	Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NGS	Natural Gas Supplier
NJDEP	New Jersey Department of Environmental Protection
Non-Regulatory Agreements Units	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
NOV	Notice of Violation
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NWPA	Nuclear Waste Policy Act of 1982
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income
OIESO	Ontario Independent Electricity System Operator
OPEB	Other Postretirement Employee Benefits
PA DEP	Pennsylvania Department of Environmental Protection
PAPUC	Pennsylvania Public Utility Commission
PGC	Purchased Gas Cost Clause
PJM	PJM Interconnection, LLC
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Power Purchase Agreement
Price-Anderson Act	Price-Anderson Nuclear Industries Indemnity Act of 1957
PRP	Potentially Responsible Parties
PSEG	Public Service Enterprise Group Incorporated
PURTA	Pennsylvania Public Realty Tax Act
PV	Photovoltaic

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
RCRA	Resource Conservation and Recovery Act of 1976, as amended
REC	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
Regulatory Agreement Units	Nuclear generating units whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
RES	Retail Electric Suppliers
RFP	Request for Proposal
Rider	Reconcilable Surcharge Recovery Mechanism
RGGI	Regional Greenhouse Gas Initiative
RMC	Risk Management Committee
RPM	PJM Reliability Pricing Model
RPS	Renewable Energy Portfolio Standards
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor s Ratings Services
SEC	United States Securities and Exchange Commission
Senate Bill 1	Maryland Senate Bill 1
SERC	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
SERP	Supplemental Employee Retirement Plan
SFC	Supplier Forward Contract
SGIG	Smart Grid Investment Grant
SGIP	Smart Grid Initiative Program
SILO	Sale-In, Lease-Out
SMPIP	Smart Meter Procurement and Installation Plan
SNF	Spent Nuclear Fuel
SOS	Standard Offer Service
SPP	Southwest Power Pool
Tax Relief Act of 2010	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
TEG	Termoelectrica del Golfo
TEP	Termoelectrica Penoles
Upstream	Natural gas exploration and production activities
VIE	Variable Interest Entity
WECC	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 2013 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; (2) this Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part 1, 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 15; 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)

	Three Months Ended March 31,	
(In millions, except per share data)	**2014**	**2013**
Operating revenues	$ 7,237	$ 6,082
Operating expenses		
Purchased power and fuel	4,006	2,663
Purchased power and fuel from affiliates	334	318
Operating and maintenance	1,858	1,764
Depreciation and amortization	564	543
Taxes other than income	293	277
Total operating expenses	7,055	5,565
Equity in losses of unconsolidated affiliates	(19)	(9)
Operating income	163	508
Other income and (deductions)		
Interest expense, net	(217)	(617)
Interest expense to affiliates, net	(10)	(6)
Other, net	103	172
Total other income and (deductions)	(124)	(451)
Income before income taxes	39	57
Income (benefit) tax	(54)	56
Net income	93	1
Net income attributable to noncontrolling interests, preferred security dividends and preference stock dividends	3	5
Net income (loss) attributable to common shareholders	90	(4)
Comprehensive income, net of income taxes		
Net income	93	1
Other comprehensive income, net of income taxes		
Pension and non-pension postretirement benefit plans:		
Prior service cost reclassified to periodic benefit cost	1	
Actuarial loss reclassified to periodic cost	34	51
Pension and non-pension postretirement benefit plans valuation adjustment	(13)	75
Unrealized loss on cash flow hedges	(25)	(58)
Unrealized loss on marketable securities		(1)
Unrealized gain on equity investments	12	28
Unrealized loss on foreign currency translation	(5)	(1)
Other comprehensive income	4	94
Comprehensive income attributable to common shareholders	$ 97	$ 95
Weighted average shares of common stock outstanding:		

Basic	858	855
Diluted	861	855
Earnings per average common share basic:	$ 0.10	$ (0.01)
Earnings per average common share diluted:	$ 0.10	$ (0.01)
Dividends per common share	$ 0.31	$ 0.53

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	**Three Months Ended March 31, 2014**	**2013**
Cash flows from operating activities		
Net income	$ 93	$ 1
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	908	1,017
Deferred income taxes and amortization of investment tax credits	(48)	(610)
Net fair value changes related to derivatives	730	388
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(26)	(66)
Other non-cash operating activities	272	231
Changes in assets and liabilities:		
Accounts receivable	(606)	(70)
Inventories	80	101
Accounts payable, accrued expenses and other current liabilities	157	(542)
Option premiums received (paid), net	15	(3)
Counterparty collateral posted, net	(677)	(186)
Income taxes	17	632
Pension and non-pension postretirement benefit contributions	(472)	(267)
Other assets and liabilities	(278)	233
Net cash flows provided by operating activities	165	859
Cash flows from investing activities		
Capital expenditures	(1,217)	(1,447)
Proceeds from termination of direct financing lease investment	335	
Proceeds from nuclear decommissioning trust fund sales	1,825	677
Investment in nuclear decommissioning trust funds	(1,878)	(729)
Proceeds from sale of long-lived assets	18	
Change in restricted cash	(40)	(12)
Other investing activities	(54)	40
Net cash flows used in investing activities	(1,011)	(1,471)
Cash flows from financing activities		
Changes in short-term borrowings	638	233
Issuance of long-term debt	950	149
Retirement of long-term debt	(1,150)	(1)
Dividends paid on common stock	(266)	(450)
Proceeds from employee stock plans	7	12
Other financing activities	(28)	(45)
Net cash flows provided by (used in) financing activities	151	(102)
Decrease in cash and cash equivalents	(695)	(714)
Cash and cash equivalents at beginning of period	1,609	1,486
Cash and cash equivalents at end of period	$ 914	$ 772

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 791	$ 1,547
Cash and cash equivalents of variable interest entities	123	62
Restricted cash and investments	111	87
Restricted cash and investments of variable interest entities	96	80
Accounts receivable, net		
Customer	2,997	2,721
Other	871	1,175
Accounts receivable, net, variable interest entities	458	260
Mark-to-market derivative assets	756	727
Unamortized energy contract assets	326	374
Inventories, net		
Fossil fuel	180	276
Materials and supplies	843	829
Deferred income taxes	454	573
Regulatory assets	768	760
Other	901	666
Total current assets	9,675	10,137
Property, plant and equipment, net	47,742	47,330
Deferred debits and other assets		
Regulatory assets	5,863	5,910
Nuclear decommissioning trust funds	8,215	8,071
Investments	825	1,165
Investments in affiliates	22	22
Investment in CENG	1,910	1,925
Goodwill	2,625	2,625
Mark-to-market derivative assets	571	607
Unamortized energy contracts assets	657	710
Pledged assets for Zion Station decommissioning	429	458
Other	934	964
Total deferred debits and other assets	22,051	22,457
Total assets	$ 79,468	$ 79,924

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 980	$ 341
Long-term debt due within one year	292	1,424
Long-term debt due within one year of variable interest entities	81	85
Accounts payable	2,475	2,314
Accounts payable of variable interest entities	286	170
Accrued expenses	1,364	1,633
Payables to affiliates	94	116
Deferred income taxes	22	40
Regulatory liabilities	336	327
Mark-to-market derivative liabilities	251	159
Unamortized energy contract liabilities	238	261
Other	932	858
Total current liabilities	7,351	7,728
Long-term debt	18,247	17,325
Long-term debt to financing trusts	648	648
Long-term debt of variable interest entities	300	298
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	12,810	12,905
Asset retirement obligations	5,261	5,194
Pension obligations	1,661	1,876
Non-pension postretirement benefit obligations	2,042	2,190
Spent nuclear fuel obligation	1,021	1,021
Regulatory liabilities	4,458	4,388
Mark-to-market derivative liabilities	287	300
Unamortized energy contract liabilities	230	266
Payable for Zion Station decommissioning	281	305
Other	2,093	2,540
Total deferred credits and other liabilities	30,144	30,985
Total liabilities	56,690	56,984
Commitments and contingencies		
Shareholders equity		
Common stock (No par value, 2,000 shares authorized, 859 shares and 857 shares outstanding at March 31, 2014 and December 31, 2013, respectively)	16,751	16,741
Treasury stock, at cost (35 shares at March 31, 2014 and December 31, 2013, respectively)	(2,327)	(2,327)
Retained earnings	10,180	10,358
Accumulated other comprehensive loss, net	(2,036)	(2,040)
Total shareholders equity	22,568	22,732
BGE preference stock not subject to mandatory redemption	193	193
Noncontrolling interest	17	15
Total equity	22,778	22,940

Total liabilities and shareholders equity	$ 79,468	$ 79,924

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, 2013	892,034	$ 16,741	$ (2,327)	$ 10,358	$ (2,040)	$ 15	$ 193	$ 22,940
Net income				90			3	93
Long-term incentive plan activity	1,167	4						4
Employee stock purchase plan issuances	265	6						6
Common stock dividends				(268)				(268)
Acquisition of non-controlling interest						2		2
Preferred and preference stock dividends							(3)	(3)
Other comprehensive income net of income taxes of $(6)					4			4
Balance, March 31, 2014	893,466	$ 16,751	$ (2,327)	$ 10,180	$ (2,036)	$ 17	$ 193	$ 22,778

