

Exelon Business Services Company
2301 Market Street/S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699

August 1, 2012

Via Federal Express

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor, Room-N201
Harrisburg, PA 17120

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AUG 1 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Securities Certificate of PECO Energy Company in Respect of up to \$2,500,000,000 principal amount of PECO Energy Company Senior Secured Debt in the form of First and Refunding Mortgage Bonds and an Accounts Receivable Financing; Securities Certificate No. S-

Re: Securities Certificate of PECO Energy Company in Respect of up to \$2,500,000,000 principal amount of PECO Energy Company Collateralized Notes secured by up to \$2,500,000,000 of First and Refunding Mortgage Bonds; Securities Certificate No. S-

Re: Securities Certificate of PECO Energy Company in Respect of up to \$2,500,000,000 principal amount of PECO Energy Company Unsecured Debt in the form of Debentures, Notes or Bank Loans; Securities Certificate No. S-

Re: Securities Certificate of PECO Energy Company in Respect of up to \$2,500,000,000 principal amount of PECO Energy Company Subordinated Debentures; Securities Certificate No. S-

Dear Secretary Chiavetta:

Enclosed for filing in the above-captioned matters are an original and three copies of PECO Energy Company's Securities Certificates for each matter. I request that you date stamp and return a copy of this letter to me in the envelope provided as proof of filing.

PECO's check for the required filing fee is being processed and will be forwarded shortly under a separate cover.

Rosemary Chiavetta, Secretary
August 1, 2012
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Should you have any questions concerning this filing, please contact me at my direct-dial number above.

Very truly yours,



Ward L. Smith
Counsel for PECO Energy Company

Enclosures

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN RE:	Securities Certificate of PECO Energy	:	
	Company in respect of up to	:	Securities
	\$2,500,000,000 principal amount of	:	Certificate No.
	PECO Energy Company Collateralized	:	
	Notes secured by up to \$2,500,000,000	:	
	Principal Amount of PECO Energy Company	:	
	First and Refunding Mortgage Bonds	:	

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

TO PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. The name and address of the public utility filing this Securities Certificate:

PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101

2. The name and address of the public utility's attorneys:

Ward Smith, Esquire
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101

Patrick R. Gillard, Esquire
Ballard Spahr LLP
1735 Market Street, 51st floor
Philadelphia, PA 19103-7599

3. PECO ENERGY COMPANY (the "Company") is a public utility incorporated under the laws of the Commonwealth of Pennsylvania on October 31, 1929, to exist perpetually and, pursuant to lawful authority, furnishes electric and gas service regulated by the Commission to the public in the following territories:

(a) Electric service is furnished in the City and County of Philadelphia and in southeastern Pennsylvania adjacent to Philadelphia, including Delaware County and substantial parts of Bucks, Chester and Montgomery Counties. Service is also provided in a small section of the southeastern part of York County. The territory served is an area of about 1,900 square miles with a population estimated at approximately 3,900,000.

(b) Gas service is furnished in substantial portions of Delaware, Chester, Montgomery and Bucks Counties and in a small section of the southeastern part of Lancaster County. The territory served is an area of about 1,900 square miles with a population estimated at approximately 2,400,000.

4. Control of the Company:

All of the common stock of PECO Energy Company is owned by Exelon Energy Delivery Company, LLC, a Pennsylvania limited liability company of which Exelon Corporation, a Pennsylvania corporation ("Exelon"), is the sole member. PECO has four series of preferred stock, which are all traded on the New York Stock Exchange.

5. The Company is filing this Securities Certificate and three related Securities Certificates in order to obtain authorization from the Commission to issue up to an aggregate of \$2.5 billion of long-term debt on or prior to the third anniversary of the issuance by the Commission of orders registering the Securities Certificates. The four Securities Certificates filed by the Company relate to the four types of long-term debt securities that the Company may issue, namely, (i) senior secured debt consisting of first and refunding mortgage bonds ("First Mortgage Bonds") and a long-term accounts receivable financing facility ("A/R Facility"), (ii) senior unsecured debt ("Senior Unsecured Debt"), (iii) debt collateralized by the Company's First Mortgage Bonds ("Collateralized Notes") and (iv) subordinated unsecured debt ("Subordinated Debt") (collectively, the First Mortgage Bonds, the A/R Facility, the Senior Unsecured Debt, the Collateralized Notes and the Subordinated Debt are hereinafter referred to as the "Debt Securities"). The First Mortgage Bonds will be issued by the Company under its indenture dated May 1, 1923 and will be secured by a first lien on substantially all of the Company's property. The A/R Facility may be issued through a long-term accounts receivable financing facility with a special purpose entity ("SPE") that would be secured by an interest in the Company's accounts receivable that is transferred to the SPE. The Senior Unsecured Debt may be issued in the form of bank loans, which may be evidenced by notes, or notes issued through public offerings or private placements. The Collateralized Notes will be notes secured by the Company's First Mortgage Bonds and may be issued as bank loans or through public offerings or private placements, including medium-term note programs. The Subordinated Debt may be issued directly to investors through private placements or public offerings or to financing trusts or other financing entities formed by the Company or a subsidiary of the Company for the purpose of issuing trust preferred securities or other pass-through type securities.

The four Securities Certificates will replace four Securities Certificates registered by the Commission by Orders dated May 1, 2009 pertaining to \$2.5 billion aggregate principal amount of Debt Securities (See Securities Certificates Nos. S-2009-2096834, S-2009-2096836, S-2009-2096838 and S-2009-2096839). To date, the Company has entered into long-term credit facilities with aggregate bank commitments of \$600,000,000 under the Prior Securities Certificates, leaving a remaining capacity of \$1,900,000,000. Under the terms of the Prior Securities Certificates registered on May 1, 2009, the authority to issue debt securities thereunder expires on December 31, 2012. Therefore, the Company hereby requests orders from the Commission canceling the remaining unused capacity under the Prior Securities Certificates and registering this Securities Certificate and the three Securities Certificates filed concurrently herewith, authorizing the issuance of up to \$2.5 billion aggregate principal amount of Debt Securities as more fully described below.

The four separate Securities Certificates are being filed to register the Debt Securities that may be offered by the Company. The aggregate principal amount of funds raised by the Company plus long-term bank commitments for revolving credit facilities under which borrowings may be paid and re-borrowed under these Securities Certificates will not exceed \$2.5 billion, and the principal amount of the Debt Securities to be issued and outstanding from time to time by the Company pursuant to the Securities Certificates will not exceed \$2.5 billion plus the principal amount of Mortgage Bonds issued as collateral for Collateralized Notes and the principal amount of any bank loans relating to a liquidity or credit facility with respect to Collateralized Notes issued as remarketed notes.

The Company may issue the Debt Securities during the next three years for general corporate purposes, including to pay maturing debt, to take advantage of refunding opportunities, to renew, replace or expand its credit facilities (or bank commitments thereunder) that have terms of one year or longer¹, to finance capital

¹ On November 29, 2011, the Federal Energy Regulatory Commission issued an order authorizing the Company to issue short-term debt of up to \$1.5 billion, which authority expires on December 31, 2013.

expenditures or finance acquisitions, to make contributions to pension plans and to repay maturing commercial paper or other short-term obligations incurred for such purposes. The Company desires to maintain the flexibility to sell Debt Securities in one or more sales or issuances, either publicly through competitive bidding, agency arrangements, negotiated underwritings or continuous offerings or privately through direct placements or bank borrowings, with the maturities, redemption provisions, sinking fund provisions and other terms including, in some cases, delayed deliveries, to be established separately for each sale or issuance.

The key to taking advantage of this flexibility is for the Company to be able to move quickly when a favorable market opportunity arises. Accordingly, it is proposed that up to \$2.5 billion of Debt Securities be authorized by the Commission for issuance by the Company in one or more sales or issuances of Debt Securities, from time to time over a period of three years from the date of entry of the order by the Commission in various amounts and with various interest rates, terms and maturities. Therefore, the Company requests orders from the Commission registering this Securities Certificate and the Securities Certificates filed concurrently herewith, pursuant to which the Company would sell or issue each issue or series of Debt Securities.

The type of debt, the definitive size and method of each sale or issuance, the dates of issue and maturities, certain terms of the Debt Securities such as, but not limited to, the interest rates, redemption and refunding provisions, and details of any sinking fund, will be determined at the time of each sale or issuance and such information will be supplied to the Commission promptly thereafter. In addition, a full, detailed summary will be given to the Commission of the terms and conditions of the Debt Securities issued and the specific use of the proceeds therefrom pursuant to the Securities Certificates. The exact amount of the Debt Securities to be sold or issued in each sale will depend on market acceptance.

EXACT TITLE OF ISSUE:

The Collateralized Notes issued as medium-term notes will be designated as PECO Energy Company Collateralized Medium-Term Notes, Series ____ to be issued in

one or more series. The Collateralized Notes issued as remarketed notes will be designated as PECO Energy Company Remarketed Secured Notes, Series ____ to be issued in one or more series. The Collateralized Notes issued as senior notes will be designated as PECO Energy Company Senior Notes, Series ____ to be issued in one or more series. The Collateralized Notes will be issued periodically pursuant to a note indenture with a trustee to be selected by the Company. The supplement to the existing Collateralized Note Indenture or the new note indenture will be filed as Exhibit J-1. Reference is made thereto or to the Collateralized Note Indenture for a complete description to the Collateralized Notes issued as medium-term notes. A copy of any Underwriting Agreement, Purchase Agreement or Agency Agreement pertaining to the Collateralized Notes will be filed as Exhibit L.

Borrowings under bank credit facilities, including any reimbursement obligation of the Company with respect to letters of credit issued by the banks, may be evidenced by Collateralized Notes issued by the Company to each lender ("Bank Notes"). If the Company issues Bank Notes, the title of the security is "PECO Energy Company Notes" to be issued under the bank credit facilities.

The Collateralized Notes issued as medium-term notes, remarketed notes, senior notes or Bank Notes will be collateralized by the Mortgage Bonds, which will be designated as PECO Energy Company First and Refunding Mortgage Bonds, ____% Collateralized Series due ____, to be issued and pledged by the Company to the Note Trustee for the benefit of the holders of the Collateralized Notes (in the case of Bank Notes, to the Mortgage Trustee or a collateral trustee for the benefit of the lenders). For additional information with respect to the Mortgage Bonds to be issued as collateral or the Collateralized Notes, see the Securities Certificate filed concurrently herewith with respect to the Mortgage Bonds.

AGGREGATE PRINCIPAL AMOUNT TO BE ISSUED:

The aggregate principal amount of Collateralized Notes to be issued pursuant to this Securities Certificate will not be more than \$2.5 billion, less amounts issued pursuant to the other Securities Certificates being filed concurrently with this Securities

Certificate. The Collateralized Notes will be secured by Mortgage Bonds in an aggregate principal amount equal to the principal amount of the Collateralized Notes, which will be pledged to the Note Trustee for the benefit of the holders of the Collateralized Notes (in the case of Bank Notes, to the Mortgage Trustee or a collateral trustee for the benefit of the lenders). See explanation beginning on page 2. Collateralized Notes will be issued pursuant to a medium-term note program and/or a remarketed note program or as senior notes and/or as Bank Notes.

NOMINAL DATE OF ISSUE:

To be determined later. See explanation beginning on page 2.

The Collateralized Notes issued as medium-term notes will be issued periodically as determined by the Company. At the initiation of a note program for Collateralized Notes, the Company will establish the terms of the Mortgage Bonds. Mortgage Bonds will be issued from time to time during the note program for the Collateralized Notes so that the principal amount of the Mortgage Bonds held by the Note Trustee will always equal the principal amount of the Collateralized Notes then outstanding.

The Collateralized Notes issued as remarketed notes will be issued in series from time to time as determined by the Company. Concurrently with the issuance of each series of Collateralized Notes issued as remarketed notes, the Company would issue a corresponding series of Mortgage Bonds as security therefor.

The Collateralized Notes issued as senior notes will be issued from time to time as determined by the Company. The terms of the Mortgage Bonds will correspond to the terms of the senior notes and, unless surrendered to the Mortgage Trustee for cancellation, will always be held as security for the senior notes.

The Collateralized Notes issued as Bank Notes will be issued from time to time as determined by the Company. The terms of the Mortgage Bonds will correspond to the terms of the Bank Notes and, unless surrendered to the Mortgage Trustee for cancellation, will always be held as security for the Bank Notes.

DATE OF MATURITY OR MATURITIES:

The maturity date of each Collateralized Note issued as part of a medium-term note program will be determined at the time of issuance and may vary among

Collateralized Notes. The Mortgage Bonds securing a series of Collateralized Notes will have a fixed maturity date which will be established by the Company at the date of initial issuance of such Mortgage Bonds.

Each series of Collateralized Notes issued as remarketed notes would have a fixed maturity date; however, the Collateralized Notes would be subject to periodic mandatory purchase by the Company or a liquidity provider designated by the Company. The intervals for mandatory purchase would be selected by the Company and could be changed from time to time by the Company. The Company would appoint a remarketing agent (the "Remarketing Agent") to resell Collateralized Notes required to be purchased by the Company upon mandatory purchase.

The maturity date of each series of Collateralized Notes issued as senior notes will be determined at time of issuance and may vary among series. The Mortgage Bonds securing a series of senior notes will have the same maturity as the senior notes provided that such Mortgage Bonds may be surrendered to the Mortgage Trustee prior to the maturity of the senior notes if certain conditions relating to mortgage bonds outstanding and not held by the Senior Note Trustee are met.

The maturity date of each series of Collateralized Notes issued as Bank Notes will be determined at time of issuance and may vary among series. The Mortgage Bonds securing a series of Bank Notes will have the same maturity as the Bank Notes provided that such Mortgage Bonds may be surrendered to the Mortgage Trustee prior to the maturity of the senior notes if certain conditions relating to mortgage bonds outstanding and not held by the Mortgage Trustee or collateral trustee are met.

FEES PAYABLE IN CONNECTION WITH OFFERING OF COLLATERALIZED NOTES:

The Company will pay customary underwriting fees in connection with the offering of the Collateralized Notes.

INTEREST RATES AND PAYMENT DATES:

To be determined later. See explanation beginning on page 2. The interest rate of each Collateralized Note issued as part of a medium-term note program will be established at the time of issuance of such Collateralized Note and may vary among Collateralized Notes. Semi-annual interest payment dates for all of the Collateralized

Notes of a note program will be established at the initiation of the note program. Interest on a Collateralized Note will also be payable at the maturity of that Note.

The Collateralized Notes issued as remarketed notes will bear interest in one of several permitted interest modes. The permitted interest modes may include the following:

- (i) a Daily Rate for all Collateralized Notes of the same series to be determined on each Business Day;
- (ii) a Weekly Rate for all Collateralized Notes of the same series to be determined weekly;
- (iii) a 30-Day Rate for all Collateralized Notes of the same series to be determined on the first Business Day of such interest rate period;
- (iv) a 60-Day Rate for all Collateralized Notes of the same series to be determined on the first Business Day of such interest rate period;
- (v) a 90-Day Rate for all Collateralized Notes of the same series to be determined on the first Business Day of such interest rate period;
- (vi) a 180-Day Rate for all Collateralized Notes of the same series to be determined on the first Business Day of such interest rate period;
- (vii) a Long-Term Rate for all Collateralized Notes of the same series to be determined on the first Business Day of such interest rate period;
- (viii) a Fixed Rate for all Collateralized Notes of the same series to be determined on the date of conversion to such Fixed Rate and to be in effect until the redemption or the final maturity of that series of Notes.

If the Collateralized Notes bear interest in one of the above-permitted interest rate modes, each interest rate for the Collateralized Notes, regardless of the interest rate mode, will be the rate determined by the Remarketing Agent to be the rate necessary to enable the Remarketing Agent to sell such Collateralized Notes at par, plus accrued interest. The interest rate mode for the Collateralized Notes of a series may be converted by the Company to a different permitted interest rate mode. It is expected that interest on the Collateralized Notes issued with a 30-, 60-, 90-, or 180-Day Rate will be payable on each interest rate adjustment date. With respect to the Daily or Weekly Rate, interest will be payable monthly. With a Long-Term Rate or a Fixed Rate, interest will be payable semi-annually. The interest rate on each series of

senior notes will be established at the time of issuance of such Collateralized Notes. Interest will be paid semi-annually.

The Mortgage Bonds securing a series of Collateralized Notes will have a single interest rate and semi-annual interest payment dates, which in the case of Mortgage Bonds securing Collateralized Notes issued as medium-term notes will correspond to the semi-annual interest payment dates for the Collateralized Notes issued as medium-term notes or senior notes. The interest payment dates for the Mortgage Bonds will be established by the Company at the date of initial issuance of such Mortgage Bonds. Each series of Mortgage Bonds securing Collateralized Notes will have a stated interest rate equal to the actual or maximum interest rate for that series of Collateralized Notes; however, interest on the Mortgage Bonds shall not accrue or be payable unless the Company defaults on its obligation to pay interest on the Collateralized Notes.

EXTENT TO WHICH TAXES ON COLLATERALIZED NOTES ARE ASSUMED BY THE ISSUER:

No taxes on the Collateralized Notes are to be assumed by the Company. Both principal and interest are to be payable less deduction for any taxes, assessments or governmental charges assessed against the Collateralized Notes or the interest thereon or any owner or holder thereof which the Company, the Note Trustee or any paying agent is or may be required to collect or withhold under any present or future law of the United States of America, of any state, county, municipality, taxing authority or political subdivision thereof.

CALLABILITY AND CONVERSION PROVISIONS:

To be determined later. See explanation beginning on page 2.

The Collateralized Notes issued as medium-term notes may be subject to optional redemption, depending upon market conditions at the time of issuance, the terms and conditions of the Collateralized Notes and other factors beyond the Company's control. If subject to redemption, the Collateralized Notes may or may not be redeemable at a premium. The Mortgage Bonds securing a series of Collateralized Notes issued as medium-term notes will be redeemable at any time at the option of the

Company. The Company will agree to redeem Mortgage Bonds in amounts sufficient to pay the principal of the Collateralized Notes at maturity. In the event of any optional or mandatory redemption of the Collateralized Notes, the Company will redeem an amount of Mortgage Bonds equal to the principal of the Collateralized Notes to be redeemed.

The Collateralized Notes issued as remarketed notes may be subject to optional redemption, depending upon the interest rate mode and market conditions at the time of issuance. The Mortgage Bonds securing a series of Collateralized Notes issued as remarketed notes are expected to be subject to mandatory redemption upon a default by the Company with respect to the Collateralized Notes.

The Collateralized Notes issued as senior notes may be subject to optional redemption, depending upon market conditions at the time of issuance, the terms and conditions of the Collateralized Notes and other factors beyond the control of the Company. The redemption provisions of the Mortgage Bonds securing senior notes will correspond to the redemption provisions of the senior notes.

Mortgage Bonds securing Collateralized Notes may also be subject to a mandatory redemption or purchase upon an Event of Default under the Note Indenture.

SINKING FUND PROVISIONS:

To be determined later. See explanation beginning on page 2.

NAME AND ADDRESS OF TRUSTEE:

A Trustee selected by the Company

The Note Trustee is not or will not be affiliated with the Company.

The Company proposes to issue the Debt Securities, as described in Item 5 hereof, which will be sold in the following manner:

6 (A) OFFERING OF THE SECURITIES

Subject to the receipt from your Commission of a Notice of Registration with respect to the Securities Certificates and, in the case of a public offering subject to the Securities Exchange Act of 1933, to the extent necessary, an order from the Securities

and Exchange Commission (the "SEC") making effective a Registration Statement referred to in Item 8 hereof, the Company proposes to sell the Debt Securities for cash either (1) in one or more public sales through competitive biddings, agency arrangements, negotiated underwritings or continuous offerings to or through non-affiliated underwriters, purchasers, or agents, or (2) in one or more private placement sales or negotiated loans through non-affiliated banks or investment banking firms acting as agent of the Company or directly to non-affiliated agents, banks, purchasers or underwriters. A list of the underwriters, purchasers, banks or agents will be included in the Underwriting Agreement, Purchase Agreement, Agency Agreement, Note Agreement, Loan Agreement or Credit Agreement (Exhibits J-1 and L) for each such separate sale and will be filed later. The interest rate, price to the Company, price to the purchasers or lenders and other details of each sale will be supplied to the Commission later.

6(B) PROCEEDS TO COMPANY

Based on market conditions at the time of filing the Securities Certificates, the Company estimates that maturities will vary from one year to 40 years for Collateralized Notes, Senior Unsecured Debt and Senior Secured Debt under an A/R Financing and from five to 40 years for Mortgage Bonds and from 30 to 60 years for Subordinated Debt. It is the Company's estimate that the yield would be between 2% and 5% for Collateralized Notes, between 2.25% and 5.25% for Senior Unsecured Debt issued as Debentures or Notes, and between 4.50% and 5.25% for Subordinated Debt. Senior Secured Debt issued pursuant to an A/R Financing and Senior Unsecured Debt issued pursuant to bank borrowings will be at negotiated fixed rates or at the floating rates based on the banks' prime rate, certificates of deposit, London interbank borrowings or a commercial paper rate applicable to a bank's asset-backed commercial paper program. Collateralized Notes may also be subject to adjustable rates subject to periodic resets. For Mortgage Bonds, it is the Company's estimate that the yield would be between 2% and 5%. On the basis of a yield equal to the interest rate and a price to the purchasers of 100%, the net price to the Company would be 99%, assuming a discount of 1%.

It is emphasized that these estimates are shown solely for the purpose of

illustration and are not to be relied upon as to what will be the actual interest rates or prices to the Company, which will vary for each sale and will depend primarily upon market conditions at the time of the sale for the type of Debt Securities ultimately sold and the Company's credit ratings for such Debt Securities.

6(C) EXPENSES OF FINANCING

Assuming, for the purpose of illustration only, that the Debt Securities to be sold are comprised of \$1.5 billion of Mortgage Bonds sold through four separate public offerings, \$400 million of Collateralized Notes and \$600 million of bank commitments under bank credit facilities (excluding bank commitment fees), the issuance expenses to be incurred are estimated as follows:

Filing Fees-----	\$50,000
Legal Services-----	400,000
Accounting Services-----	150,000
Trustee Services-----	50,000
Printing-----	75,000
Rating Agencies-----	1,000,000
Recording of Indenture-----	50,000
Miscellaneous-----	<u>100,000</u>
Total Estimated Expenses----	\$1,875,000

These expenses will be charged to Unamortized Debt Discount and Expenses and amortized ratably over the life of the Debt Securities (see Exhibit K).

Expenses of financing will vary with the number of sales of Debt Securities and the type of Debt Securities sold.

7. PURPOSE OF ISSUE:

The Company may issue the Debt Securities during the next three years in order to take advantage of refunding opportunities, to repay maturing debt, to fund the Company's capital program, including its construction program, to the extent not funded by internally generated sources, to renew, replace or expand the Company's bank credit facilities and/or other general corporate purposes. Capital expenditures may include other investments related to the Company's strategy. Specifically, the Company currently expects projected capital spending of up to \$425 million in 2012, \$500 million in 2013 and \$575 million in 2014, with the increase in spending versus prior years largely related to spending on expansion of the Company's electric transmission and distribution system and gas distribution system. Refinancings are expected to include the refinancing of a \$225 million Mortgage Bond issue maturing on October 1, 2012, a \$150 million Mortgage Bond issue maturing on December 1, 2012, a \$300 million Mortgage Bond issue maturing on October 15, 2013 and a \$250 million Mortgage Bond issue maturing on October 1, 2014. Other refinancings will depend on market conditions.

The Company is currently a party to a credit agreement with an aggregate commitment of \$600,000,000. The principal purpose of the credit agreement is to support the Company's commercial paper program. Under the credit agreement, the Company is entitled to borrow, repay and re-borrow from time to time for general corporate purposes, including amounts that may be needed to repay maturing commercial paper issued by the Company and letters of credit.

8. REGISTRATION STATEMENT

In the case of a public offering, the sale of Debt Securities will be pursuant to a Registration Statement filed with the SEC under the Securities Act of 1933. The Company currently has one shelf Registration Statement for debt securities (Mortgage Bonds) and preferred stock and trust preferred securities (including the related Subordinated Debt and Guarantees) which has been declared effective by the SEC and under which portions of the Securities may be issued. (See Exhibit G-1). A copy of any other Registration Statement and any amendments thereto will be filed as Exhibit G-2

to the Securities Certificates. In the case of a private placement or bank borrowing, which does not involve a public offering under the Securities Act of 1933, no Registration Statement is required to be filed with the SEC.

Sales of the Debt Securities are expected to take place at dates to be determined over a period of three years from the date of entry of the orders by the Commission. (See Item 5.)

9. SUPPORTING INFORMATION

There is appended hereto and made part hereof the following:

Exhibit A	Balance Sheet of PECO Energy Company and Subsidiary Companies at December 31, 2011 and March 31, 2012*
Exhibit B	Income and Retained Earnings Statement of PECO Energy Company and Subsidiary Companies at December 31, 2011 and March 31, 2012*
Exhibit C	Statement in respect of the Company's Utility plant at December 31, 2011 and March 31, 2012*
Exhibit D	Statement of securities of other corporations owned by PECO Energy Company at December 31, 2011 and March 31, 2012*
Exhibit E	Statement showing status of the Company's funded debt outstanding at December 31, 2011 and March 31, 2012*
Exhibit F	Company's Consolidated Statement of Changes in Shareholders' Equity at December 31, 2011 and March 31, 2012*
Exhibit G-1	Registration Statement No. 333-181749-03
Exhibit G-2	Copy of the Registration Statement and any amendments filed by the Company with the SEC in respect of the proposed issuance of Debt Securities (to be provided to the Commission in connection with the issuance of the related Debt Securities through public offerings)
Exhibit I	Copy of the resolution of the Board of Directors of PECO Energy Company authorizing the issuance of the Senior Unsecured Debt (to be filed later)

Exhibit J	Form of indenture under which the proposed Debentures are to be issued, or Note Indenture, Note Agreement, Loan Agreement, or Credit Agreement under which the proposed Notes are to be issued (to be provided to the Commission in connection with the issuance of the related Debt Securities)
Exhibit K	Statement showing, in journal entry form, all charges and credits to be made on the books of account of the Company as a result of the issuance of the Debt Securities (to be filed later)
Exhibit L	Copy of Underwriting Agreement, Purchase Agreement or Agency Agreement (to be provided to the Commission in connection with the issuance of the related Debt Securities)
Exhibit M	Computation of Ratio of Net Earnings to Interest (Mortgage method) for the 12 months ended December 31, 2011 and March 31, 2012*
Exhibit N	Computation of Ratio of Earnings to Fixed Charges (SEC method) for the 12 months ended December 31, 2011 and March 31, 2012*
Exhibit O	Annualized Interest on Mortgage Bonds as of December 31, 2011 and March 31, 2012*
Exhibit P	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends Combined (Articles of Incorporation Method) for the 12 months ended December 31, 2011 and March 31, 2012*
Exhibit Q	Annualized Preferred Dividends as of December 31, 2011 and March 31, 2012*
Exhibit R	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends Combined (SEC method) for the 12 months ended December 31, 2011 and March 31, 2012*
Exhibit S	Notes to Consolidated Financial Statements for the year ended December 31, 2011 and March 31, 2012*

* Financial information for the 12 months ended June 30, 2012 to be filed later in a supplemental filing.

WHEREFORE, PECO Energy Company prays your Honorable Commission to register this Securities Certificate pursuant to Part I, Subpart C, Chapter 19 of the Public Utility Code, as amended, and to grant any other approvals your Commission deems appropriate to further the consummation of the financing program described herein.

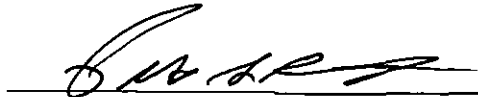
PECO ENERGY COMPANY

By: 
Phillip S. Barnett
Chief Financial Officer and
Senior Vice President

VERIFICATION

I, Phillip S. Barnett, Chief Financial Officer and Senior Vice President, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 1, 2012



Phillip S. Barnett
Chief Financial Officer and
Senior Vice President

RECEIVED

AUG 1 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA :
:
COUNTY OF PHILADELPHIA :

Phillip S. Barnett, being duly sworn according to law, deposes and says that he is Chief Financial Officer and Senior Vice President of PECO Energy Company; that he is authorized to and does make this affidavit for it; and that the facts set forth in the foregoing Securities Certificate are true and correct as of the date of this affidavit and he expects the said PECO Energy Company to be able to prove the same at any hearing hereof.

PECO ENERGY COMPANY

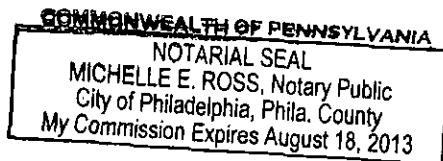
By: 

Phillip S. Barnett
Chief Financial Officer and
Senior Vice President
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101

Sworn to and subscribed
before me this 1 day
of August, 2012.


Notary Public

(SEAL)



RECEIVED
AUG 1 2012
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**PECO ENERGY COMPANY
EXHIBIT LIST**

Exhibit A	Balance Sheet of PECO Energy Company and Subsidiary Companies at March 31, 2012 and December 31, 2011
Exhibit B	Income and Retained Earnings Statement of PECO Energy Company and Subsidiary Companies at March 31, 2012 and December 31, 2011
Exhibit C	Statement in respect of the Company's Utility Plant at March 31, 2012 and December 31, 2011
Exhibit D	Statement of securities of other corporations owned by PECO Energy Company at March 31, 2012 and December 31, 2011
Exhibit E	Statement showing status of the Company's funded debt outstanding at March 31, 2012 and December 31, 2011
Exhibit F	Statement showing status the Company's Consolidated Statement of Changes in Shareholders' Equity at March 31, 2012 and December 31, 2011
Exhibit G-1	Registration Statement No. 333-181749-03
Exhibit M	Computation of Ratio of Net Earnings to Interest (Mortgage Method) for the 12 months ended March 31, 2012 and December 31, 2011
Exhibit N	Computation of Ratio of Net Earnings to Fixed Charges (SEC Method) for the 12 months ended March 31, 2012 and December 31, 2011
Exhibit O	Annualized Interest on Mortgage Bonds as of March 31, 2012 and December 31, 2011
Exhibit P	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends Combined (Articles of Incorporation Method) for the 3 months ended March 31, 2012 and the 12 months ended December 31, 2011
Exhibit Q	Annualized Preferred Dividends as of March 31, 2012 and December 31, 2011
Exhibit R	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends Combined (SEC Method) for the 3 months ended March 31, 2012 and the 12 months ended December 31, 2011
Exhibit S	Notes to Consolidated Financial Statements for the quarter ended March 31, 2012 and the year ended December 31, 2011 as contained in the 2012 Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the SEC by PECO.