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 March 31, 2014	2013
Operating revenues		
Operating revenues	$ 4,056	$ 3,141
Operating revenues from affiliates	334	392
Total operating revenues	4,390	3,533
Operating expenses		
Purchased power and fuel	3,008	1,848
Purchased power and fuel from affiliates	349	321
Operating and maintenance	938	965
Operating and maintenance from affiliates	149	147
Depreciation and amortization	211	214
Taxes other than income	105	93
Total operating expenses	4,760	3,588
Equity in losses of unconsolidated affiliates	(19)	(9)
Operating loss	(389)	(64)
Other income and (deductions)		
Interest expense	(73)	(65)
Interest expense to affiliates, net	(12)	(17)
Other, net	90	128
Total other income and (deductions)	5	46
Loss before income taxes	(384)	(18)
Income tax benefits	(199)	(1)
Net loss	(185)	(17)
Net income attributable to noncontrolling interests		1
Net loss attributable to membership interest	(185)	(18)
Comprehensive loss, net of income taxes		
Net loss	(185)	(17)
Other comprehensive loss, net of income taxes		
Unrealized loss on cash flow hedges	(25)	(130)
Unrealized loss on foreign currency translation	(5)	(1)
Unrealized loss on marketable securities	(3)	(1)
Unrealized gain on equity investments	12	28
Other comprehensive loss	(21)	(104)
Comprehensive loss	$ (206)	$ (121)

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	**Three Months Ended March 31, 2014**	**2013**
Cash flows from operating activities		
Net loss	$ (185)	$ (17)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	557	688
Deferred income taxes and amortization of investment tax credits	(161)	(81)
Net fair value changes related to derivatives	737	406
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(26)	(66)
Other non-cash operating activities	85	66
Changes in assets and liabilities:		
Accounts receivable	(295)	65
Receivables from and payables to affiliates, net	3	(23)
Inventories	1	29
Accounts payable, accrued expenses and other current liabilities	128	(261)
Option premiums received (paid), net	15	(3)
Counterparty collateral paid, net	(699)	(203)
Income taxes	(35)	180
Pension and non-pension postretirement benefit contributions	(191)	(115)
Other assets and liabilities	(103)	(159)
Net cash flows (used in) provided by operating activities	(169)	506
Cash flows from investing activities		
Capital expenditures	(535)	(841)
Proceeds from nuclear decommissioning trust fund sales	1,825	677
Investment in nuclear decommissioning trust funds	(1,878)	(729)
Proceeds from sale of long-lived assets	18	
Change in restricted cash	9	3
Changes in Exelon intercompany money pool	44	
Other investing activities	(77)	25
Net cash flows used in investing activities	(594)	(865)
Cash flows from financing activities		
Change in short-term borrowings	354	13
Issuance of long-term debt	300	149
Retirement of long-term debt	(532)	(1)
Distribution to member	(30)	(211)
Other financing activities	(21)	(37)
Net cash flows provided by (used in) financing activities	71	(87)
Decrease in cash and cash equivalents	(692)	(446)
Cash and cash equivalents at beginning of period	1,258	671
Cash and cash equivalents at end of period	$ 566	$ 225

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 443	$ 1,196
Cash and cash equivalents of variable interest entities	123	62
Restricted cash and cash equivalents	19	19
Restricted cash and cash equivalents of variable interest entities	43	52
Accounts receivable, net		
Customer	1,521	1,429
Other	388	353
Accounts receivable, net, of variable interest entities	458	260
Mark-to-market derivative assets	756	727
Receivables from affiliates	122	108
Receivable from Exelon intercompany pool		44
Unamortized energy contract assets	326	374
Inventories, net		
Fossil fuel	153	164
Materials and supplies	679	671
Deferred income taxes	529	475
Other	629	505
Total current assets	6,189	6,439
Property, plant and equipment, net	20,132	20,111
Deferred debits and other assets		
Nuclear decommissioning trust funds	8,215	8,071
Investments	401	400
Investment in CENG	1,910	1,925
Mark-to-market derivative assets	561	600
Prepaid pension asset	1,935	1,873
Pledged assets for Zion Station decommissioning	429	458
Unamortized energy contract assets	657	710
Other	651	645
Total deferred debits and other assets	14,759	14,682
Total assets	$ 41,080	$ 41,232

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	$ 377	$ 22
Long-term debt due within one year	42	556
Long-term debt due within one year of variable interest entities	5	5
Accounts payable	1,191	1,152
Accounts payable of variable interest entities	286	170
Accrued expenses	831	976
Payables to affiliates	186	181
Deferred income taxes		25
Mark-to-market derivative liabilities	238	142
Unamortized energy contract liabilities	228	249
Other	431	389
Total current liabilities	3,815	3,867
Long-term debt	5,840	5,559
Long-term debt to affiliate	1,517	1,523
Long-term debt of variable interest entities	86	86
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	6,223	6,295
Asset retirement obligations	5,114	5,047
Non-pension postretirement benefit obligations	796	850
Spent nuclear fuel obligation	1,021	1,021
Payables to affiliates	2,773	2,740
Mark-to-market derivative liabilities	131	120
Unamortized energy contract liabilities	230	266
Payable for Zion Station decommissioning	281	305
Other	745	811
Total deferred credits and other liabilities	17,314	17,455
Total liabilities	28,572	28,490
Commitments and contingencies		
Equity		
Member s equity		
Membership interest	8,898	8,898
Undistributed earnings	3,398	3,613
Accumulated other comprehensive income, net	193	214
Total member s equity	12,489	12,725
Noncontrolling interest	19	17
Total equity	12,508	12,742
Total liabilities and equity	$ 41,080	$ 41,232

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Member s Equity				
(In millions)	**Membership Interest**	**Undistributed Earnings**	**Accumulated Other Comprehensive Income, net**	**Noncontrolling Interest**	**Total Equity**
Balance, December 31, 2013	$ 8,898	$ 3,613	$ 214	$ 17	$ 12,742
Net loss		(185)			(185)
Acquisition of non-controlling interest				2	2
Distribution to member		(30)			(30)
Other comprehensive loss, net of income taxes of $10			(21)		(21)
Balance, March 31, 2014	$ 8,898	$ 3,398	$ 193	$ 19	$ 12,508

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 March 31, 2014	2013
Operating revenues		
Operating revenues	$ 1,133	$ 1,159
Operating revenues from affiliates	1	1
Total operating revenues	1,134	1,160
Operating expenses		
Purchased power	212	237
Purchased power from affiliate	108	145
Operating and maintenance	287	292
Operating and maintenance from affiliate	39	36
Depreciation and amortization	173	167
Taxes other than income	77	74
Total operating expenses	896	951
Operating income	238	209
Other income and (deductions)		
Interest expense	(77)	(350)
Interest expense to affiliates, net	(3)	(3)
Other, net	5	5
Total other income (deductions)	(75)	(348)
Income (loss) before income taxes	163	(139)
Income taxes (benefit)	65	(58)
Net income (loss)	98	(81)
Comprehensive income (loss)	$ 98	$ (81)

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	**Three Months Ended March 31, 2014**	**2013**
Cash flows from operating activities		
Net income (loss)	$ 98	$ (81)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Depreciation, amortization and accretion	173	167
Deferred income taxes and amortization of investment tax credits	35	(295)
Other non-cash operating activities	36	42
Changes in assets and liabilities:		
Accounts receivable	(64)	1
Receivables from and payables to affiliates, net	(19)	(32)
Inventories	2	(9)
Accounts payable, accrued expenses and other current liabilities	(57)	(73)
Income taxes	44	208
Pension and non-pension postretirement benefit contributions	(233)	(118)
Other assets and liabilities	(24)	248
Net cash flows (used in) provided by operating activities	(9)	58
Cash flows from investing activities		
Capital expenditures	(341)	(346)
Proceeds from sales of investments	3	2
Purchases of investments		(1)
Other investing activities	8	9
Net cash flows used in investing activities	(330)	(336)
Cash flows from financing activities		
Changes in short-term borrowings	350	220
Issuance of long-term debt	650	
Retirement of long-term debt	(617)	
Contributions from parent	38	
Dividends paid on common stock	(76)	(55)
Other financing activities	(1)	(1)
Net cash flows provided by financing activities	344	164
Increase (Decrease) in cash and cash equivalents	5	(114)
Cash and cash equivalents at beginning of period	36	144
Cash and cash equivalents at end of period	$ 41	$ 30

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 41	$ 36
Restricted cash	2	2
Accounts receivable, net		
Customer	475	451
Other	395	584
Inventories, net	107	109
Regulatory assets	340	329
Other	57	29
Total current assets	1,417	1,540
Property, plant and equipment, net	14,890	14,666
Deferred debits and other assets		
Regulatory assets	918	933
Investments	2	5
Investments in affiliates	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,497	2,469
Prepaid pension asset	1,663	1,583
Other	276	291
Total deferred debits and other assets	7,987	7,912
Total assets	$ 24,294	$ 24,118