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

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EXHIBIT A
1 of 2PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**PECO Energy Company and Subsidiary Companies**
Consolidated Balance Sheet
March 31, 2012 & December 31, 2011

	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 148,262,553	\$ 194,419,882
Restricted Cash	4,907,610	2,391,221
Accounts Receivable, net		
Customer	333,373,250	379,926,445
Other	291,340,115	374,794,484
Affiliate	1,465,743	904,252
Inventories, at average cost		
Gas	45,355,774	87,367,741
Materials and Supplies	20,004,253	18,490,782
Deferred Income Taxes	28,105,201	24,552,485
Receivable from Exelon intercompany money pool	117,000,000	82,000,000
Prepaid Utility Taxes	129,979,655	1,087,484
Regulatory Assets	48,264,487	39,546,633
Other	42,714,886	37,996,517
Total Current Assets	1,210,773,527	1,243,477,926
PROPERTY, PLANT AND EQUIPMENT, NET	5,924,398,701	5,873,608,433
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	1,217,116,037	1,215,823,318
Investments	23,183,037	21,932,915
Investments in Affiliates	8,331,762	8,247,620
Receivable from Affiliate	412,772,967	364,857,178
Prepaid Pension Asset	380,799,083	381,626,470
Other	37,299,800	\$ 46,163,449
Total Deferred Debits and Other Assets	2,079,502,686	\$ 2,038,650,950
TOTAL ASSETS	9,214,674,914	9,155,737,309

PECO Energy Company and Subsidiary Companies
Consolidated Balance Sheet
March 31, 2012 & December 31, 2011

	March 31, 2012	December 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term notes payable - accounts receivable agreement	\$ 225,000,000	\$ 225,000,000.00
Long-Term Debt to due within one year	375,000,000	375,000,000
Accounts Payable	212,335,821	261,516,586
Accrued Expenses	77,754,931	83,310,378
Payables to Affiliates	75,412,760	62,669,118
Customer Deposits	51,563,552	52,603,072
Regulatory Liabilities	72,950,045	59,890,014
Other	21,916,667	24,343,628
Total Current Liabilities	1,111,933,776	1,144,332,796
LONG-TERM DEBT	1,597,427,066	1,597,292,945
LONG-TERM DEBT TO OTHER AFFILIATES	184,418,609	184,418,609
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes & Unamortized ITC	2,193,024,047	2,170,474,578
Asset Retirement Obligation	28,281,645	28,171,539
Non-Pension Postretirement Benefits Obligation	295,380,718	287,856,836
Regulatory Liabilities	636,973,572	585,091,181
Other	132,442,872	132,699,819
Total Deferred Credits and Other Liabilities	3,286,102,854	3,204,293,953
Total Liabilities	6,179,882,305	6,130,338,303
SHAREHOLDER'S EQUITY		
Common Stock	2,379,448,237	2,379,448,237
Preferred Stock	87,472,000	87,472,000
Retained Earnings	567,170,300	558,057,591
Accumulated Other Comprehensive Income	702,072	421,178
Total Shareholders' Equity	3,034,792,609	3,025,399,006
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,214,674,914	9,155,737,309

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Exhibit B

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PECO Energy Company and Subsidiary Companies
Income and Retained Earnings Statement

For the Three Months Ended March 31, 2012 and the Twelve Months Ended December 31, 2011

	March 31, 2012	December 31, 2011
OPERATING REVENUES		
Operating Revenues	\$ 873,768,472	\$ 3,714,647,117
Operating Revenues from Affiliates	1,401,168	5,171,930
Total Operating Revenues	875,169,640	3,719,819,047
OPERATING EXPENSES		
Purchased Power & Fuel	300,090,185	1,368,585,014
Purchased Power from Affiliate	110,692,132	495,402,762
Operating and Maintenance	172,529,532	697,758,730
Operating and Maintenance from Affiliates	30,045,147	95,960,296
Depreciation and Amortization	53,310,040	201,768,972
Taxes Other than Income	31,503,340	204,895,701
Total Operating Expenses	698,170,376	3,064,371,475
OPERATING INCOME	176,999,264	655,447,572
OTHER INCOME AND DEDUCTIONS		
Interest Expense	(28,035,198)	(122,685,020)
Interest Expense to Affiliates	(2,936,306)	(11,743,009)
Equity in Earnings	69,710	264,717
Other, Net	2,167,763	13,246,752
Total Other Income and Deductions	(28,734,031)	(120,916,560)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	148,265,233	534,531,011
INCOME TAXES	51,228,582	146,137,895
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	97,036,651	388,393,116
NET INCOME	97,036,651	388,393,116
Preferred Stock Dividends	923,942	3,695,768
NET INCOME ON COMMON STOCK	96,112,709	384,697,348
Comprehensive Income, Net of Income Taxes		
Net Income	97,036,651	388,393,116
Other Comprehensive Income, Net of Income Taxes		
Change in Unrealized Gain on Marketable Securities	280,895	155,682
Other Comprehensive Income	280,895	155,682
Comprehensive Income	97,317,546	388,548,798

STATEMENT OF CHANGES IN RETAINED EARNINGS

Balance as of January 1, 2011	521,360,243
Net Income	388,393,116
Common Stock Dividends	(348,000,000)
Preferred Stock Dividends	(3,695,768)
Other	-
Balance as of December 31, 2011	\$ 558,057,591
Net Income	97,036,651
Common Stock Dividends	(87,000,000)
Preferred Stock Dividends	(923,942)
Other	-
Balance as of March 31, 2012	\$ 567,170,300

PECO Energy Company and Subsidiary Companies
Statement of Utility Plant
March 31, 2012 & December 31, 2011

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
ELECTRIC		
Plant in Service		
Intangible	31,318,988	14,672,908
Transmission	1,204,437,312	1,184,115,819
Distribution	4,757,254,162	4,723,425,790
General	159,288,790	156,864,072
Construction Work in Progress	73,307,504	68,416,663
Plant Held for Future Use	2,018,319	1,819,046
Total	<u>6,227,625,075</u>	<u>6,149,314,298</u>
GAS		
Plant in Service		
Intangible	3,196,749	7,251,089
Manufactured Gas Production	15,014,194	15,251,109
Storage Plant	37,265,116	37,202,259
Distribution	1,730,067,891	1,719,385,599
General	13,989,367	13,787,399
Construction Work in Progress	10,186,620	5,054,793
Plant Held for Future Use	-	-
Total	<u>1,809,719,937</u>	<u>1,797,932,248</u>
COMMON		
Plant in Service	556,897,498	564,156,481
Construction Work in Progress	5,524,867	9,600,075
Plant Held for Future Use	14,150	14,150
	<u>562,436,515</u>	<u>573,770,706</u>
NON-UTILITY PLANT	<u>15,346,585</u>	<u>15,378,804</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>8,615,128,112</u>	<u>8,536,396,056</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>(2,690,729,411)</u>	<u>(2,662,787,623)</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>5,924,398,701</u>	<u>5,873,608,433</u>

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PECO Energy Company and Subsidiary Companies
Statement of Securities of Other Corporations Owned
March 31, 2012 and December 31, 2011

			<u>March 31, 2012</u>	<u>December 31, 2011</u>
<u>Name of Issuer</u>	<u>Type of Security</u>	<u>Amount Owned Shares or Percentage</u>	<u>Book Value</u>	
<u>Nonconsolidated Subsidiaries *</u>				
PECO Energy Capital Trust IV	Common Capital Stock	1,000 shares/100%	4,488,077	4,459,414
PECO Energy Capital Corporation and Subsidiary	Common Capital Stock	1,000 shares/100%	3,843,685	3,788,206
Total Investments			8,331,762	8,247,620

* Based on the assessment of the new requirements of ASC 810 (SFAS 167), PECO has determined that the Financing Trusts do not meet the definition of a variable interest entity due to the lack of a significant equity investment at risk that would create a variable interest. As a result, the Financing Trusts will remain deconsolidated on PECO's consolidated financial statements upon the effective date of ASC 810 (SFAS No. 167).

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PECO Energy Company and Subsidiary Companies
Statement of Funded Debt Outstanding
March 31, 2012 and December 31, 2011

March 31, 2012 and December 31, 2011					March 31, 2012	December 31, 2011
Description of Obligation	Interest Rates	Interest Payment Dates	Term (Years)	Dates of Maturity	Total Principal Outstanding	Total Principal Outstanding
First and Refunding Mortgage Bonds:						
FRMB due 10/1/12	4.750%	Oct 1; Apr 1	10	October 1, 2012	225,000,000	225,000,000
FRMB due 5/1/34	5.900%	May 1; Nov 1	30	May 1, 2034	75,000,000	75,000,000
FRMB due 10/1/36	5.950%	Oct 1; Apr 1	30	October 31, 2036	300,000,000	300,000,000
FRMB due 3/15/37	5.700%	Mar 15; Sep 15	30	March 15, 2037	175,000,000	175,000,000
FRMB due 3/1/18	5.350%	Mar 1; Sep 1	10	March 1, 2018	500,000,000	500,000,000
FRMB due 12/1/12	4.000%	Dec 1; Jun 1	4	December 1, 2012	150,000,000	150,000,000
FRMB due 10/15/13	5.600%	Oct 15; Apr 15	5	October 15, 2013	300,000,000	300,000,000
FRMB due 10/1/14	5.000%	Oct 1; Apr 1	5	October 1, 2014	250,000,000	250,000,000
Total First and Refunding Mortgage Bonds					1,975,000,000	1,975,000,000
Other Obligations:						
Total Other Obligations					-	-
Debt to Affiliates						
Subordinated debentures to PECO Energy Capital L.P.***	7.380%	April 30; October 31	30	April 6, 2028	80,520,619	80,520,619
Demand note to PECO Energy Capital Corp.	Variable	Quarterly	30	April 6, 2028	805,208	805,208
Subordinated debentures to PECO Energy Capital Trust IV	5.750%	June 15; Dec. 15	30	June 15, 2033	103,092,784	103,092,784
Total Debt to Affiliates					184,418,609	184,418,609
Unamortized Debt Discount and Premium, net					(2,572,934)	(2,707,055)
Total Funded Debt Outstanding					\$ 2,158,845,675	\$ 2,156,711,554

* First and Refunding Mortgage Bonds issued under the PECO Mortgage indenture securing pollution control notes.

*** Subsidiary of Peco Energy Capital Corporation

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 SECRETARY'S BUREAU

PECO Energy Company and Subsidiary Companies
Statement of Changes in Shareholders' Equity
At March 31, 2012 and December 31, 2011

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Common Stock	Retained Earnings	Accumulated OCI	Total Shareholder's Equity
Balance as of January 1, 2011	2,361,483,000	521,360,243	265,495	2,883,108,738
Net Income		388,393,116		388,393,116
Common Stock Dividends		(348,000,000)		(348,000,000)
Preferred Stock Dividends		(3,695,768)		(3,695,768)
Allocation of tax benefit from parent	17,965,237			17,965,237
Other comprehensive income		-	155,683	155,683
Balance as of December 31, 2011	<u>\$ 2,379,448,237</u>	<u>\$ 558,057,591</u>	<u>\$ 421,178</u>	<u>\$ 2,937,927,006</u>
Net Income		97,036,651		97,036,651
Common Stock Dividends		(87,000,000)		(87,000,000)
Preferred Stock Dividends		(923,942)		(923,942)
Other comprehensive income		-	280,895.00	280,895
Balance as of March 31, 2012	<u>\$ 2,379,448,237</u>	<u>\$ 567,170,300</u>	<u>\$ 702,073</u>	<u>\$ 2,947,320,610</u>

EXHIBIT G-1

Registration Statement No. 333-181749-03

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

EXELON CORP (EXC)

PO BOX 805398
CHICAGO, IL 60680-5398
312. 394.7399

S-3ASR

S-3ASR
Filed on 05/30/2012
File Number 333-181749



THOMSON REUTERS

As filed with the Securities and Exchange Commission on May 29, 2012

Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____
Registration Statement No. 333-_____

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

**FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Exelon Corporation
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

23-2990190
(I.R.S. Employer Identification No.)

**10 South Dearborn Street
P.O. Box 805379
Chicago, Illinois 60680-5379
312-394-7398**
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

**Exelon Capital Trust I
Exelon Capital Trust II
Exelon Capital Trust III**
(Exact name of registrant as specified in its Certificate of Trust)

Delaware
(State or other jurisdiction of incorporation or organization)

**16-6545508
16-6545509
16-6545510**
(I.R.S. Employer Identification No.)

**c/o U.S. Bank Trust National Association
300 Delaware Avenue
9th Floor
Wilmington, DE 19801
302-576-3703**
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

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Exelon Generation Company, LLC
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

23-3064219
(I.R.S. Employer Identification No.)

300 Exelon Way
Lennett Square, Pennsylvania 19348
610-765-5959
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

PECO Energy Company
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-0970240
(I.R.S. Employer Identification No.)

2301 Market Street
Philadelphia, PA 19101
215-841-4000
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Baltimore Gas and Electric Company
(Exact name of registrant as specified in its Charter)

Maryland
(State or other jurisdiction of incorporation or organization)

52-0280210
(I.R.S. Employer Identification No.)

2 Center Plaza, 110 West Fayette Street,
Baltimore, Maryland 21201
(410) 234-5000
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of registrants' Principal Executive Offices)

Commonwealth Edison Company
(Exact name of registrant as specified in its Charter)

Illinois
(State or other jurisdiction of
incorporation or organization)

36-0938600
(I.R.S. Employer Identification No.)

440 South LaSalle Street
Suite 3300
Chicago, Illinois 60605-1028
(312) 394-4321
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

PECO Energy Capital Trust V
PECO Energy Capital Trust VI
(Exact name of registrant as specified in its Certificate of Trust)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1665203
16-1665207
(I.R.S. Employer Identification No.)

c/o U.S. Bank Trust National Association
300 Delaware Avenue
9th Floor
Wilmington, DE 19801
302-576-3703
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

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Jonathan W. Thayer
Executive Vice President and Chief Financial Officer
Exelon Corporation
10 South Dearborn Street
P.O. Box 805379
Chicago, Illinois 60603
312-394-7398
<http://www.exeloncorp.com>

(Name, address, including zip code, and telephone number, including area code, of agent for service for each registrant)

With copies to

Bruce D. Wilson, Esquire
Senior Vice President and Deputy General Counsel
Exelon Corporation
10 South Dearborn Street
P.O. Box 805379
Chicago, Illinois 60603
312-394-7398

Robert C. Cerlach, Esquire
Patrick R. Gillard, Esquire
Ballard Spahr LLP
1735 Market Street, 51st Floor
Philadelphia, Pennsylvania 19103
215-665-8500

Approximate date of commencement of proposed sale to public ☐ From time to time after the Registration Statement becomes effective, as determined by market and other conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, please check the following box. ☒

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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.

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	<u>Large Accelerated</u>	<u>Accelerated</u>	<u>Non-Accelerated</u>	<u>Small Reporting Company</u>
Exelon Corporation	☒			
Exelon Capital Trust I			☒	
Exelon Capital Trust II			☒	
Exelon Capital Trust III			☒	
Exelon Generation Company, LLC			☒	
Commonwealth Edison Company			☒	
PECO Energy Company			☒	
PECO Energy Capital Trust I			☒	
PECO Energy Capital Trust II			☒	
Baltimore Gas and Electric Company			☒	

Calculation of Registration Fee

<u>Title of each class of securities to be registered</u>	<u>Amount to be registered/ Proposed maximum offering price per unit/ Amount of registration fee</u>
Exelon Corporation debt securities	(1)
Exelon Corporation common stock	(1)
Exelon Corporation stock purchase contracts	(1)
Exelon Corporation stock purchase units ⁽²⁾	(1)
Exelon Corporation preferred stock	(1)
Exelon Capital Trust I trust preferred securities	(1)
Exelon Capital Trust II trust preferred securities	(1)
Exelon Capital Trust III trust preferred securities	(1)
Exelon Corporation subordinated debt securities to be sold to Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III with respect to Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III trust preferred securities ⁽³⁾	(1)
Exelon Corporation guarantees with respect to Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III trust preferred securities ⁽⁴⁾	(1)
Exelon Generation Company, LLC debt securities	(1)
Exelon Generation Company, LLC preferred securities	(1)
Commonwealth Edison Company senior debt securities	(1)
Commonwealth Edison Company preferred stock	(1)
PECO Energy Company preferred stock	(1)
PECO Energy Company First and Refunding Mortgage Bonds	(1)
PECO Energy Capital Trust I trust preferred securities	(1)
PECO Energy Capital Trust II trust preferred securities	(1)
PECO Energy Company subordinated debt securities to be sold to PECO Energy Capital Trust I and PECO Energy Capital Trust II with respect to PECO Energy Capital Trust I and PECO Energy Capital Trust II trust preferred securities ⁽⁵⁾	(1)

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PECO Energy Company guarantees with respect to PECO Energy Capital Trust I and PECO Energy Capital Trust II trust preferred securities	(1)
Baltimore Gas and Electric Company unsecured debt securities	(1)
Baltimore Gas and Electric Company senior secured bonds	(1)
Baltimore Gas and Electric Company preferred stock	(1)
Total	(1)

- (1) There are being registered hereunder such presently indeterminate principal amount or number of (a) debt securities, shares of common stock, stock purchase contracts, stock purchase units and shares of preferred stock, which may be sold from time to time by Exelon Corporation, (b) trust preferred securities, which may be sold from time to time by Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III and which will be guaranteed as set forth in the prospectus included in this registration statement by Exelon Corporation, (c) debt securities and preferred securities, which may be sold from time to time by Exelon Generation Company, LLC, (d) senior debt securities and shares of preferred stock, which may be sold from time to time by Commonwealth Edison Company, (e) shares of preferred stock and First and Refunding Mortgage Bonds, which may be sold from time to time by PECO Energy Company, (f) subordinated debt securities, which may be sold from time to time by PECO Energy Company, (g) trust preferred securities, which may be sold from time to time by PECO Energy Capital Trust I and PECO Energy Capital Trust II and which will be guaranteed as set forth in the prospectus included in this registration statement by PECO Energy Company, and (h) (d) unsecured debt securities, senior secured bonds and preferred stock, which may be sold from time to time by Baltimore Gas and Electric Company. In accordance with Rules 456(b) and 457(r), the registrants are each deferring payment of all of the registration fee.
- (2) Each stock purchase unit consists of (a) a stock purchase contract under which the holder upon settlement will purchase an indeterminate number of shares of Exelon Corporation common stock and (b) debt obligations or preferred stock of Exelon Corporation registered under this registration statement.
- (3) Includes subordinated debt securities that will be purchased by, and constitute assets of, Exelon Capital Trust I, Exelon Capital Trust II and/or Exelon Capital Trust III. No separate consideration will be received for these securities.
- (4) Exelon Corporation is also registering under this registration statement all other obligations that it may have with respect to the trust preferred securities of Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III. No separate consideration will be received for the guarantee or any other of these obligations.
- (5) Includes subordinated debt securities that will be purchased by, and constitute assets of PECO Energy Capital Trust I and/or PECO Energy Capital Trust II. No separate consideration will be received for these securities.
- (6) PECO Energy Company is also registering under this registration statement all other obligations that it may have with respect to the trust preferred securities of PECO Energy Capital Trust I and PECO Energy Capital Trust II. No separate consideration will be received for the guarantee or any other of these obligations.

EXELON CORPORATION

Debt Securities
Common Stock
Stock Purchase Contracts
Stock Purchase Units
Preferred Stock
Subordinated Debt Securities
Guarantee of Trust Preferred Securities

**EXELON CAPITAL TRUST I
EXELON CAPITAL TRUST II
EXELON CAPITAL TRUST III**

Trust Preferred Securities
(guaranteed by Exelon Corporation as described in this prospectus)

EXELON GENERATION COMPANY, LLC

Debt Securities
Preferred Securities

COMMONWEALTH EDISON COMPANY

Preferred Stock
Senior Debt Securities

PECO ENERGY COMPANY

Preferred Stock
First and Refunding Mortgage Bonds
Subordinated Debt Securities
Guarantee of Trust Preferred Securities

**PECO ENERGY CAPITAL TRUST V
PECO ENERGY CAPITAL TRUST VI**

Trust Preferred Securities
(guaranteed by PECO Energy Company as described in this prospectus)

BALTIMORE GAS AND ELECTRIC COMPANY

Unsecured Debt Securities
Senior Secured Bonds
Preferred Stock

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Exelon Corporation (Exelon) may use this prospectus to offer and sell from time to time ☐

- ☐ unsecured senior debt securities ☐
- ☐ common stock ☐
- ☐ stock purchase contracts ☐
- ☐ stock purchase units ☐
- ☐ preferred stock in one or more series ☐
- ☐ subordinated debt securities to be purchased by Exelon Capital Trust I, Exelon Capital Trust II and/or Exelon Capital Trust III ☐ and
- ☐ guarantees of trust preferred securities sold by Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III.

Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III may use this prospectus to offer and sell from time to time trust preferred securities that will be guaranteed by Exelon Corporation.

Exelon Generation Company, LLC (Generation) may use this prospectus to offer and sell from time to time ☐

- ☐ unsecured senior debt securities ☐ and
- ☐ preferred limited liability company interests in one or more series.

Commonwealth Edison Company (ComEd) may use this prospectus to offer and sell from time to time ☐

- ☐ preferred stock in one or more series ☐ and
- ☐ senior debt securities.

PECO Energy Company (PECO) may use this prospectus to offer and sell from time to time ☐

- ☐ preferred stock in one or more series ☐
- ☐ one or more series of first and refunding mortgage bonds ☐.
- ☐ subordinated debt securities to be purchased by PECO Energy Capital Trust ☐ and/or PECO Energy Capital Trust ☐ ☐ and
- ☐ guarantees of trust preferred securities sold by PECO Energy Capital Trust ☐ and PECO Energy Capital Trust ☐.

PECO Energy Capital Trust ☐ and PECO Energy Capital Trust ☐ may use this prospectus to offer and sell from time to time trust preferred securities that will be guaranteed by PECO.

Baltimore Gas and Electric Company (BGE) may use this prospectus to offer and sell from time to time ☐

- ☐ unsecured debt securities ☐
- ☐ senior secured bonds ☐ and
- ☐ preferred stock in one or more series.

Exelon, Generation, ComEd, PECO and BGE sometimes refer to the securities listed above as the "Securities."¹

Exelon, Generation, ComEd, PECO and BGE will provide the specific terms of the Securities in supplements to this prospectus prepared in connection with each offering. Please read this prospectus and the applicable prospectus supplement carefully before you invest. This prospectus may not be used to consummate sales of the offered Securities unless accompanied by a prospectus supplement.

Exelon's common shares are listed on the New York Stock Exchange, under the symbol **EXEL**.

Please see "Risk Factors" beginning on page 2 for a discussion of factors you should consider in connection with a purchase of the Securities offered in this prospectus.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 29, 2012.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Exelon, Generation, ComEd, PECO and BCE have each filed with the Securities and Exchange Commission (SEC) using a [shelf] registration process. Under this shelf registration process, each of us may, from time to time, sell our Securities described in this prospectus in one or more offerings. Each time Exelon, Generation, ComEd, PECO or BCE (each, a registrant) sells Securities, the registrant will provide a prospectus supplement that will contain a description of the Securities the registrant will offer and specific information about the terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and the prospectus supplement, you should rely on the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under "Where You Can Find More Information."

Information contained herein relating to each registrant is filed separately by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant or Securities issued by any other registrant, except that information relating to (i) Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III's Securities is also attributed to Exelon and (ii) PECO Energy Capital Trust I and PECO Energy Capital Trust II's Securities is also attributed to PECO.

As used in this prospectus, the terms "we," "our" and "us" generally refer to:

- ☐ Exelon with respect to Securities issued by Exelon.
- ☐ Generation with respect to Securities issued by Generation.
- ☐ ComEd with respect to Securities issued by ComEd.
- ☐ PECO with respect to Securities issued by PECO.
- ☐ BCE with respect to Securities issued by BCE.

All references to "the Exelon Trusts" mean Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III. All references to "the PECO Trusts" means PECO Energy Capital Trust I and PECO Energy Capital Trust II.

None of the registrants will guarantee or provide other credit or funding support for the Securities to be offered by another registrant pursuant to this prospectus, except Exelon with respect to Securities issued by the Exelon Trusts and PECO with respect to Securities issued by the PECO Trusts.

We are not offering the Securities in any state where the offer is not permitted.

For more detailed information about the Securities, you should read the exhibits to the registration statement. Those exhibits have either been filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

You should rely only on information contained in this prospectus and which is incorporated by reference or the documents to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus and related prospectus supplement may be used only where it is legal to sell these securities. The information in this prospectus and any prospectus supplement may only be accurate on the date of this document. The business of the registrant, financial condition, results of operations and prospects may have changed since that date.

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Please see "Risk Factors" beginning on page 2 for a discussion of factors you should consider in connection with a purchase of the Securities offered in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated or deemed incorporated by reference as described under the heading "Where You Can Find More Information" contain forward-looking statements that are not based entirely on historical facts and are subject to risks and uncertainties. Words such as "believes," "anticipates," "expects," "intends," "plans," "predicts" and "estimates" and similar expressions are intended to identify forward-looking statements but are not the only means to identify those statements. These forward-looking statements are based on assumptions, expectations and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements are not guarantees of our future performance and are subject to risks and uncertainties.

The factors that could cause actual results to differ materially from the forward-looking statements include (a) any risk factors discussed in this prospectus and any accompanying prospectus supplement (b) those factors discussed in the following sections of Exelon, Generation, PECO and ComEd's combined 2011 Annual Reports on Form 10-K: ITEM 1A. Risk Factors, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and ITEM 8. Financial Statements and Supplementary Data (Note 18) (c) those factors discussed in the following sections of BGE's 2011 Annual Report on Form 10-K: ITEM 1A. Risk Factors, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and ITEM 8. Financial Statements and Supplementary Data (Note 12) and (d) other factors discussed herein and in other filings with the SEC by Exelon, Generation, ComEd, PECO and BGE, as applicable.

You are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date on the front of this prospectus or, as the case may be, as of the date on which we make any subsequent forward-looking statement that is deemed incorporated by reference. We do not undertake any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date as of which any such forward-looking statement is made.

RISK FACTORS

Investing in the Securities involves various risks. You are urged to read and consider the risk factors described in (a) the combined Annual Reports on Form 10-K of Exelon, Generation, ComEd and PECO, as applicable, for the year ended December 31, 2011, filed with the SEC on February 9, 2012 and (b) the Annual Report on Form 10-K of BGE for the year ended December 31, 2011, filed with the SEC on February 29, 2012. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus. The prospectus supplement applicable to each type or series of Securities offered by one of the registrants will contain a discussion of additional risks applicable to an investment in such registrant and the particular type of Securities the registrant is offering under that prospectus supplement.

EXELON CORPORATION

Exelon, a utility services holding company, operates through its principal subsidiaries ☐ Generation, ComEd, PECO and B&E.

Exelon was incorporated in Pennsylvania in February 1999. Exelon's principal executive offices are located at 10 South Dearborn Street, Chicago, Illinois 60603, and its telephone number is 312-394-7398.

On March 12, 2012, Exelon completed the merger contemplated by the Merger Agreement, dated as of April 28, 2011, among Exelon, Bolt Acquisition Corporation, a wholly owned subsidiary of Exelon (Merger Sub) and Constellation Energy Group, Inc. As a result of that merger, Merger Sub was merged with and into Constellation (the Initial Merger) and Constellation became a wholly owned subsidiary of Exelon. Following the completion of the Initial Merger, Exelon and Constellation completed a series of internal corporate organizational restructuring transactions. Constellation merged with and into Exelon, with Exelon continuing as the surviving corporation (the Upstream Merger). Simultaneously with the Upstream Merger, Constellation's interest in RF Goldco LLC, which held Constellation's interest in B&E, was transferred to Exelon Energy Delivery Company, LLC, a wholly owned subsidiary of Exelon that also owns Exelon's interest in ComEd and PECO. Following the Upstream Merger and the transfer of the interest in RF Goldco LLC, Exelon contributed to Generation certain subsidiaries, including the generation and customer supply businesses that were acquired from Constellation as a result of the Initial Merger and the Upstream Merger.

EXELON GENERATION COMPANY, LLC

Generation was formed in 2000 as a Pennsylvania limited liability company. Generation began operations as a result of a corporate restructuring, effective January 1, 2001, in which Exelon separated its generation and other competitive businesses from its regulated energy delivery businesses at ComEd and PECO. Generation's principal executive offices are located at 300 Exelon Way, Pennett Square, Pennsylvania 19348, and its telephone number is 610-765-5959.

Generation is one of the largest competitive electric generation companies in the United States, as measured by owned and controlled megawatts. Generation combines its large generation fleet with an experienced wholesale energy marketing operation and a competitive retail supply operation. Generation's presence in well-developed wholesale energy markets, integrated hedging strategy that mitigates the adverse impact of short-term market volatility, and low-cost nuclear generating fleet, which is operated consistently at high capacity factors, position it well to succeed in competitive energy markets. Generation's business consists of its owned and contracted electric generating facilities, its wholesale energy marketing operations and its competitive retail supply operations.

Generation has six reportable segments, which are largely representative of the footprints of an Independent System Operator / Regional Transmission Operator and/or North American Electric Reliability Corporation (NERC) region. Descriptions of each of Generation's six reportable segments are as follows☐

- ☐ Mid-Atlantic represents operations in the eastern half of PJM Interconnection, LLC (PJM), which includes Pennsylvania, New Jersey, Maryland, Virginia, West Virginia, Delaware, the District of Columbia and parts of North Carolina.
- ☐ Midwest represents operations in the western half of PJM, which includes portions of Illinois, Indiana, Ohio, Michigan, Kentucky and Tennessee, and the entire United States footprint of Midwest Independent Transmission Systems Operator, Inc. (MISO), which covers all or most of North Dakota, South Dakota, Nebraska, Minnesota, Iowa, Wisconsin, the remaining parts of Illinois, Indiana, Michigan and Ohio not covered by PJM, and parts of Montana, Missouri and Kentucky.

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- ☐ New England represents the operations within ISO New England, Inc. covering the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- ☐ New York represents operations within New York ISO, which covers the state of New York in its entirety.
- ☐ ERCOT represents operations within Electric Reliability Council of Texas, covering most of the state of Texas.
- ☐ Other Regions not considered individually significant
 - ☐ South represents operations in the Florida Reliability Coordinating Council and the remaining portions of the SERC Reliability Corporation not included within MISO or PJM, which includes all or most of Florida, Arkansas, Louisiana, Mississippi, Alabama, Georgia, Tennessee, North Carolina, South Carolina and parts of Missouri, Kentucky and Texas. Generation's South region also includes operations in the Southwest Power Pool, covering Kansas, Oklahoma, most of Nebraska and parts of New Mexico, Texas, Louisiana, Missouri, Mississippi and Arkansas.
 - ☐ West represents operations in the Western Electric Coordinating Council, which includes California ISO, and covers the states of California, Oregon, Washington, Arizona, Nevada, Utah, Idaho, Colorado, and parts of New Mexico, Wyoming and South Dakota.
 - ☐ Canada represents operations across the entire country of Canada and includes the Alberta Electric Systems Operator, Ontario Independent Electricity System Operator and the Canadian portion of MISO.

Generation's other business activities include retail and wholesale gas, upstream natural gas, proprietary trading, energy efficiency and demand response, the design, construction and operation of renewable energy, heating, cooling and cogeneration facilities, and home improvements, sales of electric and gas appliances, servicing of heating, air conditioning, plumbing, electrical and indoor air quality systems.

Generation is a public utility under the Federal Power Act, and is subject to the exclusive ratemaking jurisdiction of the Federal Energy Regulatory Commission (FERC) over wholesale sales of electricity and the transmission of electricity in interstate commerce.

COMMONWEALTH EDISON COMPANY

ComEd is engaged principally in the purchase and regulated retail sale of electricity and the provision of distribution and transmission services to a diverse base of residential, commercial and industrial customers in northern Illinois. ComEd is a public utility under the Illinois Public Utilities Act subject to regulation by the Illinois Commerce Commission with respect to distribution rates and service, the issuance of securities, and certain other aspects of ComEd's business. ComEd is a public utility under the Federal Power Act subject to regulation by FERC with respect to transmission rates and certain other

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aspects of ComEd's business. Specific operations of ComEd are also subject to the jurisdiction of various other Federal, state, regional and local agencies. Additionally, ComEd is subject to mandatory reliability standards set by the North American Electric Reliability Corporation (NERC).

ComEd's retail service territory has an area of approximately 11,400 square miles and an estimated population of 9 million. The service territory includes the City of Chicago, an area of about 225 square miles with an estimated population of 3 million. ComEd has approximately 3.8 million customers.

ComEd was organized in the State of Illinois in 1913 as a result of the merger of Cosmopolitan Electric Company into the original corporation named Commonwealth Edison Company, which was incorporated in 1907. ComEd's principal executive offices are located at 440 South LaSalle Street, Suite 3300, Chicago, Illinois 60605, and its telephone number is (312) 394-4321.

PECO ENERGY COMPANY

PECO is engaged principally in the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to retail customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to retail customers in the Pennsylvania counties surrounding the City of Philadelphia. PECO is a public utility under the Pennsylvania Public Utility Code subject to regulation by the Pennsylvania Public Utility Commission with respect to electric and gas distribution rates and service, the issuances of certain securities and certain other aspects of PECO's operations. PECO is a public utility under the Federal Power Act subject to regulation by FERC with respect to transmission rates and certain other aspects of PECO's business and by the U.S. Department of Transportation as to pipeline safety and other areas of gas operations. Specific operations of PECO are subject to the jurisdiction of various other Federal, state, regional and local agencies. Additionally, PECO is also subject to NERC mandatory reliability standards.

PECO's combined electric and natural gas retail service territory has an area of approximately 2,100 square miles and an estimated population of 4.0 million. PECO provides electric distribution service in an area of approximately 1,900 square miles, with a population of approximately 3.9 million, including approximately 1.5 million in the City of Philadelphia. PECO provides natural gas distribution service in an area of approximately 1,900 square miles in southeastern Pennsylvania adjacent to the City of Philadelphia, with a population of approximately 2.4 million. PECO delivers electricity to approximately 1.6 million customers and natural gas to approximately 494,000 customers.