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 534	$ 184
Long-term debt due within one year		617
Accounts payable	502	449
Accrued expenses	214	307
Payables to affiliates	63	83
Customer deposits	133	133
Regulatory liabilities	158	170
Deferred income taxes	116	16
Mark-to-market derivative liability	13	17
Other	83	72
Total current liabilities	1,816	2,048
Long-term debt	5,707	5,058
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	4,053	4,116
Asset retirement obligations	99	99
Non-pension postretirement benefits obligations	284	381
Regulatory liabilities	3,566	3,512
Mark-to-market derivative liability	155	176
Other	818	994
Total deferred credits and other liabilities	8,975	9,278
Total liabilities	16,704	16,590
Commitments and contingencies		
Shareholders equity		
Common stock	1,588	1,588
Other paid-in capital	5,230	5,190
Retained earnings	772	750
Total shareholders equity	7,590	7,528
Total liabilities and shareholders equity	$ 24,294	$ 24,118

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	Total Shareholders Equity
Balance, December 31, 2013	$ 1,588	$ 5,190	$ (1,639)	$ 2,389	$ 7,528
Net income			98		98
Appropriation of retained earnings for future dividends			(98)	98	
Common stock dividends				(76)	(76)
Contribution from parent		38			38
Parent tax matter indemnification		2			2
Balance, March 31, 2014	$ 1,588	$ 5,230	$ (1,639)	$ 2,411	$ 7,590

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 March 31, 2014	Three Months Ended March 31, 2013
Operating revenues		
Operating revenues	$ 992	$ 895
Operating revenues from affiliates	1	
Total operating revenues	993	895
Operating expenses		
Purchased power and fuel	377	265
Purchased power from affiliate	87	141
Operating and maintenance	256	164
Operating and maintenance from affiliates	24	24
Depreciation and amortization	58	57
Taxes other than income	42	41
Total operating expenses	844	692
Operating income	149	203
Other income and (deductions)		
Interest expense	(25)	(26)
Interest expense to affiliates, net	(3)	(3)
Other, net	2	3
Total other income and (deductions)	(26)	(26)
Income before income taxes	123	177
Income taxes	34	55
Net income	89	122
Preferred security dividends		1
Net income attributable to common shareholder	$ 89	$ 121
Comprehensive income	$ 89	$ 122

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2014	2013
Cash flows from operating activities		
Net income	$ 89	$ 122
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	58	57
Deferred income taxes and amortization of investment tax credits	(2)	19
Other non-cash operating activities	49	39
Changes in assets and liabilities:		
Accounts receivable	(110)	(50)
Receivables from and payables to affiliates, net	2	1
Inventories	45	44
Accounts payable, accrued expenses and other current liabilities	117	(17)
Income taxes	33	29
Pension and non-pension postretirement benefit contributions	(11)	(11)
Other assets and liabilities	(127)	(38)
Net cash flows provided by operating activities	143	195
Cash flows from investing activities		
Capital expenditures	(184)	(122)
Changes in intercompany money pool		(50)
Other investing activities	2	1
Net cash flows used in investing activities	(182)	(171)
Cash flows from financing activities		
Dividends paid on common stock	(80)	(83)
Dividends paid on preferred securities		(1)
Net cash flows used in financing activities	(80)	(84)
Decrease in cash and cash equivalents	(119)	(60)
Cash and cash equivalents at beginning of period	217	362
Cash and cash equivalents at end of period	$ 98	$ 302

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 98	$ 217
Restricted cash and cash equivalents	2	2
Accounts receivable, net		
Customer	422	360
Other	120	107
Inventories, net		
Fossil fuel	12	60
Materials and supplies	24	21
Deferred income taxes	83	83
Prepaid utility taxes	104	3
Regulatory assets	28	17
Other	41	36
Total current assets	934	906
Property, plant and equipment, net	6,480	6,384
Deferred debits and other assets		
Regulatory assets	1,465	1,448
Investments	23	23
Investments in affiliates	8	8
Receivable from affiliates	455	447
Prepaid pension asset	366	363
Other	35	38
Total deferred debits and other assets	2,352	2,327
Total assets	$ 9,766	$ 9,617

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	**March 31, 2014 (Unaudited)**	**December 31, 2013**
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Long-term debt due within one year	$ 250	$ 250
Accounts payable	389	285
Accrued expenses	137	106
Payables to affiliates	60	58
Customer deposits	49	49
Regulatory liabilities	84	106
Other	29	37
Total current liabilities	998	891
Long-term debt	1,947	1,947
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,508	2,487
Asset retirement obligations	29	29
Non-pension postretirement benefits obligations	290	286
Regulatory liabilities	641	629
Other	95	99
Total deferred credits and other liabilities	3,563	3,530
Total liabilities	6,692	6,552
Commitments and contingencies		
Shareholder s equity		
Common stock	2,415	2,415
Retained earnings	658	649
Accumulated other comprehensive income, net	1	1
Total shareholder s equity	3,074	3,065
Total liabilities and shareholders equity	$ 9,766	$ 9,617

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, 2013	$ 2,415	$ 649	$ 1	$ 3,065
Net income		89		89
Common stock dividends		(80)		(80)
Balance, March 31, 2014	$ 2,415	$ 658	$ 1	$ 3,074

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 March 31, 2014	2013
Operating revenues		
Operating revenues	$ 1,038	$ 876
Operating revenues from affiliates	16	4
Total operating revenues	1,054	880
Operating expenses		
Purchased power and fuel	409	313
Purchased power from affiliate	120	113
Operating and maintenance	163	124
Operating and maintenance from affiliates	25	19
Depreciation and amortization	108	93
Taxes other than income	60	55
Total operating expenses	885	717
Operating income	169	163
Other income and (deductions)		
Interest expense	(23)	(29)
Interest expense to affiliates, net	(4)	(4)
Other, net	4	5
Total other income and (deductions)	(23)	(28)
Income before income taxes	146	135
Income taxes	58	55
Net income	88	80
Preference stock dividends	3	3
Net income attributable to common shareholder	$ 85	$ 77
Comprehensive income	$ 88	$ 80

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2014**	**2013**
Cash flows from operating activities		
Net income	$ 88	$ 80
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	108	93
Deferred income taxes and amortization of investment tax credits	27	73
Other non-cash operating activities	43	42
Changes in assets and liabilities:		
Accounts receivable	(132)	(98)
Receivables from and payables to affiliates, net	(8)	(22)
Inventories	33	35
Accounts payable, accrued expenses and other current liabilities	(16)	(11)
Counterparty collateral (posted) received, net	22	
Income taxes	31	(36)
Pension and non-pension postretirement benefit contributions	(5)	(5)
Other assets and liabilities	44	34
Net cash flows provided by operating activities	235	185
Cash flows from investing activities		
Capital expenditures	(146)	(134)
Change in restricted cash	(47)	(22)
Other investing activities	6	2
Net cash flows used in investing activities	(187)	(154)
Cash flows from financing activities		
Changes in short-term borrowings	(66)	
Dividends paid on preference stock	(3)	(3)
Change in restricted cash for dividends		(3)
Other financing activities	13	1
Net cash flows used in financing activities	(56)	(5)
Increase (decrease) in cash and cash equivalents	(8)	26
Cash and cash equivalents at beginning of period	31	89
Cash and cash equivalents at end of period	$ 23	$ 115

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 23	$ 31
Restricted cash and cash equivalents of variable interest entity	75	28
Accounts receivable, net		
Customer	580	480
Other	136	114
Income taxes receivable		30
Inventories, net		
Gas held in storage	16	53
Materials and supplies	32	28
Deferred income taxes	1	2
Prepaid utility taxes	28	57
Regulatory assets	168	181
Other	8	7
Total current assets	1,067	1,011
Property, plant and equipment, net	5,939	5,864
Deferred debits and other assets		
Regulatory assets	504	524
Investments	4	5
Investments in affiliates	8	8
Prepaid pension asset	410	423
Other	26	26
Total deferred debits and other assets	952	986
Total assets	$ 7,958	$ 7,861

See the Combined Notes to Consolidated Financial Statements

BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 69	$ 135
Long-term debt of variable interest entity due within one year	70	70
Accounts payable	254	270
Accrued expenses	111	111
Deferred income taxes	27	27
Payables to affiliates	59	55
Customer deposits	82	76
Regulatory liabilities	92	48
Other	54	35
Total current liabilities	818	827
Long-term debt	1,746	1,746
Long-term debt to financing trust	258	258
Long-term debt of variable interest entity	195	195
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,801	1,773
Asset retirement obligations	17	19
Non-pension postretirement benefits obligations	215	217
Regulatory liabilities	203	204
Other	65	67
Total deferred credits and other liabilities	2,301	2,280
Total liabilities	5,318	5,306
Commitments and contingencies		
Shareholders equity		
Common stock	1,360	1,360
Retained earnings	1,090	1,005
Total shareholder s equity	2,450	2,365
Preference stock not subject to mandatory redemption	190	190
Total equity	2,640	2,555
Total liabilities and shareholders equity	$ 7,958	$ 7,861

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, 2013	$ 1,360	$ 1,005	$ 2,365	$ 190	$ 2,555
Net income		88	88		88
Preference stock dividends		(3)	(3)		(3)
Balance, March 31, 2014	$ 1,360	$ 1,090	$ 2,450	$ 190	$ 2,640

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.

The energy generation business includes:

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

The energy delivery businesses include:

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

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

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

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

Certain prior year amounts in the Exelon, Generation and BGE Consolidated Statement of Operations have been reclassified between line items for comparative purposes and correction of prior period classification errors identified in 2013. The reclassifications did not affect any of the Registrants net income or cash flows from operating activities. Exelon and Generation corrected the presentation of purchase power and fuel from affiliates of $318 million and $321 million, respectively, on their Statements of Operations and Comprehensive Income for the three months ended March 31, 2013. Generation and BGE also corrected the presentation of interest expense to affiliates, net of $17 million and $4 million, respectively, on the Statement of Operations and Comprehensive Income for the three months ended March 31, 2013.

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

In July 2013, the FASB issued authoritative guidance requiring entities to present unrecognized tax benefits as a reduction to deferred tax assets for losses or other tax carryforwards that would be available to offset the uncertain tax positions at the reporting date. This guidance was effective for the Registrants for periods beginning after December 15, 2013 and was required to be applied prospectively. The Registrants did not apply this guidance retrospectively; it will be applied prospectively. The adoption of this standard had an immaterial effect on the presentation of deferred tax assets at Exelon and Generation and no effect on ComEd, PECO and BGE. There was no effect on the Registrants results of operations or cash flows.

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

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

At March 31, 2014 and December 31, 2013, Exelon, Generation, and BGE collectively consolidated five and four VIEs or VIE groups, respectively, for which the applicable Registrant was the primary beneficiary. As of March 31, 2014 and December 31, 2013, the Registrants had significant interests in eight other VIEs for which the Registrants do not have the power to direct the entities activities and accordingly, were not the primary beneficiary.

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 by Generation to enter into a collateralized gas supply agreement with a third-party gas supplier;
- a group of solar project limited liability companies formed by Generation to build, own and operate solar power facilities,
- several wind project companies designed by Generation to develop, construct and operate wind generation facilities, and
- certain retail power companies for which Generation is the sole supplier of energy.

As of March 31, 2014 and December 31, 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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

through non-bypassable, rate stabilization charges to BondCo. During the three months ended March 31, 2014 and 2013, BGE remitted $21 million and $22 million, respectively, to BondCo.

Except for providing capital funding to the solar entities for ongoing construction of the solar power facilities, including the solar entities limited recourse to Generation with respect to the remaining equity contributions necessary to complete the Antelope Valley project, immaterial parental guarantees posted to electric distribution companies for the retail power companies, and a $75 million parental guarantee to the third-party gas supplier in support of the retail gas group, during the three months ended March 31, 2014 and year ended December 31, 2013:

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

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

the creditors of the VIEs did not have recourse to Exelon s, Generation s or BGE s general credit.

For additional information on these project-specific financing arrangements refer to Note 8 Debt and Credit Agreements.

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 March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014			December 31, 2013		
	Exelon(a)	**Generation**	**BGE**	**Exelon(a)**	**Generation**	**BGE**
Current assets	$ 738	$ 679	$ 53	$ 484	$ 446	$ 28
Noncurrent assets	1,893	1,870	3	1,905	1,884	3
Total assets	$ 2,631	$ 2,549	$ 56	$ 2,389	$ 2,330	$ 31
Current liabilities	$ 608	$ 525	$ 78	$ 566	$ 481	$ 74
Noncurrent liabilities	780	566	195	774	562	195
Total liabilities	$ 1,388	$ 1,091	$ 273	$ 1,340	$ 1,043	$ 269

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

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

On April 1, 2014, Generation, CENG, and subsidiaries of CENG executed the Nuclear Operating Services Agreement (NOSA) pursuant to which Generation now conducts all activities associated with the operations of the CENG fleet and provides corporate and administrative services to CENG for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDFI. As a result of executing the NOSA, Generation has the responsibility to conduct CENG s operating activities pursuant to contractual arrangements rather than through the equity investment; therefore CENG will qualify as a VIE in the second quarter of 2014. Further, since Generation is conducting the operational activities of CENG, Generation qualifies as the primary beneficiary of CENG and, therefore, will be required to consolidate the financial position and results of operations of CENG beginning in the second quarter of 2014. For additional information on this transaction refer to Note 5 Investment in Constellation Energy Nuclear Group, LLC.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Unconsolidated Variable Interest Entities

Exelon s and Generation s variable interests in unconsolidated VIEs generally include equity investments and energy purchase and sale contracts. For the equity investments, the carrying amount of the investments is reflected on Exelon s and Generation s Consolidated Balance Sheets in Investments in affiliates, Investments, and Other Assets. For the energy purchase and sale contracts and the fuel purchase commitments (commercial agreements), the carrying amount of assets and liabilities in Exelon s and Generation s Consolidated Balance Sheets that relate to their involvement with the VIEs are predominately related to working capital accounts and generally represent the amounts owed by, or owed to, Exelon and Generation for the deliveries associated with the current billing cycles under the commercial agreements. Further, Exelon and Generation have not provided material debt or equity support, liquidity arrangements or performance guarantees associated with these commercial agreements.

The Registrants unconsolidated VIEs consist of:

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

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

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

As of March 31, 2014 and December 31, 2013, Exelon and Generation had significant unconsolidated variable interests in eight VIEs for which Exelon or Generation, as applicable, was not the primary beneficiary; including certain equity method investments and certain commercial agreements. The number of unconsolidated VIEs did not change overall, however, during the first quarter of 2014 Generation sold its ownership interest in one unconsolidated VIE and made an investment in another VIE which is unconsolidated. The following tables present summary information about Exelon and Generation s significant unconsolidated VIE entities:

March 31, 2014	**Commercial Agreement VIEs**	**Equity Investment VIEs**	**Total**
Total assets(a)	$ 113	$ 344	$ 457
Total liabilities(a)	2	139	141
Registrants ownership interest(a)		64	64
Other ownership interests(a)	111	143	254
Registrants maximum exposure to loss:			
Carrying amount of equity method investments		73	73
Contract intangible asset	9		9
Debt and payment guarantees		3	3
Net assets pledged for Zion Station decommissioning(b)	44		44

December 31, 2013	**Commercial Agreement VIEs**	**Equity Investment VIEs**	**Total**
Total assets(a)	$ 128	$ 332	$ 460
Total liabilities(a)	17	123	140
Registrants ownership interest(a)		86	86

Other ownership interests(a)	111	123	234
Registrants maximum exposure to loss:			
Carrying amount of equity method investments	7	67	74
Contract intangible asset	9		9
Debt and payment guarantees		5	5
Net assets pledged for Zion Station decommissioning(b)	44		44

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) These items represent amounts on the unconsolidated VIE balance sheets, not on Exelon s or Generation s Consolidated Balance Sheets. These items are included to provide information regarding the relative size of the unconsolidated VIEs.
(b) These items represent amounts on Exelon s and Generation s Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of $429 million and $458 million as of March 31, 2014 and December 31, 2013, respectively; offset by payables to ZionSolutions LLC of $385 million and $414 million as of March 31, 2014 and December 31, 2013, respectively. These items are included to provide information regarding the relative size of the ZionSolutions LLC unconsolidated VIE.

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

4. Regulatory Matters (Exelon, Generation, ComEd, PECO and BGE)

Regulatory and Legislative Proceedings (Exelon, Generation, ComEd, PECO and BGE)

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

Illinois Regulatory Matters

Energy Infrastructure Modernization Act (Exelon and ComEd). Since 2011, ComEd s distribution rates are established through a performance-based rate formula, pursuant to EIMA. 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 annual formula rate update is based on prior year actual costs and current year projected capital additions. The update also reconciles any differences between the revenue requirement(s) in effect for the prior year and actual costs incurred for that year. ComEd 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 March 31, 2014, and December 31, 2013, ComEd had recorded a net regulatory asset associated with the distribution formula rate of $459 million and $463 million, respectively. The regulatory asset associated with the distribution true-up will be amortized as the associated amounts are recovered through rates.

On April 16, 2014, ComEd filed its annual distribution formula rate update with the ICC. The filing establishes the revenue requirement used to set the rates that will take effect in January 2015 after the ICC s review and approval, which is due by December 2014. The revenue requirement requested is based on 2013 actual costs plus projected 2014 capital additions as well as an annual reconciliation of the revenue requirement in effect in 2013 to the actual costs incurred that year. ComEd requested a total increase to the net revenue requirement of $275 million, reflecting an increase of $177 million for the initial revenue requirement for 2014 and an increase of $98 million related to the annual reconciliation for 2013. The initial revenue requirement for 2014 provides for a weighted average debt and equity return on distribution rate base of 7.06% inclusive of an allowed return on common equity of 9.25%, reflecting the average rate on 30-year treasury notes plus 580 basis points. The annual reconciliation for 2013 provided for a weighted average debt and equity return on distribution rate base of 7.04% inclusive of an allowed return on common equity of 9.20%, reflecting the average rate on 30-year treasury notes plus 580 basis points less a performance metrics penalty of 5 basis points.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On April 1, 2014, ComEd filed an annual progress report on its AMI Implementation Plan. On April 16, 2014, the ICC ruled that no investigation would be opened as a result of the annual filing. ComEd s current approved deployment plan provides for the installation of 4 million electric smart meters by the end of 2021. On March 13, 2014, ComEd filed a petition with the ICC for approval to accelerate the deployment of AMI Meters. If approved, the deployment plan would accelerate the projected completion of installation from 2021 to 2018. ComEd has requested that the ICC approve the proposed petition in the second quarter of 2014.

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

ComEd has asked the Illinois Supreme Court to hear the issue of allocation between State and Federal regulatory jurisdictions. There is no set time by which the Court must decide whether it will hear the case. ComEd cannot predict whether the Court will elect to hear the case or, if it does, the outcome of the appeal.