PECO was incorporated in the Commonwealth of Pennsylvania in 1929. PECO's principal executive offices are located at 2301 Market Street, Philadelphia, PA 19101-8699, and its telephone number is 215-841-4000.

BALTIMORE GAS AND ELECTRIC COMPANY

BGE is a regulated electric transmission and distribution utility company and a regulated gas distribution utility company with a service territory that covers the City of Baltimore and all or part of ten counties in central Maryland. BGE is a public utility under the Maryland Public Utility Code subject to regulation by the Public Service Commission of Maryland with respect to electric and gas distribution rates and service, the issuances of certain securities and certain other aspects of BGE's operations. BGE is a public utility under the Federal Power Act subject to regulation by FERC with respect to transmission rates and certain other aspects of BGE's business. Specific operations of BGE are subject to the jurisdiction of various other Federal, state, regional and local agencies. Additionally, BGE is also subject to NERC mandatory reliability standards and by the U.S. Department of Transportation as to pipeline safety and other areas of gas operations.

Item 1. Company:

BCE's electric service territory includes an area of approximately 2,300 square miles. BCE's gas service territory includes an area of approximately 800 square miles. BCE delivers electricity to approximately 1.2 million customers and natural gas to approximately 653,000 customers.

BCE was incorporated in the State of Maryland in 1906. BCE's principal executive offices are located at 2 Center Plaza, 110 West Fayette Street, Baltimore, Maryland 21202, and its telephone number is (410) 234-5000.

**EXELON CAPITAL TRUST I, EXELON CAPITAL TRUST II AND
EXELON CAPITAL TRUST III**

Each of Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III is a Delaware statutory trust that was formed on August 25, 2003. Each of the Exelon Trust's businesses is defined in a declaration of trust, dated as of August 25, 2003, executed by Exelon, as sponsor, and certain of the trustees specified below. The declaration of trust for an Exelon Trust will be amended and restated in its entirety as of the date trust preferred securities are initially issued by the applicable Exelon Trust. Each declaration, as amended and restated, is referred to in this prospectus individually as the "Exelon Trust Agreement," and collectively as the "Exelon Trust Agreements." The Exelon Trust Agreements were qualified under the Trust Indenture Act of 1939, as amended.

The Exelon Trusts exist for the exclusive purposes of:

- ☐ issuing and selling their trust preferred securities and trust common securities;
- ☐ using the proceeds from the sale of the trust common securities and trust preferred securities to acquire the subordinated debt securities from Exelon; and
- ☐ engaging in only those other activities necessary or incidental to these purposes.

The Exelon Trusts will have no assets other than the subordinated debt securities. The Exelon Trusts will have no revenue other than payments under the subordinated debt securities. Each Exelon Trust has a term of 30 years, but may dissolve earlier as provided in the Exelon Trust Agreements.

Exelon will, directly or indirectly, acquire all of the trust common securities of each Exelon Trust, which will have an aggregate liquidation amount equal to at least 30% of the total capital of the issuing trust.

Each Exelon Trust's business and affairs will be conducted by its trustees, as provided in the Exelon Trust Agreements. At the time of the issuance of the trust preferred securities, the trustees for the issuing Exelon Trust will be U.S. Bank Trust National Association, as the property trustee and the Delaware trustee, and three of our employees as administrative trustees. Exelon, as holder of the trust common securities, or, if an event of default under the applicable trust agreement has occurred and is continuing, the holders of not less than a majority in liquidation amount of the trust preferred securities, will be entitled to appoint, remove or replace the property trustee and the Delaware trustee. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees. Only the holder of the trust common securities will be entitled to do that.

For so long as the trust preferred securities remain outstanding, Exelon will:

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- ☐ maintain directly or indirectly 100% ownership of the trust common securities
- ☐ use its reasonable efforts to cause the issuing Exelon Trust to remain a statutory trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the applicable Exelon Trust Agreement
- ☐ use its reasonable efforts to cause the issuing Exelon Trust to continue to be treated as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

Exelon will pay all of the issuing Exelon Trust's fees and expenses, including those related to the offering of the trust preferred securities. In addition, Exelon will guarantee payments on the trust preferred securities to the extent that the issuing Exelon Trust has funds to make payments on the trust preferred securities.

The rights of the holders of the trust preferred securities are set forth in the Exelon Trust Agreements and the Delaware Statutory Trust Act.

The location of each Exelon Trust's principal executive office is 10 South Dearborn Street, 52nd Floor, P.O. Box 805379, Chicago, Illinois 60680-5379, and the telephone number is 312-394-7398.

PECO ENERGY CAPITAL TRUST V AND PECO ENERGY CAPITAL TRUST VI

Each of PECO Energy Capital Trust V and PECO Energy Capital Trust VI is a Delaware statutory trust that was formed on May 9, 2003. Each of the PECO Trust's businesses is defined in a declaration of trust, dated as of May 9, 2003, executed by PECO, as sponsor, and the trustees specified below. The declaration of trust for a PECO Trust will be amended and restated in its entirety as of the date trust preferred securities are initially issued by the applicable PECO Trust. Each declaration, as amended and restated, is referred to in this prospectus individually as the "PECO Trust Agreement," and collectively as the "PECO Trust Agreements." The PECO Trust Agreements were qualified under the Trust Indenture Act of 1939, as amended.

The PECO Trusts exist for the exclusive purposes of:

- ☐ issuing and selling their trust preferred securities and trust common securities
- ☐ using the proceeds from the sale of the trust common securities and trust preferred securities to acquire the subordinated debt securities from PECO
- ☐ engaging in only those other activities necessary or incidental to these purposes.

The PECO Trusts will have no assets other than the subordinated debt securities. The PECO Trusts will have no revenue other than payments under the subordinated debt securities. Each PECO Trust has a term of 30 years, but may dissolve earlier as provided in the PECO Trust Agreements.

PECO will, directly or indirectly, acquire all of the trust common securities of each PECO Trust, which will have an aggregate liquidation amount equal to at least 3% of the total capital of the issuing PECO Trust.

Use of Proceeds:

Each PECO Trust's business and affairs will be conducted by its trustees, as provided in the PECO Trust Agreements. At the time of the issuance of the trust preferred securities, the trustees for the issuing PECO Trust will be U.S. Bank Trust Company National Association, as the property trustee and the Delaware trustee, and three of our employees as administrative trustees. PECO, as holder of the trust common securities, or, if an event of default under the applicable trust agreement has occurred and is continuing, the holders of not less than a majority in liquidation amount of the trust preferred securities, will be entitled to appoint, remove or replace the property trustee and the Delaware trustee. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees. Only the holder of the trust common securities will be entitled to do that.

For so long as the trust preferred securities remain outstanding, PECO will:

- ☐ maintain directly or indirectly 100% ownership of the trust common securities
- ☐ use its reasonable efforts to cause the issuing PECO Trust to remain a statutory trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the applicable PECO Trust Agreement
- ☐ use its reasonable efforts to cause the issuing PECO Trust to continue to be treated as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

PECO will pay all of the issuing PECO Trust's fees and expenses, including those related to the offering of the trust preferred securities. In addition, PECO will guarantee payments on the trust preferred securities to the extent that the issuing PECO Trust has funds to make payments on the trust preferred securities.

The rights of the holders of the trust preferred securities are set forth in the trust agreements and the Delaware Statutory Trust Act.

The location of each PECO Trust's principal executive office is 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101-8699, and the telephone number is 215-841-4000.

USE OF PROCEEDS

Except as otherwise indicated in the applicable prospectus supplement, each registrant expects to use the net proceeds from the sale of the Securities for general corporate purposes, including to discharge or refund (by redemption, by purchase on the open market, by purchase in private transactions, by tender offer or otherwise) outstanding long-term debt. Any proceeds of securities issued by the Exelon Trusts will be used by the Exelon Trusts to purchase subordinated debt securities from Exelon. Any proceeds of Securities issued by the PECO Trusts will be used by the PECO Trusts to purchase subordinated debt securities from PECO. Each registrant will describe in the applicable prospectus supplement any specific allocation of the proceeds to a particular purpose that the registrant has made at the date of that prospectus supplement. Please refer to our annual and Quarterly reports incorporated by reference into this prospectus and any prospectus supplement for information concerning each registrant's outstanding long-term debt. See "Where You Can Find More Information."

**RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED
FIXED CHARGES AND PREFERENCE SECURITY DIVIDENDS**

Exelon

The following are Exelon's consolidated ratios of earnings to fixed charges for each of the periods indicated:

	<u>Years Ended December 31,</u>					<u>Three Months Ended</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>March 31, 2012</u>
Ratio of earnings to fixed charges	4.5	4.5	5.4	4.8	4.9	2.4

Exelon had no preference securities outstanding during the periods indicated; therefore, the ratio of earnings to combined fixed charges and preference security dividends is the same as the ratio of earnings to fixed charges for Exelon.

Generation

The following are Generation's consolidated ratios of earnings to fixed charges for each of the periods indicated:

	<u>Years Ended December 31,</u>					<u>Three Months Ended</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>March 31, 2012</u>
Ratio of earnings to fixed charges	8.2	8.6	10.4	8.5	7.3	4.7

Generation had no preference securities outstanding during the periods indicated; therefore, the ratio of earnings to combined fixed charges and preference security dividends is the same as the ratio of earnings to fixed charges for Generation.

ComEd

The following are ComEd's consolidated ratios of earnings to fixed charges for each of the periods indicated:

	<u>Years Ended December 31,</u>					<u>Three Months Ended</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>March 31, 2012</u>
Ratio of earnings to fixed charges	1.8	2.0	2.9	2.8	3.0	2.8

ComEd had no preference securities outstanding during the periods indicated; therefore, the ratio of earnings to combined fixed charges and preference security dividends is the same as the ratio of earnings to fixed charges for ComEd.

PECO

The following are PECO's consolidated ratios of earnings to fixed charges for each of the periods indicated:

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	Years Ended December 31,					Three Months Ended
	2007	2008	2009	2010	2011	March 31, 2012
Ratio of earnings to fixed charges	3.9	3.1	3.7	3.3	4.7	5.3

The following are PECO's consolidated ratios of earnings to combined fixed charges and preference security dividends for each of the periods indicated:

	Years Ended December 31,					Three Months Ended
	2007	2008	2009	2010	2011	March 31, 2012
Ratio of earnings to combined fixed charges and preferred stock dividends	3.8	3.0	3.6	3.2	4.5	5.1

BGE

The following are BGE's consolidated ratios of earnings to fixed charges for each of the periods indicated:

	Years Ended December 31,					Three Months Ended
	2007	2008	2009	2010	2011	March 31, 2012
Ratio of earnings to fixed charges	2.8	1.5	2.1	2.8	2.6	(a)

The following are BGE's consolidated ratios of earnings to combined fixed charges and preference stock dividends for each of the periods indicated:

	Years Ended December 31,					Three Months Ended
	2007	2008	2009	2010	2011	March 31, 2012
Ratio of earnings to combined fixed charges and preference stock dividends	2.4	1.3	1.8	2.4	2.2	(a)

- (a) Due to the registrant's loss for the quarter ended March 31, 2012, the ratio coverage was less than 1.0 for both the ratio of earnings to fixed charges with and without preference stock dividends. The registrant must generate additional earnings of \$50 million and \$46 million for the ratio of earnings to fixed charges with and without preference stock dividends, respectively, to achieve a coverage ratio of 1.0.

DESCRIPTION OF SECURITIES

Each time one of the registrants sells securities, it will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under "Where You Can Find More Information."

PLAN OF DISTRIBUTION

We may sell the Securities offered (a) through agents (b) by underwriters or dealers (c) directly to one or more purchasers or (d) through a combination of any of these methods of sale.

In some cases we may also repurchase the Securities and reoffer them to the public by one or more of the methods described above.

This prospectus may be used in connection with any offering of securities through any of these methods or other methods described in the applicable prospectus supplement.

Any underwriter or agent involved in the offer and sale of the Securities will be named in the applicable prospectus supplement.

By Agents

Offered securities may be sold on a one time or a continuing basis by agents designated by the applicable registrant. The agents will use their reasonable efforts to solicit purchases for the period of their appointment under the terms of an agency agreement between the agents and the applicable issuer.

By Underwriters or Dealers

If underwriters are used in the sale, the underwriters may be designated by the applicable registrant or selected through a bidding process. The securities will be acquired by the underwriters for their own account. The underwriters may resell the Securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may sell the Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. The obligations of the underwriters to purchase the Securities will be subject to certain conditions. The underwriters will be obligated to purchase all the Securities of the series offered if any of the securities are purchased. Any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

Only underwriters named in the applicable prospectus supplement are deemed to be underwriters in connection with the Securities offered hereby.

If dealers are utilized in the sale of the Securities, the applicable registrant will sell the Securities to the dealers as principals. The dealers may then resell the Securities to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the applicable prospectus supplement.

Direct Sales

We may also sell Securities directly to the public. In this case, no underwriters or agents would be involved.

General Information

We may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase Securities from us at the public offering price pursuant to delayed delivery contracts providing for payment and delivery on a later date or dates, all as described in the applicable prospectus supplement. Each delayed delivery contract will be for an amount not less than, and the aggregate amount of the Securities shall be not less nor more than, the respective amounts stated in the prospectus supplement.

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Institutions with whom the delayed delivery contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and other institutions, but will in all cases be subject to our approval. The delayed delivery contracts will not be subject to any conditions except:

- ☐ the purchase by an institution of the Securities covered by its delayed delivery contract shall not, at any time of delivery, be prohibited under the laws of any jurisdiction in the United States to which such delayed delivery contract is subject; and
- ☐ if the Securities are being sold to underwriters, we shall have sold to those underwriters the total amount of the Securities less the amount thereof covered by the delayed delivery contracts. The underwriters will not have any responsibility in respect of the validity or performance of the delayed delivery contracts.

Unless otherwise specified in the related prospectus supplement, each series of the Securities will be a new issue with no established trading market, other than the common stock. Any common stock sold pursuant to a prospectus supplement or issuable upon conversion of another offered Security will be listed on the New York Stock Exchange, subject to official notice of issuance. We may elect to list any of the other securities on an exchange, but are not obligated to do so. It is possible that one or more underwriters may make a market in a series of the Securities, but no underwriter will be obligated to do so and any underwriter may discontinue any market making at any time without notice. We cannot predict the activity of trading in, or liquidity of, our Securities.

In connection with sales by an agent or in an underwritten offering, the SEC rules permit the underwriters or agents to engage in transactions that stabilize the price of the Securities. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters or agents of a greater number of securities than they are required to purchase in an offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Securities while an offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased Securities sold by or for the account of that underwriter in stabilizing or short-covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Securities. As a result, the price of the Securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on an exchange or automated quotation system, if the Securities are listed on that exchange or admitted for trading on that automated quotation system, in the over-the-counter market or otherwise.

We may from time to time, without the consent of the existing Security holders, create and issue further Securities having the same terms and conditions as the Securities being offered hereby in all respects, except for issue date, issue price and if applicable, the first payment of interest or dividends therein or other terms as noted in the applicable prospectus supplement. Additional Securities issued in this manner will be consolidated with, and will form a single series with, the previously outstanding securities.

Underwriters, dealers and agents that participate in the distribution of the Securities may be underwriters as defined in the Securities Act of 1933, and any discounts or commissions received by them from us and any profit on the resale of the Securities by them may be treated as underwriting discounts and commissions under the Securities Act.

Indemnification

We may have agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments which the underwriters, dealers or agents may be required to make.

Underwriters, dealers and agents may engage in transactions with, or perform services for, us or our subsidiaries or affiliates in the ordinary course of their businesses.

LEGAL MATTERS

Ballard Spahr LLP, Philadelphia, Pennsylvania, will render an opinion as to the validity of the Securities for us. Ballard Spahr LLP may rely on an opinion of one of our in-house lawyers as to matters of Illinois law.