Advanced Metering Program Proceeding (Exelon and ComEd) As part of ComEd s 2007 electric distribution rate case, the ICC approved recovery of costs associated with ComEd s System Modernization Program (Rider SMP) for the limited purpose of implementing a pilot program for AMI. In October 2009, the ICC approved ComEd s AMI pilot program and associated rider (Rider AMP). ComEd collected approximately $24 million under Rider AMP and had no collections under Rider SMP through March 31, 2014. In ComEd s 2010 electric distribution rate case, the ICC approved ComEd s transfer of certain other costs from recovery under Rider AMP to recovery through electric distribution rates.

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

In October 2013, the ICC opened an investigation on Rider AMP to determine if a refund is required and if so, to determine the appropriate refund amount. The ALJ presiding over the investigation requested each party provide a pre-trial memorandum describing their positions, which were submitted on April 10, 2014. The ICC Staff and the Illinois Attorney General proposed a refund of $14.6 million, representing the amount they claim was collected under Rider AMP since September 30, 2010, the date the Illinois Appellate Court reversed the ICC s approval of the cost recovery provisions of Rider SMP. ComEd believes no refund is appropriate and that any refund obligation associated with Rider AMP should be prospective from no earlier than the date of the Illinois Appellate Court s order on Rider AMP, or March 19, 2012. As a result, ComEd recorded a regulatory liability of approximately $0.4 million at March 31, 2014, which represents the amounts collected from customers since March 19, 2012. ComEd cannot predict the ultimate outcome of the ICC s investigation and therefore, actual refunds, if any, may differ from the estimated liability recorded at March 31, 2014.

Pennsylvania Regulatory Matters

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 began in December 2013. In January 2014, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential and small, medium, and large commercial classes that will begin in June 2014. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO s Statement of Operations and Comprehensive Income.

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

On March 10, 2014, PECO filed its third DSP Program with the PAPUC. The program has a 24-month term from June 1, 2015 through May 31, 2017, and complies with electric generation procurement guidelines set forth in Act 129. A PAPUC ruling is expected in late 2014.

Smart Meter and Smart Grid Investments (Exelon and PECO). Pursuant to Act 129 and the follow-on Implementation Order of 2009, in April 2010, the PAPUC approved PECO s Smart Meter Procurement and Installation Plan (SMPIP), under which PECO will install more than 1.6 million smart meters and an AMI communication network by 2020. The first phase of PECO s SMPIP, which was completed on June 19, 2013, included the installation of an AMI communications network and the deployment of 600,000 smart meters to communicate with that network. On May 31, 2013, PECO and interested parties filed a Joint Petition for Settlement of the universal deployment plan with the PAPUC which was approved without modification on August 15, 2013. The Joint Petition for Settlement supports all material aspects of PECO s universal deployment plan, including cost recovery, excluding certain amounts discussed below. Universal deployment is the second phase of PECO s SMPIP, under which PECO will deploy 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 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 March 31, 2014, PECO has spent $457 million and $119 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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 March 31, 2014, PECO has received $197 million, including $4 million for sub-recipients, of the $200 million in reimbursements. PECO s outstanding receivable from the DOE for reimbursable costs was $3 million as of March 31, 2014, 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 $17 million, net of approximately $16 million of reimbursements from the DOE and approximately $2 million of depreciation. PECO requested and received approval from the DOE that the original meters 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. On August 15, 2013, PECO entered into an agreement with the original vendor, which was part of the final agreement discussed below, under which PECO transferred the original uninstalled meters to the vendor and received $12 million in return. On January 23, 2014, PECO entered a final agreement with the vendor pursuant to which PECO will be reimbursed for amounts incurred for the original meters and related installation and removal costs, via cash payments and rebates on future purchases of licenses, goods and services primarily through 2017. PECO previously had intended to seek regulatory rate recovery in a future filing with the PAPUC of amounts not recovered from the vendor. As PECO believed such costs were probable of rate recovery based on applicable case law and past precedent on reasonably and prudently incurred costs, a regulatory asset was established at the time of the removals. As of December 31, 2013, $5 million was recorded on Exelon s and PECO s Consolidated Balance Sheets. Pursuant to the January 23, 2014, vendor agreement, PECO reclassified the regulatory asset balance as a receivable, with no gain or loss impacts on future results of operations.

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

On November 14, 2013, the PAPUC issued a Tentative Order on Act 129 demand reduction programs which seeks comments on a proposed demand response program methodology for future Act 129 demand reduction programs as well as demand response potential and wholesale prices suppression studies. In its February 20, 2014 Final Order, the PAPUC stated that it does not expect to make a decision as to whether it will prescribe additional demand response obligations until 2015. Any decision reached would affect PECO s EE&C Plan subsequent to its Phase II Plan.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On February 28, 2014, 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, 2014 to May 31, 2016. PECO proposed to fund the estimated $10 million annual costs of the program by modifying incentive levels for other Phase II programs. The costs of the DLC program will be recovered through PECO s Energy Efficiency Program Charge along with other Phase II Plan costs. In an April 23, 2014 Tentative Order, the PAPUC granted PECO s Petition. Absent any filing of opposing comments by parties, the Order will become final on May 5, 2014.

Maryland Regulatory Matters

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 were 10.50% and 10.35% for electric and gas distribution, respectively. In addition to these requested rate increases, BGE s application also included a request for recovery of incremental capital expenditures and operating costs associated with BGE s proposed short-term reliability improvement plan (the ERI initiative) 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. On December 13, 2013, the MDPSC issued an order in BGE s 2013 electric and natural gas distribution rate case for increases in annual distribution service revenue of $34 million and $12 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 December 13, 2013. As part of its December 13, 2013 decision granting BGE increases for its gas and electric distribution rates, the MDPSC also authorized BGE to recover through a surcharge mechanism costs associated with five ERI initiative programs designed to accelerate electric reliability improvements. Such a decision, however, was premised upon the condition that the MDPSC approve specific projects scheduled for each year of the five-year program in advance of cost recovery through the surcharge mechanism. On March 31, 2014, after reviewing comments filed by the parties and conducting a hearing on the matter, the MDPSC approved all but one project proposed for completion in 2014 as part of the ERI initiative. As a result of the MDPSC s decision, BGE estimates 2014 capital and operating and maintenance costs associated with the ERI initiative of $14.8 million and a revenue requirement of $1.4 million. The ERI initiative surcharge will become effective upon the MDPSC s approval of the revised tariff pages for the surcharge mechanism that BGE filed with the MDPSC on April 3, 2014. BGE is required to file an update on the 2014 work plan and reliability performance information for the specific projects, along with its work plan and cost estimates for 2015, on or before November 1, 2014.

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 of which $200 million has been recovered through a grant from the DOE. 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 March 31, 2014 and December 31, 2013, BGE recorded a regulatory asset of $78 million and $66 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. On February 26, 2014, the MDPSC issued an Order authorizing BGE to impose a

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

$75 upfront fee and an $11 recurring fee to customers electing to opt-out, effective July 1, 2014. The fees authorized by the order will be reviewed after an initial 12- to 18- month period. The ultimate impact of opt-out 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.

***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. On January 29, 2014, the MDPSC issued a decision conditionally approving the first five years of BGE s plan and surcharge. On March 26, 2014, the Maryland PSC approved as filed BGE s proposed 2014 project list, tariff and associated surcharge amounts, with a surcharge that became effective April 1, 2014. BGE will defer the difference between the surcharge revenues and program costs as a regulated asset or liability, which was immaterial as of March 31, 2014.

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 and BGE record regulatory assets or regulatory liabilities and corresponding increases or decreases to operating revenues for any differences between the revenue requirement in effect and ComEd s and BGE s best estimate of the revenue requirement expected to be approved by the FERC for that year s reconciliation. As of March 31, 2014, and December 31, 2013, ComEd had recorded a net regulatory asset associated with the transmission formula rate of $13 million and $17 million, respectively and BGE had recorded a net regulatory asset associated with the transmission formula rate of $3 million and a net regulatory liability of $0 million, respectively. The regulatory asset associated with the transmission true-up will be amortized as the associated amounts are recovered through rates.

On April 16, 2014, ComEd filed its annual formula rate update with the FERC. The filing establishes the revenue requirement used to set rates that will take effect in June 2014, subject to review by the FERC and other parties, which is due by November 2014. The revenue requirement is based on 2013 actual costs plus forecasted 2014 capital additions as well as an annual reconciliation of the revenue requirement in effect starting in June 2013 to the actual cost incurred in 2013. The update resulted in a revenue requirement of $524 million plus an $11 million adjustment related to the reconciliation of 2013 actual costs for a total revenue requirement of $535 million. This compares to the 2013 revenue requirement of $488 million plus a $25 million adjustment related to the reconciliation of 2012 actual costs for a total revenue requirement of $513 million. The increase in the revenue requirement was primarily driven by increased capital investment and higher operating and maintenance costs.

ComEd s updated formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 8.62%, inclusive of an allowed return on common equity of 11.50%, a decrease from the 8.70% average debt and equity return previously authorized. As part of the FERC-approved settlement of ComEd s 2007 transmission rate case, the rate of return on common equity is 11.50% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the transmission formula rate is currently capped at 55%.

On April 28, 2014, BGE filed its annual formula rate update with the FERC. The filings established the revenue requirement used to set rates that will take effect in June 2014 subject to FERC s and other parties review which is due by October 2014. The revenue requirement is based on 2013 actual costs plus forecasted 2014 capital additions as well as an annual reconciliation of the revenue requirement in effect starting in June 2013 to the actual cost incurred in 2013. The update resulted in a revenue requirement of $167 million plus a $4 million adjustment related to the reconciliation of 2013 actual costs for a net revenue requirement of $171 million. This compares to the 2013 revenue requirement of $158 million offset by a $1 million reduction related to the reconciliation of 2012 actual costs for a net revenue requirement of $157 million. The increase in the revenue requirement is primarily driven by higher depreciation expense and an increased level of return on investment associated with a higher equity ratio and increased rate base.

BGE s updated formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 8.53%, an increase from the 8.35% average debt and equity return previously authorized. As part of the FERC-approved settlement of BGE s 2005 transmission rate case in 2006, the rate of return on common equity for BGE s electric transmission business for new transmission projects placed in service on and after January 1, 2006 is 11.3%, inclusive of a 50 basis point incentive for participating in PJM.

PJM Minimum Offer Price Rule (Exelon and Generation). PJM s capacity market rules include a Minimum Offer Price Rule (MOPR) that is intended to preclude sellers from artificially suppressing the competitive price signals for generation capacity. The FERC orders approving the MOPR were upheld by the United States Court of Appeals for the Third Circuit in February 2014.

Exelon continues to work with PJM stakeholders and through the FERC process to implement several proposed changes to the PJM tariff aimed at ensuring that capacity resources (including those with state-sanctioned subsidy contracts, excessive imported capacity resources, capacity market speculators and certain limited availability demand response resources) cannot inappropriately affect capacity auction prices in PJM.

License Renewals (Exelon and Generation). On June 22, 2011, Generation submitted applications to the NRC to extend the operating licenses of Limerick Units 1 and 2 by 20 years. The current operating licenses for Limerick Units 1 and 2 expire in 2024 and 2029, respectively. In June 2012, the United States Court of Appeals for the DC Circuit vacated the NRC s temporary storage rule on the grounds that the NRC should have conducted a more comprehensive environmental review to support the rule. The temporary storage rule (also referred to as the waste confidence decision) recognizes that licensees can safely store spent nuclear fuel at nuclear plants for up to 60 years beyond the original and renewed licensed operating life of the plants and that licensing renewal decisions do not require discussion of the environmental impact of spent fuel stored on site. In August 2012, the NRC placed a hold on issuing new or renewed operating licenses that depend on the temporary storage rule until the court s decision is addressed. In September 2012, the NRC directed NRC Staff to revise the temporary storage rule which is now not expected until October 3, 2014. Generation does not expect the NRC to issue license renewals until the end of 2014, at the earliest.

On May 29, 2013, Generation submitted applications to the NRC to extend the operating licenses of Byron Units 1 and 2 and Braidwood Units 1 and 2 by 20 years. The current operating licenses for Byron Units 1 and 2 expire in 2024 and 2026, respectively. The current operating licenses for Braidwood Units 1 and 2 expire in 2026 and 2027, respectively. Generation does not expect the NRC to issue license renewals for Byron and Braidwood until 2015 at the earliest.

On August 29, 2012 and August 30, 2012, Generation submitted hydroelectric license applications to the FERC for 46-year licenses for the Conowingo Hydroelectric Project (Conowingo) and the Muddy Run Pumped Storage Facility Project (Muddy Run), respectively.

The FERC extended the deadline to January 31, 2014 to file a water quality certification application pursuant to Section 401 of the Clean Water Act (CWA) with the MDE for Conowingo. Generation is working with stakeholders to resolve licensing issues, including: (1) water quality, (2) fish passage and habitat, and (3) sediment. On January 30, 2014, Exelon filed a water quality certification application pursuant to Section 401 of the CWA with MDE for Conowingo, addressing these and other issues, although Generation cannot currently predict the conditions that ultimately may be imposed. Resolution of these issues relating to Conowingo may have a material effect on Generation s results of operations and financial position through an increase in capital expenditures and operating costs.

On August 29, 2013, Exelon filed a water quality certification application pursuant to Section 401 of the CWA with PA DEP for Muddy Run, addressing these and other issues that included certain commitments made by Generation. The financial impact associated with these commitments is estimated to be in the range of $20 million to $30 million, and will include both an increase in capital expenditures as well as an increase in operating expenses. Exelon anticipates that the PA DEP will issue the water quality certification pursuant to Section 401 of the CWA for Muddy Run in the second quarter of 2014.

Based on the latest FERC procedural schedule, the FERC licensing process is not expected to be completed prior to the expiration of Muddy Run s current license on August 31, 2014, and the expiration of Conowingo s license on September 1, 2014. However, the stations would continue to operate under annual licenses until FERC takes action on the 46-year license applications. The stations are currently being depreciated over their useful lives, which includes the license renewal period. As of March 31, 2014, $34 million of direct costs associated with licensing efforts have been capitalized.

Regulatory Assets and Liabilities (Exelon, ComEd, PECO and BGE)

Exelon, ComEd, PECO and BGE each prepare their consolidated financial statements in accordance with the authoritative guidance for accounting for certain types of regulation. Under this guidance, regulatory assets represent incurred costs that have been deferred because of their probable future recovery from customers through regulated rates. Regulatory liabilities represent the excess recovery of costs or accrued credits that have been deferred because it is probable such amounts will be returned to customers through future regulated rates or represent billings in advance of expenditures for approved regulatory programs.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd, PECO and BGE as of March 31, 2014 and December 31, 2013. For additional information on the specific regulatory assets and liabilities, refer to Note 3 Regulatory Matters of the Exelon 2013 Form 10-K.

March 31, 2014	**Exelon**		**ComEd**		**PECO**		**BGE**	
	Current	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Regulatory assets								
Pension and other postretirement benefits	$ 218	$ 2,777	$	$	$	$	$	$
Deferred income taxes	14	1,474	2	67		1,333	12	74
AMI programs	6	186	6	43		65		78
Under-recovered distribution service costs	197	262	197	262				
Debt costs	12	54	9	51	3	3	1	8
Fair value of BGE long-term debt(a)	6	206						
Fair value of BGE supply contract(b)	9							
Severance	10	12	6				4	12
Asset retirement obligations	1	108	1	72		25		11
MGP remediation costs	44	201	37	168	6	32	1	1
RTO start-up costs	2		2					
Under-recovered uncollectible accounts		74		74				
Renewable energy	13	155	13	155				
Energy and transmission programs	51		50		1			
Deferred storm costs	3	2					3	2
Electric generation-related regulatory asset	13	27					13	27
Rate stabilization deferral	72	133					72	133
Energy efficiency and demand response programs	57	146					57	146
Merger integration costs	2	8					2	8
Other	38	38	17	26	18	7	3	4
Total regulatory assets	$ 768	$ 5,863	$ 340	$ 918	$ 28	$ 1,465	$ 168	$ 504

March 31, 2014	**Exelon**		**ComEd**		**PECO**		**BGE**	
	Current	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Regulatory liabilities								
Other postretirement benefits	$ 2	$ 47	$	$	$	$	$	$
Nuclear decommissioning		2,774		2,319		455		
Removal costs	105	1,440	81	1,237			24	203
Energy efficiency and demand response programs	40		39		1			
DLC Program Costs	1	11			1	11		
Energy efficiency Phase 2		31				31		
Electric distribution tax repairs	22	108			22	108		
Gas distribution tax repairs	8	36			8	36		
Energy and transmission programs	76	10		10	43(c)		33(f)	
Over-recovered gas and electric universal service fund costs	7				7			
Revenue subject to refund(d)	38		38					
Over-recovered gas and electric revenue decoupling(e)	35						35	

Other	2	1			2			
Total regulatory liabilities	$ 336	$ 4,458	$ 158	$ 3,566	$ 84	$ 641	$ 92	$ 203

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2013	**Exelon**		**ComEd**		**PECO**		**BGE**	
	Current	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Regulatory assets								
Pension and other postretirement benefits	$ 221	$ 2,794	$	$	$	$	$	$
Deferred income taxes	10	1,459	2	65		1,317	8	77
AMI programs	5	159	5	35		58		66
AMI meter events		5				5		
Under-recovered distribution service costs	178	285	178	285				
Debt costs	12	56	9	53	3	3	1	8
Fair value of BGE long-term debt(a)		219						
Fair value of BGE supply contract(b)	12							
Severance	16	12	12				4	12
Asset retirement obligations	1	102	1	67		25		10
MGP remediation costs	40	212	33	178	6	33	1	1
RTO start-up costs	2		2					
Under-recovered uncollectible accounts		48		48				
Renewable energy	17	176	17	176				
Energy and transmission programs	53		52				1(f)	
Deferred storm costs	3	3					3	3
Electric generation-related regulatory asset	13	30					13	30
Rate stabilization deferral	71	154					71	154
Energy efficiency and demand response programs	73	148					73	148
Merger integration costs	2	9					2	9
Other	31	39	18	26	8	7	4	6
Total regulatory assets	$ 760	$ 5,910	$ 329	$ 933	$ 17	$ 1,448	$ 181	$ 524

December 31, 2013	**Exelon**		**ComEd**		**PECO**		**BGE**	
	Current	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Regulatory liabilities								
Other postretirement benefits	$ 2	$ 43	$	$	$	$	$	$
Nuclear decommissioning		2,740		2,293		447		
Removal costs	99	1,423	78	1,219			21	204
Energy efficiency and demand response programs	53		45		8			
DLC Program Costs	1	10			1	10		
Energy efficiency phase II		21				21		
Electric distribution tax repairs	20	114			20	114		
Gas distribution tax repairs	8	37			8	37		
Energy and transmission programs	78		9		58(c)		11(f)	
Over-recovered gas and electric universal service fund costs	8				8			
Revenue subject to refund(d)	38		38					
Over-recovered electric and gas revenue decoupling(e)	16						16	
Other	4				3			
Total regulatory liabilities	$ 327	$ 4,388	$ 170	$ 3,512	$ 106	$ 629	$ 48	$ 204

(a)

Represents the regulatory asset recorded at Exelon Corporate for the difference in the fair value of the long-term debt of BGE as of the merger date. The asset is amortized over the life of the underlying debt. See Note 8 Debt and Credit Agreements for additional information.