Winston & Strawn LLP, Chicago, Illinois, will render an opinion as to the validity of the Securities for any underwriters, dealers, purchasers or agents. Winston & Strawn LLP provides legal services to Exelon and its subsidiaries from time to time.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) of Exelon, Generation, ComEd and PECO incorporated in this Prospectus by reference to the combined Annual Reports on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The audited historical financial statements of Constellation Energy Group, Inc. and Baltimore Gas and Electric Company included as Exhibit 99.1 to Exelon's and Generation's Current Report on Form 8-K/A dated May 25, 2012 have been incorporated by reference in this Prospectus in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements incorporated in this prospectus by reference to the Annual Report on Form 10-K of Baltimore Gas and Electric Company for the year ended December 31, 2011 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

Exelon, Generation, ComEd, PECO and BGE each file reports and other information with the SEC. The public may read and copy any reports or other information that we file with the SEC at the SEC's public reference room, 100 F Street, N.E., Room 1580, 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 and at the web site maintained by the SEC at <http://www.sec.gov>. Reports, proxy statements and other information concerning Exelon may also be inspected at the offices of the New York Stock Exchange, which is located at 20 Broad Street, New York, New York 10005. You may also obtain a copy of the registration statement at no cost by writing us at the following address:

Exelon Corporation
Attn Investor Relations
10 South Dearborn Street 52nd Floor
P.O. Box 805398
Chicago, IL 60680-5398

This prospectus is one part of a registration statement filed on Form S-3 with the SEC under the Securities Act of 1933, as amended, known as the Securities Act. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information concerning us and the Securities, you should read the entire registration statement, including this prospectus and any related prospectus supplements, and the additional information described under the sub-heading "Documents Incorporated By Reference" below. The registration statement has been filed electronically and may be obtained in any manner listed above. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

Information about us is also available on Exelon's web site at <http://www.exeloncorp.com>. The information on Exelon's web site is not incorporated into this prospectus by reference, and you should not consider it a part of this prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference information that we file with the SEC, which means that we can disclose important information to you by referring you to the documents we file with the SEC. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This incorporation by reference does not include documents that are furnished but not filed with the SEC. We incorporate by reference the documents listed below and any future documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) but prior to the termination of any offering of securities made by this prospectus.

Exelon Corporation (Exchange Act File No. 1-16169)

- ☐ Exelon's Annual Report on Form 10-K for the year ended December 31, 2011
- ☐ Exelon's Quarterly Report on Form 10-Q for the Quarterly period March 31, 2012
- ☐ The description of Exelon's common stock contained in the registration statement on Form 8-A filed under the Securities Exchange Act of 1934, as amended, including any amendment thereto or report filed for the purpose of updating such description
- ☐ Exelon's Current Reports on Form 8-K filed with the SEC on January 17, 2012; February 16, 2012; February 21, 2012; March 14, 2012; April 5, 2012; April 6, 2012; and May 25, 2012.

Exelon Generation Company, LLC (Exchange Act File No. 333-85496)

- ☐ Generation's Annual Report on Form 10-K for the year ended December 31, 2011
- ☐ Generation's Quarterly Report on Form 10-Q for the Quarterly period March 31, 2012

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- ☐ Generation's Current Reports on Form 8-K filed with the SEC on January 17, 2012; February 16, 2012; February 21, 2012; March 14, 2012; March 16, 2012; April 5, 2012; and May 25, 2012.

Commonwealth Edison Company (Exchange Act File No. 1-1839)

- ☐ ComEd's Annual Report on Form 10-K for the year ended December 31, 2011
- ☐ ComEd's Quarterly Report on Form 10-Q for the Quarterly period March 31, 2012; and
- ☐ ComEd's Current Reports on Form 8-K filed with the SEC on January 17, 2012; February 16, 2012; February 21, 2012; March 14, 2012; March 16, 2012; and March 29, 2012.

PECO Energy Company (Exchange Act File No. 000-16844)

- ☐ PECO's Annual Report on Form 10-K for the year ended December 31, 2011
- ☐ PECO's Quarterly Report on Form 10-Q for the Quarterly period March 31, 2012; and
- ☐ PECO's Current Reports on Form 8-K filed with the SEC on January 17, 2012; February 16, 2012; February 21, 2012; March 14, 2012; and March 16, 2012.

Baltimore Gas and Electric Company (Exchange Act File No. 1-1910)

- ☐ BGE's Annual Report on Form 10-K for the year ended December 31, 2011
- ☐ BGE's Quarterly Report on Form 10-Q for the Quarterly period March 31, 2012; and
- ☐ BGE's Current Reports on Form 8-K filed with the SEC on January 19, 2012; and March 14, 2012.

Upon written or oral request, we will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all of such documents which are incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this prospectus incorporates). Written or oral requests for copies should be directed to Exelon Corporation, Attn: Investor Relations, 10 South Dearborn Street, 52nd Floor, P.O. Box 805398, Chicago, IL 60680-5398, 312-394-2345.

Any statement contained in this prospectus, or in a document all or a portion of which is incorporated by reference, shall be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, any supplement or any document incorporated by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

All reports and other documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment, which indicates that all of a class of securities offered hereby have been sold or which deregisters all of a class of securities then remaining unsold, shall be deemed incorporated by reference herein and to be a part hereof from the date of filing of such documents.

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We have not included or incorporated by reference any separate financial statements of the Exelon Trusts or the PECO Trusts. We do not consider the financial statements of the Exelon Trusts or the PECO Trusts to be material to holders of the trust preferred securities of the Exelon Trusts or the PECO Trusts because each Exelon Trust or PECO Trust (1) is a special purpose entity that has no operating history or independent operations and (2) is not engaged in and does not propose to engage in any activity other than holding our subordinated debt securities and issuing trust preferred securities. We do not expect the Exelon Trusts or the PECO Trusts to file periodic reports under Sections 13 and 15(d) of the Exchange Act.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses in connection with the issuance and distribution of the Securities are set forth in the following table. All amounts except the SEC registration fee are estimated.

SEC registration fee	\$ -
Listing fees and expenses	\$ 100
Accounting fees and expenses	\$ 100
Printing and engraving expenses	\$ 100
Legal fees and expenses	\$ 100
Trustee fees	\$ 100
Miscellaneous	\$ 100
Total	\$ 500

- ☐ To be deferred pursuant to Rule 456(b) and calculated in connection with the offering of securities under this registration statement pursuant to Rule 457(r).
- ☐ Estimated expenses not presently known. Each prospectus supplement will reflect estimated expenses based on the amount of the related offering.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Exelon Corporation

Chapter 17, Subchapter D of the Pennsylvania Business Corporation Law of 1988, as amended (the PBC), contains provisions permitting indemnification of officers and directors of a business corporation incorporated in Pennsylvania. Sections 1741 and 1742 of the PBC provide that a business corporation may indemnify directors and officers against liabilities and expenses he or she may incur in connection with a threatened, pending or completed civil, administrative or investigative proceeding by reason of the fact that he or she is or was a representative of the corporation or was serving at the request of the corporation as a representative of another enterprise, provided that the particular person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. In general, the power to indemnify under these sections does not exist in the case of actions against a director or officer by or in the right of the corporation if the person otherwise entitled to indemnification shall have been adjudged to be liable to the corporation, unless it is judicially determined that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for the expenses the court deems proper. Section 1743 of the PBC provides that the corporation is required to indemnify directors and officers against expenses they may incur in defending these actions if they are successful on the merits or otherwise in the defense of such actions.

Section 1746 of the PBC provides that indemnification under the other sections of Subchapter D is not exclusive of other rights that a person seeking indemnification may have under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, whether or not the corporation would have the power to indemnify the person under any other provision of law. However, Section 1746 prohibits indemnification in circumstances where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

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Section 1747 of the PBC permits a corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a representative of another enterprise, against any liability asserted against such person and incurred by him or her in that capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify the person against such liability under Subchapter D.

Exelon's Bylaws provide that it is obligated to indemnify directors and officers and other persons designated by the board of directors against any liability, including any damage, judgment, amount paid in settlement, fine, penalty, cost or expense (including, without limitation, attorneys' fees and disbursements) including in connection with any proceeding. Exelon's Bylaws provide that no indemnification shall be made where the act or failure to act giving rise to the claim for indemnification is determined by arbitration or otherwise to have constituted willful misconduct or recklessness or attributable to receipt from Exelon of a personal benefit to which the recipient is not legally entitled.

As permitted by PBC Section 1713, Exelon's Bylaws provide that directors generally will not be liable for monetary damages in any action, whether brought by shareholders directly or in the right of Exelon or by third parties, unless they fail in the good faith performance of their duties as fiduciaries (the standard of care established by the PBC), and such failure constitutes self-dealing, willful misconduct or recklessness.

Exelon has entered into indemnification agreements with each of its directors. Exelon also currently maintains liability insurance for its directors and officers. In addition, the directors, officers and employees of Exelon are insured under policies of insurance, within the limits and subject to the limitations of the policies, against claims made against them for acts in the discharge of their duties, and Exelon is insured to the extent that it is required or permitted by law to indemnify the directors, officers and employees for such loss. The premiums for such insurance are paid by Exelon.

Exelon Capital Trust I, Exelon Capital Trust II, Exelon Capital Trust III, PECO Energy Capital Trust V and PECO Energy Capital Trust VI

Section 3817 of the Delaware Statutory Trust Act, 12 Del. C. Section 3801, et seq., provides that, subject to such standards and restrictions, if any, as set forth in the governing instrument of the trust, a statutory trust shall have the power to indemnify and hold harmless any trustee or beneficial owner or other person from and against any and all claims and demands whatsoever. The trust agreements provide that Exelon, as sponsor of the Exelon Trusts and PECO, as the sponsor of the PECO Trusts, as applicable, will indemnify the trustees for, and hold the trustees harmless against, any and all loss, damage, claims, liability or expense incurred without willful misconduct, gross negligence (ordinary negligence in the case of the Property Trustee) or bad faith on their part, arising out of or in connection with the acceptance or administration of the trust agreements, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties thereunder.

Exelon Generation Company, LLC

Section 4.6 of Generation's operating agreement provides, as follows:

The Member shall, and any officer, employee or agent of the Company may in the Member's absolute discretion, be indemnified by the Company to the fullest extent permitted by Section 8945 of the Pennsylvania Limited Liability Company Law of 1994 and as may be otherwise permitted by applicable law.

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Section 8945 of the Pennsylvania Limited Liability Company Law of 1994 provides that

8945. Indemnification.

(a) General rule. Subject to such standards and restrictions, if any, as are set forth in the operating agreement, a limited liability company may and shall have the power to indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever.

(b) When indemnification is not to be made. Indemnification under subsection (a) shall not be made in any case where the act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness. The certificate of organization or operating agreement may not provide for indemnification in the case of willful misconduct or recklessness.

(c) Grounds. Indemnification under subsection (a) may be granted for any action taken and may be made whether or not the company would have the power to indemnify the person under any other provision of law except as provided in this section and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the company. Such indemnification is declared to be consistent with the public policy of this Commonwealth.

(d) Payment of expenses. Expenses incurred by a member, manager or other person in defending any action or proceeding against which indemnification may be made under this section may be paid by the company in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the company.

(e) Rights to indemnification. The indemnification and advancement of expenses provided by or granted under this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to serve in the capacity as to which he was indemnified and shall inure to the benefit of the heirs, executors and administrators of such person.

(f) Mandatory indemnification. Without regard to whether indemnification or advancement of expenses is provided under subsections (a) and (d), a limited liability company shall be subject to section 8331(2) (relating to rules determining rights and duties of partners) and both the members and the managers, if any, shall be deemed to be general partners for purposes of applying that section.

In addition, the officers and employees of Generation are insured under policies of insurance, within the limits and subject to the limitations of the policies, against claims made against them for acts in the discharge of their duties, and the registrant is insured to the extent that it is required or permitted by law to indemnify the officers and employees for such loss. The premiums for such insurance are paid by Generation.

Commonwealth Edison Company

Certain provisions of the Illinois Business Corporation Act of 1983, as amended (the BCA), provide that ComEd may, and in some circumstances must, indemnify the directors and officers of ComEd and of each subsidiary company against liabilities and expenses incurred by such person by reason of the fact that such person was serving in such capacity, subject to certain limitations and conditions set forth in the statute. ComEd's Restated Articles of Incorporation and Amended and Restated

Article 8.65 of the ComEd Bylaws

By-laws provide that ComEd will indemnify its directors and officers and any other person serving as director, officer, employee or agent of another business entity at ComEd's request, to the extent permitted by the statute. In addition, ComEd's Restated Articles of Incorporation provide, as permitted by the BCA, that directors shall not be personally liable for monetary damages for breach of fiduciary duty as a director, except (i) for breaches of their duty of loyalty to ComEd or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 8.65 of the BCA, and (iv) for transactions from which a director derived an improper personal benefit.

ComEd maintains liability insurance policies which indemnify ComEd's directors and officers, the directors and officers of subsidiaries of ComEd, and the trustees of the Commonwealth Edison Company Service Annuity Fund and the Commonwealth Edison Company of Indiana, Inc. Service Annuity Fund, against loss arising from claims by reason of their legal liability for acts as such directors, officers or trustees, subject to limitations and conditions as set forth in the policies.

PECO Energy Company

As noted above, the PBC, contains provisions permitting indemnification of officers and directors of a business corporation incorporated in Pennsylvania. Sections 1741 and 1742 of the PBC provide that a business corporation may indemnify directors and officers against liabilities and expenses he or she may incur in connection with a threatened, pending or completed civil, administrative or investigative proceeding by reason of the fact that he or she is or was a representative of the corporation or was serving at the request of the corporation as a representative of another enterprise, provided that the particular person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. In general, the power to indemnify under these sections does not exist in the case of actions against a director or officer by or in the right of the corporation if the person otherwise entitled to indemnification shall have been adjudged to be liable to the corporation, unless it is judicially determined that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for the expenses the court deems proper. Section 1743 of the PBC provides that the corporation is required to indemnify directors and officers against expenses they may incur in defending these actions if they are successful on the merits or otherwise in the defense of such actions.

Section 1746 of the PBC provides that indemnification under the other sections of Subchapter D is not exclusive of other rights that a person seeking indemnification may have under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, whether or not the corporation would have the power to indemnify the person under any other provision of law. However, Section 1746 prohibits indemnification in circumstances where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

Section 1747 of the PBC permits a corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a representative of another enterprise, against any liability asserted against such person and incurred by him or her in that capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify the person against such liability under Subchapter D.

PECO's Bylaws provide that it is obligated to indemnify directors and officers and other persons designated by the board of directors against any liability, including any damage, judgment, amount paid in settlement, fine, penalty, cost or expense (including, without limitation, attorneys' fees and disbursements) including in connection with any proceeding. PECO's Bylaws provide that no indemnification shall be made where the act or failure to act giving rise to the claim for indemnification is determined by arbitration or otherwise to have constituted willful misconduct or recklessness or attributable to receipt from PECO of a personal benefit to which the recipient is not legally entitled.

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As permitted by PBC Section 1713, PECO's Bylaws provide that directors generally will not be liable for monetary damages in any action, whether brought by shareholders directly or in the right of PECO or by third parties, unless they fail in the good faith performance of their duties as fiduciaries (the standard of care established by the PBC), and such failure constitutes self-dealing, willful misconduct or recklessness.

PECO has entered into indemnification agreements with each of its directors. PECO also currently maintains liability insurance for its directors and officers. In addition, the directors, officers and employees of PECO are insured under policies of insurance, within the limits and subject to the limitations of the policies, against claims made against them for acts in the discharge of their duties, and PECO is insured to the extent that it is required or permitted by law to indemnify the directors, officers and employees for such loss. The premiums for such insurance are paid by PECO.

Baltimore Gas and Electric Company

The following description of indemnification allowed under Maryland statutory law is a summary rather than a complete description. Reference is made to Section 2-418 of the Corporations and Associations Article of the Maryland Annotated Code, which is incorporated herein by reference, and the following summary is qualified in its entirety by such reference.