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

(b) Represents the regulatory asset recorded at Exelon Corporate representing the fair value of BGE s supply contracts as of the close of the merger date. BGE is allowed full recovery of the costs of its electric and gas supply contracts through approved, regulated rates. The asset is amortized over a period of approximately 3 years.

(c) Includes $32 million related to the DSP program, $0 million related to the over-recovered natural gas costs under the PGC and $11 million related to over-recovered electric transmission costs as of March 31, 2014. As of December 31, 2013, includes $34 million related to the DSP program, $8 million related to the over-recovered electric transmission costs and $16 million related to the over-recovered natural gas costs under the PGC.

(d) Primarily represents the regulatory liability for revenue subject to refund recorded pursuant to the ICC s order in the 2007 Rate Case. See Note 3 Regulatory Matters of the Exelon 2013 Form 10-K. for further information.

(e) Represents the electric and gas distribution costs recoverable from customers under BGE s decoupling mechanism. As of March 31, 2014, BGE had a regulatory liability of $14 million related to over-recovered electric revenue decoupling and $21 million related to over-recovered natural gas revenue decoupling. As of December 31, 2013, BGE had a regulatory liability of $7 million related to over-recovered electric revenue decoupling and $9 million related to over-recovered natural gas revenue decoupling.

(f) Relates to $3 million of over-recovered electric supply costs and $30 million of over-recovered natural gas supply costs as of March 31, 2014. As of December 31, 2013, includes $1 million of under-recovered electric supply costs and $11 million of over-recovered natural gas supply costs.

Purchase of Receivables Programs (Exelon, ComEd, PECO, and BGE)

ComEd, PECO and BGE are required, under separate legislation and regulations in Illinois, Pennsylvania and Maryland, respectively, to purchase certain receivables from retail electric and natural gas suppliers. For retail suppliers participating in the utilities consolidated billing, ComEd, PECO and BGE must purchase their customer accounts receivables. ComEd and BGE purchase receivables at a discount to primarily recover uncollectible accounts expense from the suppliers. PECO is required to purchase receivables at face value and permitted to recover uncollectible accounts expense from customers through distribution rates. Exelon, ComEd, PECO and BGE do not record unbilled commodity receivables under the POR programs. Purchased billed receivables are classified in Other accounts receivable, net on Exelon s, ComEd s, PECO s and BGE s Consolidated Balance Sheets. The following tables provide information about the purchased receivables of the Registrants as of March 31, 2014 and December 31, 2013.

As of March 31, 2014	**Exelon**	**ComEd**	**PECO**	**BGE**
Purchased receivables(a)	$ 330	$ 125	$ 93	$ 112
Allowance for uncollectible accounts(b)	(36)	(19)	(10)	(7)
Purchased receivables, net	$ 294	$ 106	$ 83	$ 105

As of December 31, 2013	**Exelon**	**ComEd**	**PECO**	**BGE**
Purchased receivables(a)	$ 263	$ 105	$ 72	$ 86
Allowance for uncollectible accounts(b)	(30)	(16)	(7)	(7)
Purchased receivables, net	$ 233	$ 89	$ 65	$ 79

(a) PECO s gas POR program became effective on January 1, 2012 and includes a 1% discount on purchased receivables in order to recover the implementation costs of the program. If the costs are not fully recovered when PECO files its next gas distribution rate case, PECO will propose a mechanism to recover the remaining implementation costs as a distribution charge to low volume transportation customers or apply future discounts on purchased receivables from natural gas suppliers serving those customers.

(b) For ComEd and BGE, reflects the incremental allowance for uncollectible accounts recorded, which is in addition to the purchase discount. For ComEd, the incremental uncollectible accounts expense is recovered through its Purchase of Receivables with Consolidated Billing (PORCB) tariff.

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

5. Investment in Constellation Energy Nuclear Group, LLC (Exelon and Generation)

As a result of the Constellation merger, Generation owns a 50.01% interest in CENG, a nuclear generation business, which is accounted for as an equity method investment as of March 31, 2014. Generation s total equity in earnings (losses) on the investment in CENG is as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Equity investment income	$ (2)	$ 15
Amortization of basis difference in CENG	(17)	(27)
Total equity in earnings CENG	$ (19)	$ (12)

As of March 12, 2012, Generation had an initial basis difference of approximately $204 million between the initial carrying value of its investment in CENG and its underlying equity in CENG. This basis difference resulted from the requirement to record the investment in CENG at fair value under purchase accounting while the underlying assets and liabilities within CENG continue to be accounted for on a historical cost basis. Generation is amortizing this basis difference over the respective useful lives of the assets and liabilities of CENG or as those assets and liabilities affect the earnings of CENG.

Based on tax sharing provisions contained in the operating agreement for CENG, Generation may be eligible for distributions from its investment in CENG in excess of its 50.01% ownership interest. Through purchase accounting, Generation has recorded the fair value of expected future distributions. When these distributions are realized, Generation will record a reduction in its investment in CENG. Any distributions in excess of Generation s investment in CENG would be recorded in earnings.

Generation has various agreements with CENG to purchase power and to provide certain services. For further information regarding these agreements see Note 25 Related Party Transactions of the Exelon 2013 Form 10-K.

On July 29, 2013, Exelon, Generation and subsidiaries of Generation entered into a Master Agreement with EDF, EDF Inc. (EDFI) (a subsidiary of EDF) and CENG. The Master Agreement closed on April 1, 2014, and, as contemplated therein, the parties executed a series of additional agreements.

Under the Master Agreement, CENG made two pre-closing cash distributions to EDF and Generation. Generation received the distributions of $115 million and $13 million in December 2013 and March 2014, respectively, each of which was recorded as a reduction to the Investment in CENG on Exelon s and Generation s Consolidated Balance Sheets.

At the closing, Generation, CENG and subsidiaries of CENG executed a Nuclear Operating Services Agreement (NOSA) pursuant to which Generation will operate the CENG nuclear generation fleet owned by CENG subsidiaries and provide corporate and administrative services for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to EDFI s rights as a member of CENG. CENG will reimburse Generation for its direct and allocated costs for such services.

In addition, at closing, Generation made a $400 million loan to CENG, bearing interest at 5.25% per annum and payable out of specified available cash flows of CENG and, in any event, payable upon the settlement of the Put Option Agreement discussed below (if the put option is exercised) or payable upon the maturity date of April 1, 2034, whichever occurs first. Immediately following receipt of the proceeds of such loan, CENG made a

$400 million special distribution to EDFI. The parties also executed a Fourth Amended and Restated Operating Agreement for CENG, pursuant to which, among other things, CENG committed to make preferred distributions to Generation (after repayment of the $400 million loan) quarterly out of specified available cash flows until Generation has received aggregate distributions of $400 million plus a return of 8.5% per annum from the date of the special distribution to EDFI.

Generation and EDFI also entered into a Put Option Agreement at closing pursuant to which EDFI has the option, exercisable beginning on January 1, 2016 and thereafter until June 30, 2022, to sell its 49.99% interest in CENG to Generation for a fair market value price determined by agreement of the parties, or absent agreement, a third-party arbitration process. The appraisers determining fair market value of EDF s 49.99% interest in CENG under the Put Option Agreement are instructed to take into account all rights and obligations under the CENG Operating Agreement, including Generation s rights with respect to any unpaid aggregate preferred distributions and the related return, and the value of Generation s rights to other distributions. The beginning of the exercise period will be accelerated if Exelon s affiliates cease to own a majority of CENG and exercise a related right to terminate the NOSA. In addition, under limited circumstances, the period for exercise of the put option may be extended for 18 months.

Also at closing, Generation executed an Indemnity Agreement pursuant to which Generation indemnified EDF and its affiliates against third-party claims that may arise from any future nuclear incident (as defined in the Price Anderson Act) in connection with the CENG nuclear plants or their operations. Exelon guarantees Generation s obligations under this indemnity.