By a Maryland statute, a Maryland corporation may indemnify any director who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (Proceeding) by reason of the fact that he is a present or former director of the corporation and any person who, while a director of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, limited liability company, other enterprise, or employee benefit plan (Director). Such indemnification may be against judgments, penalties, fines, settlements and reasonable expenses actually incurred by such Director in connection with the Proceeding unless it is established that (a) the act or omission of the Director was material to the matter giving rise to the Proceeding and (i) was committed in bad faith, or (ii) was the result of active and deliberate dishonesty or (b) the Director actually received an improper personal benefit in money, property, or services or (c) in the case of any criminal proceeding, the Director had reasonable cause to believe the act or omission was unlawful. However, the corporation may not indemnify any Director in connection with a Proceeding by or in the right of the corporation if the Director has been adjudged to be liable to the corporation. A Director who has been successful in the defense of any Proceeding described above, or in the defense of any claim, issue or matter in the Proceeding, shall be indemnified against reasonable expenses incurred in connection with the Proceeding or the claim, issue or matter in which the Director has been successful. The corporation may not indemnify a Director in respect of any Proceeding charging improper personal benefits to the Director in which the Director was adjudged to be liable on the basis that personal benefit was improperly received. The corporation may not indemnify a Director or advance expenses for a Proceeding brought by the Director against the corporation except if the Proceeding is brought to enforce indemnification by the corporation or if the corporation's charter or bylaws, a board resolution or contract provides otherwise. Notwithstanding the above provisions, a court of appropriate jurisdiction, upon application of the Director, may order indemnification if it determines that in view of all the relevant circumstances, the Director is fairly and reasonably entitled to indemnification. However, indemnification with respect to any Proceeding by or in the right of the corporation or in which liability was adjudged on the basis that personal benefit was improperly received shall be limited to expenses. A corporation may advance reasonable expenses to a Director prior to the final disposition of a Proceeding upon receipt by the corporation of a written undertaking by or on behalf of the Director to repay the amount if it shall ultimately be determined that the standard of conduct necessary for indemnification by the corporation has not been met.

Article 10. Contents.

A corporation may indemnify and advance expenses to an officer of the corporation to the same extent that it may indemnify Directors under the statute.

The indemnification and advancement of expenses provided by statute is not exclusive of any other rights, by indemnification or otherwise, to which a Director or officer may be entitled under the charter, bylaws, a resolution of shareholders or directors, an agreement or otherwise.

A corporation may purchase and maintain insurance on behalf of any person who is or was a Director or officer, whether or not the corporation would have the power to indemnify a Director or officer against liability under the provision of this section of Maryland law. Further, a corporation may provide similar protection, including a trust fund, letter of credit or surety bond, not inconsistent with the statute.

Article 11 of BCE's Charter reads as follows:

Each director or officer of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages except (i) to the extent that it is proved that the person actually received an improper benefit or profit in money, property, or services for the amount of the benefit or profit in money, property, or services actually received or (ii) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action or failure to act was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. It is the intent of this Article that the liability of directors and officers shall be limited to the fullest extent permitted by the Maryland General Corporation Law, as amended from time to time.

Any repeal or modification of the foregoing paragraph by the stockholders of the corporation shall not adversely affect any right or protection of a director or officer of the corporation existing at the time of such repeal or modification.

Article 12 of BCE's By-Laws reads as follows:

Each person made or threatened to be made party to an action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Company, or, at its request, is or was a director or officer of another corporation, shall be indemnified by the Company (to the extent indemnification is not otherwise provided by insurance) against the liabilities, costs and expenses of every kind actually and reasonably incurred by him as a result of such action, suit or proceeding, or any threat thereof or any appeal thereon, but in each case only if and to the extent permissible under applicable common or statutory law, state or federal. The foregoing indemnity shall not be inclusive of other rights to which such person may be entitled.

The directors and officers of BCE are covered by insurance indemnifying them against certain liabilities which might be incurred by them in their capacities as such, including certain liabilities arising under the Securities Act of 1933. The premium for this insurance is paid by Exelon with BCE's share of the premium being reimbursed by BCE.

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ITEM 16. EXHIBITS.

Reference is made to the Exhibit Index filed herewith at page II-22, such Exhibit Index being incorporated in this Item 16 by reference.

ITEM 17. UNDERTAKINGS.

(a) Each of the undersigned registrants hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

... le of Content:

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities.

Each of the undersigned registrants undertake that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser.

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424.

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant.

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant.

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) Each of the undersigned registrants hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, each registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of

Article of Consent

the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on this 29th day of May, 2012.

EXELON CORPORATION

By /s/ Christopher M. Crane
Christopher M. Crane
President and Chief Executive Officer and Director
(Principal Executive Officer)

By /s/ Jonathan W. Thayer
Jonathan W. Thayer
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Duane M. DesParte
Duane M. DesParte
Vice President and Corporate Controller (Principal
Accounting Officer)

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KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher M. Crane or Jonathan W. Thayer and each or any one of them, his true and lawful attorneys in fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any registration statement relating to any offering made pursuant to this registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorneys in fact and agents, and each of them, full power and authority to perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mayo A. Shattuck III</u> Mayo A. Shattuck III	Director and Chairman	May 29, 2012
<u>/s/ Ann C. Berzin</u> Ann C. Berzin	Director	May 29, 2012
<u>/s/ John A. Canning, Jr.</u> John A. Canning, Jr.	Director	May 29, 2012
<u>/s/ M. Walter D'Alessio</u> M. Walter D'Alessio	Director	May 29, 2012
<u>/s/ Yves C. de Balmann</u> Yves C. de Balmann	Director	May 29, 2012
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Director	May 29, 2012
<u>/s/ Nelson A. Diaz</u> Nelson A. Diaz	Director	May 29, 2012
<u>/s/ Sue Q. Qin</u> Sue Q. Qin	Director	May 29, 2012
<u>/s/ Rosemarie B. Treco</u> Rosemarie B. Treco	Director	May 29, 2012
<u>/s/ Paul Q. Cuskow</u> Paul Q. Cuskow	Director	May 29, 2012
<u>/s/ Robert Q. Cawless</u> Robert Q. Cawless	Director	May 29, 2012

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<u>/s/ Richard W. Mies</u> Richard W. Mies	Director	May 29, 2012
<u>/s/ William C. Richardson</u> William C. Richardson	Director	May 29, 2012
<u>/s/ Thomas □ Ridge</u> Thomas □ Ridge	Director	May 29, 2012
<u>/s/ John W. Rogers, Jr.</u> John W. Rogers, Jr.	Director	May 29, 2012
<u>/s/ Stephen D. Steinour</u> Stephen D. Steinour	Director	May 29, 2012
<u>/s/ Don Thompson</u> Don Thompson	Director	May 29, 2012

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on this 29th day of May, 2012.

EXELON CAPITAL TRUST I

By /s/ Tacey M. Burnes

Name Tacey M. Burnes

Title Administrative Trustee

EXELON CAPITAL TRUST II

By /s/ Tacey M. Burnes

Name Tacey M. Burnes

Title Administrative Trustee

EXELON CAPITAL TRUST III

By /s/ Tacey M. Burnes

Name Tacey M. Burnes

Title Administrative Trustee

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on this 29th day of May, 2012.

EXELON GENERATION COMPANY, LLC

By /s/ Christopher M. Crane

Christopher M. Crane
President
(Principal Executive Officer)

By /s/ Andrew D. Cood

Andrew D. Cood
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Robert Aiken

Robert Aiken
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on this 29th day of May, 2012.

COMMONWEALTH EDISON COMPANY

By /s/ Anne R. Pramaggiore

Anne R. Pramaggiore
President, Chief Executive Officer and Director
(Principal Executive Officer)

By /s/ Joseph R. Trpik, Jr.

Joseph R. Trpik, Jr.
Senior Vice President, Chief Financial
Officer and Treasurer
(Principal Financial Officer)

By /s/ Devin G. Waden

Devin G. Waden
Vice President and Controller
(Principal Accounting Officer)

Article of Incorporation

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Anne R. Pramaggiore and Joseph R. Trpik, Jr. and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Registration Statement, including any filings pursuant to Rule 462(b) or 462(c) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying all that such attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Christopher M. Crane</u> Christopher M. Crane	Director and Chairman	May 29, 2012
<u>/s/ James W. Compton</u> James W. Compton	Director	May 29, 2012
<u>/s/ A. Steven Crown</u> A. Steven Crown	Director	May 29, 2012
<u>/s/ Peter C. Fazio, Jr.</u> Peter C. Fazio, Jr.	Director	May 29, 2012
<u>/s/ Sue C. Chin</u> Sue C. Chin	Director	May 29, 2012
<u>/s/ Michael Moskow</u> Michael Moskow	Director	May 29, 2012
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director	May 29, 2012
<u>/s/ Jesse C. Ruiz</u> Jesse C. Ruiz	Director	May 29, 2012

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Philadelphia, Commonwealth of Pennsylvania, on this 29th day of May, 2012.

PECO ENERGY COMPANY

By /s/ Craig D. Adams

Craig D. Adams
President and
Chief Executive Officer and Director
(Principal Executive Officer)

By /s/ Phillip S. Barnett

Phillip S. Barnett
Senior Vice President Finance, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

By /s/ Scott A. Bailey

Scott A. Bailey
Vice President and Controller
(Principal Accounting Officer)

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NOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Craig D. Adams and Phillip S. Barnett and each or any one of them, his true and lawful attorneys in fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any registration statement relating to any offering made pursuant to this registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorneys in fact and agents, and each of them, full power and authority to perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Christopher M. Crane</u> Christopher M. Crane	Director and Chairman	May 29, 2012
<u>/s/ M. Walter D'Alessio</u> M. Walter D'Alessio	Director	May 29, 2012
<u>/s/ Nelson A. Diaz</u> Nelson A. Diaz	Director	May 29, 2012
<u>/s/ Rosemarie B. Greco</u> Rosemarie B. Greco	Director	May 29, 2012
<u>/s/ Charisse R. Hillie</u> Charisse R. Hillie	Director	May 29, 2012
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director	May 29, 2012
<u>/s/ Thomas D. Ridge</u> Thomas D. Ridge	Director	May 29, 2012
<u>/s/ Ronald Rubin</u> Ronald Rubin	Director	May 29, 2012

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Philadelphia, Commonwealth of Pennsylvania, on this 29th day of May, 2012.

PECO ENERGY CAPITAL TRUST V

By ☒ /s/ Acee M. Burnes

Name ☒ Acee M. Burnes

Title ☐ Administrative Trustee

PECO ENERGY CAPITAL TRUST VI

By ☒ /s/ Acee M. Burnes

Name ☒ Acee M. Burnes

Title ☐ Administrative Trustee

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Baltimore Gas and Electric Company, a registrant, certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baltimore, State of Maryland on the 29th day of May, 2012.

BALTIMORE GAS AND ELECTRIC COMPANY

By /s/ Kenneth W. DeFontes, Jr.
Kenneth W. DeFontes, Jr.
President and Chief Executive Officer

By /s/ Carim Q. Chouzami
Carim Q. Chouzami
Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

By /s/ Anne A. Cahn
Anne A. Cahn
Vice President and Controller
(Principal Accounting Officer)

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NOW ALL PERSONS BE THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kenneth W. DeFontes, Jr. and Carim D. Chouzami as his true and lawful attorney-in-fact with full power of substitution and resubstitution, in any and all capacities, to sign this Registration Statement or amendments (including, without limitation, post-effective amendments and registration statements filed pursuant to Rule 462 under the Securities Act of 1933) thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and conforming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Christopher M. Crane</u> Christopher M. Crane	Director and Chairman	May 29, 2012
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director and Vice Chairman	May 29, 2012
<u>/s/ Michael E. Cryor</u> Michael E. Cryor	Director	May 29, 2012
<u>/s/ James R. Curtiss</u> James R. Curtiss	Director	May 29, 2012
<u>/s/ Kenneth W. DeFontes, Jr.</u> Kenneth W. DeFontes, Jr.	Director	May 29, 2012
<u>/s/ Joseph D. Daskins</u> Joseph D. Daskins	Director	May 29, 2012
<u>/s/ Carla D. Dayden</u> Carla D. Dayden	Director	May 29, 2012
<u>/s/ Michael D. Sullivan</u> Michael D. Sullivan	Director	May 29, 2012

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1.1	Form of Underwriting Agreement with respect to Securities.
1.2	Form of Baltimore Gas and Electric Company Purchase Agreement, including Standard Purchase Provisions for Unsecured Debt Securities (Incorporated by reference to Exhibit 1(b) of the Registration Statement on Form S-3 of Baltimore Gas and Electric Company filed July 24, 2006, Reg. No. 333-135991-01).
1.3	Form of Baltimore Gas and Electric Company Purchase Agreement, including Standard Purchase Provisions for Preferred Stock.
1.4	Form of Baltimore Gas and Electric Company Purchase Agreement, including Standard Purchase Provisions for Senior Secured Bonds (incorporated by reference to Exhibit 1(j) of Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 of Baltimore Gas and Electric Company filed July 9, 2009, Reg. No. 333-157637-01).
3.1	Amended and Restated Articles of Incorporation of Exelon Corporation (incorporated herein by reference to File No. 001-16169, Form 10-Q for the Quarter ended September 30, 2008, Exhibit 3-1-2).
3.2	Amended and Restated Bylaws of Exelon Corporation, effective as of March 12, 2012 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed March 14, 2012, File No. 001-16169).
3.3	Certificate of Formation of Exelon Generation Company, LLC (Registration Statement No. 333-85496, Form S-4, Exhibit 3-1).
3.4	First Amended and Restated Operating Agreement of Exelon Generation Company, LLC executed as of January 1, 2001 (incorporated herein by reference to File No. 333-85496, 2003 Form 10-Q, Exhibit 3-8).
3.5	Form of Amendment to Amended and Restated Operating Agreement of Exelon Generation Company, LLC.
3.6	Charter of Baltimore Gas and Electric Company, restated as of August 16, 1996 (Incorporated by reference to Exhibit 3 to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 1996, File No. 1-1910).
3.7	Articles of Amendment to the Charter of Baltimore Gas and Electric Company as of February 2, 2010. (Designated as Exhibit No. 3.1 to the Current Report on Form 8-K dated February 4, 2010, File No. 1-1910.)
3.8	Bylaws of Baltimore Gas and Electric Company as amended to May 10, 2012.
3.9	Restated Articles of Incorporation of Commonwealth Edison Company effective February 20, 1985, including Statements of Resolution Establishing Series, relating to the establishment of three new series of Commonwealth Edison Company preference stock known as the \$9.00 Cumulative Preference Stock, the \$6.875 Cumulative Preference Stock and the \$2.425 Cumulative Preference Stock (incorporated herein by reference to Exhibit 3-2 to Commonwealth Edison Company's 1994 Form 10-Q, File No. 1-1839).

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- 3.10 Commonwealth Edison Company Amended and Restated By-Laws, effective January 23, 2006, as further amended January 28, 2008 and July 27, 2009 (incorporated herein by reference to Exhibit 3.1 to Commonwealth Edison Company's Form 8-K filed July 27, 2009, File No. 1-16169).
- 3.11 Amended and Restated Articles of Incorporation for PECO Energy Company (incorporated herein by reference to File No. 1-01401, 2000 Form 10-K, Exhibit 3-3).
- 3.12 PECO Energy Company amended Bylaws (Incorporated by reference to File No. 000-16844, Form 8-K dated May 6, 2009, Exhibit 99.1).
- 4.1 Form of Indenture between Exelon Corporation and The Bank of New York Trust Company, N.A., as trustee, relating to senior debt securities (incorporated by reference to File No. 333-14620, Form S-3, Exhibit 4-4).
- 4.2 Form of Indenture between Exelon Corporation and U.S. Bank National Association, as trustee, relating to subordinated debt securities (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-4).
- 4.3 Indenture between Exelon Generation Company, LLC and U.S. Bank National Association, as trustee relating to Generation senior debt securities (incorporated by reference to File No. 333-85496, Form 8-K dated September 28, 2007, Exhibit 4.1).
- 4.4 Form of Exelon Guarantee Agreement (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-12).
- 4.5 Certificate of Trust of Exelon Capital Trust I dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-5).
- 4.6 Certificate of Trust of Exelon Capital Trust II dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-6).
- 4.7 Certificate of Trust of Exelon Capital Trust III dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-7).
- 4.8 Declaration of Trust of Trust of Exelon Capital Trust I dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-8).
- 4.9 Declaration of Trust of Trust of Exelon Capital Trust II dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-9).
- 4.10 Declaration of Trust of Trust of Exelon Capital Trust III dated as of August 25, 2003 (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-10).
- 4.11 Form of Amended and Restated Declaration of Trust (incorporated herein by reference to File No. 333-10854603, Form S-3, Exhibit 4-11).
- 4.12 Indenture dated as of July 24, 2006, between Baltimore Gas and Electric Company and Deutsche Bank Trust Company Americas, as trustee (Incorporated by reference to Exhibit 4(b) of the Registration Statement on Form S-3 of Baltimore Gas and Electric Company filed July 24, 2006, Reg. No. 333-135991-01).