In addition to the agreements contemplated in the Master Agreement, on April 1, 2014, Generation, EDFI, CENG and Nine Mile Point Nuclear Station, LLC entered into an Employee Matters Agreement (EMA) that provides for the transfer of CENG employees to the Generation Parties (Generation or one of its affiliates) and the assumption of the employee benefit plans and their related trusts by the Generation Parties as the plan sponsor as of August 1, 2014 or such other date as agreed to by Generation and EDFI (the Effective Date). The EMA also generally requires CENG to fund the underfunded balance of the pension and post-retirement welfare benefit plans as of the Effective Date on an agreed payment schedule (or upon the occurrence of certain specified events, such as EDF s disposition of a majority of its interest in CENG prior to completion of scheduled payments).

As a condition to obtaining regulatory approval for the transaction from the Nuclear Regulatory Commission, Exelon executed a Support Agreement pursuant to which Exelon may be required under specified circumstances to provide up to $245 million of financial support to the CENG plants. The Exelon Support Agreement was provided in substitution for a previous support agreement under which Generation had agreed to provide up to $205 million of financial support for CENG. In addition, Exelon executed a Guarantee pursuant to which Exelon may be required under specified circumstances to provide up to $165 million in additional financial support for the CENG plants. A previous Support Agreement executed by an affiliate of EDF remains in effect; under this Support Agreement the EDF affiliate may be required to provide up to approximately $145 million of financial support for the CENG plants under specified circumstances.

Due to changes in energy prices, discount rates and other factors, Exelon and Generation evaluated and determined that no impairment of the investment in CENG existed as of March 31, 2014. In addition, due to the transfer of the operating licenses and the execution of the NOSA on April 1, 2014, Exelon and Generation will derecognize their equity method investment in CENG and record all assets, liabilities and EDF s non-controlling interest in CENG at fair value on Exelon and Generation s balance sheets. Any difference between the carrying value of the investment in CENG and the newly recorded fair value will be recognized as a gain or loss upon consolidation in the second quarter of 2014, which could be material to Exelon s and Generation s results of operations. See Note 3 Variable Interest Entities for further information regarding the consolidation of CENG beginning in the second quarter of 2014.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Fair Value of Financial Liabilities Recorded at the Carrying Amount

The following tables present the carrying amounts and fair values of the Registrants short-term liabilities, long-term debt, SNF obligation, and trust preferred securities (long-term debt to financing trusts or junior subordinated debentures) as of March 31, 2014 and December 31, 2013:

Exelon

	March 31, 2014				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 983	$ 3	$ 980	$	$ 983
Long-term debt (including amounts due within one year)	18,920		18,976	1,066	20,042
Long-term debt to financing trusts	648			648	648
SNF obligation	1,021		840		840

	December 31, 2013				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 344	$ 3	$ 341	$	$ 344
Long-term debt (including amounts due within one year)	19,132		18,672	1,079	19,751
Long-term debt to financing trusts	648			631	631
SNF obligation	1,021		790		790

Generation

	March 31, 2014				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 377	$	$ 377	$	$ 377
Long-term debt (including amounts due within one year)	7,490		6,684	1,066	7,750
SNF obligation	1,021		840		840

	December 31, 2013				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 22	$	$ 22	$	$ 22
Long-term debt (including amounts due within one year)	7,729	$	6,586	1,062	7,648
SNF obligation	1,021		790		790

ComEd

	March 31, 2014				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 534	$	$ 534	$	$ 534

Long-term debt (including amounts due within one year)	5,707	6,347		6,347
Long-term debt to financing trust	206		202	202

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

		December 31, 2013			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 184	$	$ 184	$	$ 184
Long-term debt (including amounts due within one year)	5,675		6,238	17	6,255
Long-term debt to financing trust	206			202	202

PECO

		March 31, 2014			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)	$ 2,197	$	$ 2,392	$	$ 2,392
Long-term debt to financing trusts	184			190	190

		December 31, 2013			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)	2,197		2,358		2,358
Long-term debt to financing trusts	184			180	180

BGE

		March 31, 2014			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 72	$ 3	$ 69	$	$ 72
Long-term debt (including amounts due within one year)	2,011		2,183		2,183
Long-term debt to financing trusts	258			256	256

		December 31, 2013			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 138	$ 3	$ 135	$	$ 138
Long-term debt (including amounts due within one year)	2,011		2,148		2,148
Long-term debt to financing trusts	258			249	249

Short-Term Liabilities. The short-term liabilities included in the tables above are comprised of short-term borrowings (Level 2) and dividends payable (included in other current liabilities) (Level 1). The Registrants carrying amounts of the short-term liabilities are representative of fair value because of the short-term nature of these instruments.

Long-Term Debt. The fair value amounts of Exelon s taxable debt securities (Level 2) are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves. In order to incorporate the credit risk of the Registrants into the discount rates, Exelon obtains pricing (i.e., U.S. Treasury rate plus credit spread) based on trades of existing Exelon debt securities as well as debt securities of other issuers in the electric utility sector with similar credit ratings in both the primary and secondary market, across the Registrants debt maturity spectrum. The credit spreads of various tenors obtained from this information are added to the appropriate benchmark U.S. Treasury rates in order to determine the current market yields for the various tenors. The yields are then converted into discount rates of various tenors that are used for discounting the respective cash flows of the same tenor for each bond or note.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The fair value of Generation s non-government-backed fixed rate project financing debt (Level 3) is based on market and quoted prices for its own and other project financing debt with similar risk profiles. Given the low trading volume in the project financing debt market, the price quotes used to determine fair value will reflect certain qualitative factors, such as market conditions, investor demand, new developments that might significantly impact the project cash flows or off-taker credit, and other circumstances related to the project (e.g., political and regulatory environment). The fair value of Generation s government-back fixed rate project financing debt (Level 3) is largely based on a discounted cash flow methodology that is similar to the taxable debt securities methodology described above. Due to the lack of market trading data on similar debt, the discount rates are derived based on the original loan interest rate spread to the applicable Treasury rate as well as a current market curve derived from government-backed securities. Variable rate project financing debt resets on a quarterly basis and the carrying value approximates fair value.

The Registrants also have tax-exempt debt (Level 3). Due to low trading volume in this market, qualitative factors, such as market conditions, investor demand, and circumstances related to the issuer (i.e., political and regulatory environment), may be incorporated into the credit spreads that are used to obtain the fair value as described above.

SNF Obligation. The carrying amount of Generation s SNF obligation (Level 2) is derived from a contract with the DOE to provide for disposal of SNF from Generation s nuclear generating stations. When determining the fair value of the obligation, the future carrying amount of the SNF obligation estimated to be settled in 2025 is calculated by compounding the current book value of the SNF obligation at the 13-week Treasury rate. The compounded obligation amount is discounted back to present value using Generation s discount rate, which is calculated using the same methodology as described above for the taxable debt securities, and an estimated maturity date of 2025.

Long-Term Debt to Financing Trusts. Exelon s long-term debt to financing trusts is valued based on publicly traded securities issued by the financing trusts. Due to low trading volume of these securities, qualitative factors, such as market conditions, investor demand, and circumstances related to each issue, this debt is classified as Level 3.

Recurring Fair Value Measurements

Exelon records the fair value of assets and liabilities in accordance with the hierarchy established by the authoritative guidance for fair value measurements. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Registrants have the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities and funds, certain exchange-based derivatives, and money market funds.

Level 2 inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, derivatives, commingled and mutual investment funds priced at NAV per fund share and fair value hedges.

Level 3 unobservable inputs, such as internally developed pricing models or third-party valuations for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently traded securities and derivatives, and investments priced using an alternative pricing mechanism or third party valuation.

Transfers in and out of levels are recognized as of the end of the reporting period the transfer occurred. Given derivatives categorized within Level 1 are valued using exchange-based quoted prices within observable periods, transfers between Level 2 and Level 1 were not material. Transfers into Level 2 from Level 3 generally occur when the contract tenure becomes more observable. Transfers into Level 3 from Level 2 generally occur due to changes in

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

market liquidity or assumptions for certain commodity contracts. There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2014 for cash equivalents, nuclear decommissioning trust fund investments, pledged assets for Zion Station decommissioning, Rabbi trust investments, and deferred compensation obligations.

Exelon

The following tables present assets and liabilities measured and recorded at fair value on Exelon s Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2014 and December 31, 2013:

As of March 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents(a)	$ 518	$	$	$ 518
Nuclear decommissioning trust fund investments				
Cash equivalents	304			304
Equity				
Individually held	1,813			1,813
Exchange traded funds	113			113
Commingled funds		2,053		2,053
Equity funds subtotal	1,926	2,053		3,979
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	903			903
Debt securities issued by states of the United States and political subdivisions of the states		295		295
Debt securities issued by foreign governments		87		87
Corporate debt securities		1,795	126	1,921
Federal agency mortgage-backed securities		9		9
Commercial mortgage-backed securities (non-agency)		40		40
Residential mortgage-backed securities (non-agency)		7		7
Mutual funds		278		278
Fixed income subtotal	903	2,511	126	3,540
Middle market lending			356	356
Private Equity			4	4
Other debt obligations		15		15
Nuclear decommissioning trust fund investments subtotal(b)	3,133	4,579	486	8,198
Pledged assets for Zion Station decommissioning				
Cash equivalents		35		35
Equity				
Individually held	4	1		5
Equity funds subtotal	4	1		5
Fixed income				

Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	36	4	40
Debt securities issued by states of the United States and political subdivisions of the states		18	18
Corporate debt securities			