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- 4.13 First Supplemental Indenture between Baltimore Gas and Electric Company and Deutsche Bank Trust Company Americas, as trustee, dated as of October 13, 2006 (Incorporated by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2006, File No. 1-1910).
- 4.14 ☐ Baltimore Gas and Electric Company Preferred Stock certificate.
- 4.15 Form of Baltimore Gas and Electric Company Unsecured Debt Security (Fixed Rate) (Included in Exhibit 4.12).
- 4.16 Form of Baltimore Gas and Electric Company Unsecured Debt Security (Floating Rate) (Included in Exhibit 4.12).
- 4.17 Indenture and Security Agreement dated as of July 9, 2009, between Baltimore Gas and Electric Company and Deutsche Bank Trust Company Americas, as trustee (including form of Baltimore Gas and Electric Company Officer's Certificate and form of Senior Secured Bond) (Incorporated by reference to Exhibits 4(u) and 4(u)(1) of Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 of Baltimore Gas and Electric Company filed July 9, 2009, Reg. No. 333-157637-01).
- 4.18 Supplemental Indenture No. 1, dated as of October 1, 2009, to the Indenture and Security Agreement dated as of July 9, 2009, between Baltimore Gas and Electric Company and Deutsche Bank Trust Company Americas, as trustee (Incorporated by reference to Exhibit 4(c) to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2009, File No. 1-1910).
- 4.19 Baltimore Gas and Electric Company Deed of Easement and Right-of-Way Grant dated as of July 9, 2009 (Incorporated by reference to Exhibit 4(u)(2) of Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 of Baltimore Gas and Electric Company filed July 9, 2009, Reg. No. 333-157637-01).
- 4.20 Mortgage of Commonwealth Edison Company to Illinois Merchants Trust Company, Trustee (BNC Mellon Trust Company of Illinois, as current successor Trustee), dated July 1, 1923, as supplemented and amended by Supplemental Indenture thereto dated August 1, 1994 (incorporated herein by reference to Exhibit 2-1 to Commonwealth Edison Company's Form S-7, File No. 2-60201).
- 4.21 Supplemental Indentures to the aforementioned Commonwealth Edison Company Mortgage are incorporated herein by reference as follows ☐

<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
August 1, 1946	2-60201, Form S-7	2-1
April 1, 1953	2-60201, Form S-7	2-1
March 31, 1967	2-60201, Form S-7	2-1
April 1, 1967	2-60201, Form S-7	2-1
February 28, 1969	2-60201, Form S-7	2-1
May 29, 1970	2-60201, Form S-7	2-1
June 1, 1971	2-60201, Form S-7	2-1
April 1, 1972	2-60201, Form S-7	2-1
May 31, 1972	2-60201, Form S-7	2-1

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<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
June 15, 1973	2-60201, Form S-7	2-1
May 31, 1974	2-60201, Form S-7	2-1
June 13, 1975	2-60201, Form S-7	2-1
May 28, 1976	2-60201, Form S-7	2-1
June 3, 1977	2-60201, Form S-7	2-1
May 17, 1978	2-99665, Form S-3	4-3
August 31, 1978	2-99665, Form S-3	4-3
June 18, 1979	2-99665, Form S-3	4-3
June 20, 1980	2-99665, Form S-3	4-3
April 16, 1981	2-99665, Form S-3	4-3
April 30, 1982	2-99665, Form S-3	4-3
April 15, 1983	2-99665, Form S-3	4-3
April 13, 1984	2-99665, Form S-3	4-3
April 15, 1985	2-99665, Form S-3	4-3
April 15, 1986	33-6879, Form S-3	4-9
April 15, 1993	33-64028, Form S-3	4-13
June 15, 1993	1-1839, Form 8-□ dated May 21, 1993	4-1
January 15, 1994	1-1839, 1993 Form 10-□	4-15
June 1, 1996	1-1839, 1996 Form 10-□	4-16
March 1, 2002	1-1839, 2001 Form 10-□	4-4-1
May 20, 2002	333-99363, Form S-3	4-1-1
June 1, 2002	333-99363, Form S-3	4-1-1
October 7, 2002	333-99715, Form S-4	4-1-3
January 13, 2003	1-1839, Form 8-□ dated January 22, 2003	4-4
March 14, 2003	1-1839, Form 8-□ dated April 7, 2003	4-4
August 13, 2003	1-1839, Form 8-□ dated August 25, 2003	4-4
February 15, 2005	1-1839, Form 10-□ for the Quarter ended March 31, 2005	4-3-1
February 22, 2006	1-1839, Form 8-□ dated March 6, 2006	4-1
August 1, 2006	1-1839, Form 8-□ dated August 28, 2006	4-1
September 15, 2006	1-1839, Form 8-□ dated October 2, 2006	4-1
December 1, 2006	1-1839, Form 8-□ dated December 19, 2006	4-1
March 1, 2007	1-1839, Form 8-□ dated March 23, 2007	4-1
August 30, 2007	1-1839, Form 8-□ dated September 10, 2007	4-1
December 20, 2007	1-1839, Form 8-□ dated January 16, 2008	4-1
March 10, 2008	1-1839, Form 8-□ dated March 27, 2008	4-1
April 23, 2008	001-01839, Form 8-□ dated May 12, 2008	4-1
June 12, 2008	001-01839, Form 8-□ dated June 27, 2008	4-1
July 12, 2012	001-01839, Form 8-□ dated August 2, 2010	4-1
January 4, 2011	001-01839, Form 8-□ dated January 18, 2011	4-1
August 22, 2011	001-01839, Form 8-□ dated September 7, 2011	4-1

- 4.22 Instrument of Resignation, Appointment and Acceptance dated as of February 20, 2002, under the provisions of the Commonwealth Edison Company Mortgage dated July 1, 1923, and Indentures Supplemental thereto, regarding corporate trustee (incorporated by reference to Exhibit 4-4-2 to Commonwealth Edison Company's 2001 Form 10-□, File No. 1-1839).
- 4.23 Instrument dated as of January 31, 1996, under the provisions of the Commonwealth Edison Company Mortgage dated July 1, 1923 and Indentures Supplemental thereto, regarding individual trustee (incorporated herein by reference to Exhibit 4-29 to Commonwealth Edison Company's 1995 Form 10-□, File No. 1-1839).

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4.24	Indenture dated as of September 1, 1987 between Commonwealth Edison Company and Citibank, N.A., as Trustee (U.S. Bank National Association, as current successor Trustee) relating to Notes (incorporated herein by reference to Exhibit 4-13 to Commonwealth Edison Company's Form S-3, File No. 33-20619).		
4.25	Supplemental Indentures to the aforementioned Commonwealth Edison Indenture are incorporated herein by reference as follows:		
	<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
	July 14, 1989	33-32929, Form S-3	4-16
4.26	Form of Supplemental Indenture relating to the Commonwealth Edison Company First Mortgage Bonds.		
4.27	Form of Supplemental Indenture relating to the Commonwealth Edison Company Notes.		
4.28	First and Refunding Mortgage dated May 1, 1923 between The Counties Gas and Electric Company (predecessor to PECO Energy Company) and Fidelity Trust Company, as Trustee (U.S. National Association, as current successor trustee), (Registration No.2-2281, Exhibit B-1).		
4.29	Supplemental Indentures to PECO Energy Company's First and Refunding Mortgage (incorporated herein by reference to the following):		
	<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
	May 1, 1927	2-2881	B-1(c)
	March 1, 1937	2-2881	B-1(g)
	December 1, 1941	2-4863	B-1(h)
	November 1, 1944	2-5472	B-1(i)
	December 1, 1946	2-6821	7-1(j)
	September 1, 1957	2-13562	2(b)-17
	May 1, 1958	2-14020	2(b)-18
	March 1, 1968	2-34051	2(b)-24
	March 1, 1981	2-72802	4-46
	March 1, 1981	2-72802	4-47
	December 1, 1984	1-01401, 1984 Form 10-□	4-2(b)
	March 1, 1993	1-01401, 1992 Form 10-□	4(c)-86
	May 1, 1993	1-01401, March 31, 1993 Form 10-□	4(c)-88
	May 1, 1993	1-01401, March 31, 1993 Form 10-□	4(c)-89
	September 15, 2002	1-01401, September 30, 2002 Form 10-□	4-1
	October 1, 2002	1-01401, September 30, 2002 Form 10-□	4-2
	April 15, 2003	00-16844, March 31, 2003 Form 10-□	4.1
	April 15, 2004	00-16844, September 30, 2004 Form 10-□	4-1-1
	September 15, 2006	000-16844, Form 8-□ dated September 25, 2006	4.1
	March 15, 2007	000-1684, Form 8-□ dated March 3, 2008	4.1

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	<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
	February 15, 2008	000-1684, Form 8-K dated March 19, 2007	4.1
	September 15, 2008	000-1684, Form 8-K dated October 2, 2008	4.1
	March 15, 2009	000-1684, Form 8-K dated March 26, 2009	4.1
4.30	Form of Supplemental Indenture relating to PECO Energy Company First and Refunding Mortgage Bonds (incorporated by reference to File No. 333-14620-07, Form S-3, Exhibit 4.19).		
4.31	Form of Indenture between PECO Energy Company and U.S. Bank National Association relating to subordinated debt securities (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-3).		
4.32	Form of Guarantee Agreement of PECO Energy Company (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-11).		
4.33	Form of Statement with Respect to Shares for PECO Energy Company preferred stock (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-12).		
4.34	Certificate of Trust of PECO Energy Capital Trust I dated as of May 8, 2003 (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-5).		
4.35	Certificate of Trust of PECO Energy Capital Trust II dated as of May 8, 2003 (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-6).		
4.36	Declaration of Trust of PECO Energy Capital Trust I dated as of May 9, 2003 (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-8).		
4.37	Declaration of Trust of PECO Energy Capital Trust II dated as of May 9, 2003 (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-9).		
4.38	Form of Amended and Restated Declaration of Trust (including form of trust preferred security certificate) (incorporated herein by reference to File No. 333-105207, Form S-3, Exhibit 4-10).		
5.1	Opinion of Ballard Spahr LLP regarding the legality of the Securities.		
5.2	Opinion of Company Counsel.		
12.1	Statement regarding computation of ratio of earnings to fixed charges for Exelon.		
12.2	Statement regarding computation of ratio of earnings to fixed charges for Generation.		
12.3	Statement regarding computation of ratio of earnings to fixed charges and computation of ratio of earnings to combined fixed charges and preferred and preference Dividend requirements for Baltimore Gas and Electric Company.		
12.4	Computation of Ratio of Earnings to Fixed Charges and Computation of Ratio of Earnings to Combined Fixed Charges and Preferred and Preference Dividend Requirements for Baltimore Gas and Electric Company. (Incorporated by reference to Exhibit 12(b) to the Annual Report on Form 10-K for the year ended December 31, 2011, File No. 1-1910)		
12.5	Statement regarding computation of ratio of earnings to fixed charges for ComEd.		

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- 12.6 Statement regarding computation of consolidated ratios of earnings to combined fixed charges and preferred stock dividends for PECO.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 23.2 Consent of PricewaterhouseCoopers LLP.
- 23.3 Consent of PricewaterhouseCoopers LLP.
- 23.4 Consent of PricewaterhouseCoopers LLP.
- 23.5 Consent of PricewaterhouseCoopers LLP.
- 23.6 Consent of PricewaterhouseCoopers LLP.
- 23.7 Consent of PricewaterhouseCoopers LLP.
- 23.8 Consent of Ballard Spahr LLP (included in Exhibit 5.1).
- 23.9 Consent of Company Counsel (included in Exhibit 5.2).
- 24.1 Powers of Attorney for Exelon (included on signature page).
- 24.2 Powers of Attorney for ComEd (included on signature page).
- 24.3 Powers of Attorney for PECO (included on signature page).
- 24.4 Powers of Attorney for BGE (included on signature page).
- 25.1 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture relating to Exelon senior debt securities.
- 25.2 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association (successor to Wachovia Bank, National Association), as trustee under the Indenture relating to Exelon subordinated debt securities.
- 25.3 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank Trust National Association, as property trustee under the Amended and Restated Declaration of Trust for the Exelon Trusts.
- 25.4 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank Trust National Association, as guarantee trustee under the Exelon Guarantee Agreement.
- 25.5 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the Indenture relating to Generation senior debt securities.
- 25.6 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the PECO mortgage.
- 25.7 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the PECO subordinated debt indenture.
- 25.8 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank Trust National Association, as Delaware trustee and property trustee under the Amended and Restated Declaration of Trust for the PECO Trusts.
- 25.9 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank Trust National Association, as guarantee trustee under the PECO Guarantee Agreement.

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- 25.10 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Deutsche Bank Trust Company Americas, as trustee under the Baltimore Gas and Electric Company Indenture and Indenture and Security Agreement.
 - 25.11 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of BNY Mellon Trust Company of Illinois, as trustee under the Commonwealth Edison Company Mortgage.
 - 25.12 Form T-2 Statement of Eligibility under the Trust Indenture Act of 1939 of D.J. Donovan, as co-trustee under the Commonwealth Edison Company Mortgage.
 - 25.13 Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the Commonwealth Edison Company Senior Indenture.
- ☐ A form of Underwriting Agreement with respect to any Securities will be filed as an Exhibit on Form 8-K, as contemplated by Item 601(b)(1) of Regulation S-K under the Securities Act.
- ☐ To be filed by amendment or incorporated by reference pursuant to a current report on Form 8-K in connection with an offering of the Securities by Baltimore Gas and Electric Company.
- ☐ To be filed by amendment or incorporated by reference pursuant to a current report on Form 8-K in connection with the issuance of any Exelon Generation Company, LLC Preferred Securities.
- ☐ To be filed by an amendment or incorporated by reference pursuant to a current report on Form 8-K to this Registration Statement or incorporated by reference pursuant to a current report on Form 8-K in connection with the offering of Securities by Commonwealth Edison Company.

PECO Energy Company and Subsidiary Companies
Consolidation of Ratio of Net Earnings to Interest
on the Period ended 0000
for 31 2012 and December 31 2011

	3 Months Ended 3/31/2012	12 Months Ended 12/31/2011
Net Income on Consolidated Statement	96,113	384,697
Plus:		
Interest Allowable to Debt (excluding AFUDC)	29,457	130,340
Income Taxes	51,229	146,138
Less:		
Allowance for Funds Used During Construction	466	3,989
Gain (Loss) on Sale of Real Estate	446	35
NET EARNINGS	175,887	657,151
Annualized Interest		
On Mortgage Bonds Outstanding	26,247	104,988
On Debt to Affiliates Outstanding	2,982	11,930
TOTAL INTEREST	29,229	116,918
RATIO OF NET EARNINGS TO INTEREST	6.02	5.62

PECO Energy Company and Subsidiary Companies
Consolidation of Ratio of Earnings to Fixed Charges
SEC Method 000
Period 31/2012 and December 31/2011

	3 Months Ended 3/31/2012	12 Months Ended 12/31/2011
Earnings before income taxes		
Profit (loss) from continuing operations before adjustments for income or loss from equity investees	148,265	534,531
Plus:		
(Income) or loss from equity investees	0	0
Less:		
Interest capitalized (AFCC)	466	3,989
Pre-tax income from continuing operations before income taxes	147,799	530,542
Fixed charges		
Interest expensed and capitalized, amortization of debt discount and premium on all indebtedness	29,923	134,329
Interest component of rental expense	2,817	9,334
Total fixed charges	32,740	143,663
Pre-tax income from continuing operations before income taxes and fixed charges	180,539	674,205
RATIO OF EARNINGS TO FIXED CHARGES	5.51	4.69

Represents one-third of rental expense relating to operating leases.

PECO Energy Company and Subsidiaries
 Annualized Interest on First and Refunding Mortgage Bonds
 From 31/12/2012 and December 31/12/2011

Series	Code	Maturity Date	Outstanding Amount	Annualized Interest	Note 1
4.750%	FRCB	October 1, 2012	225,000	=	10,688
5.900%	FRCB	May 1, 2034	75,000		4,425
5.950%	FRCB	October 31, 2036	300,000		17,850
5.700%	FRCB	March 15, 2037	175,000		9,975
5.350%	FRCB	March 1, 2018	500,000		26,750
4.000%	FRCB	December 1, 2012	150,000		6,000
5.800%	FRCB	October 15, 2013	300,000		16,800
5.000%	FRCB	October 1, 2014	250,000		12,500
			<u>= 1,975,000</u>	<u>=</u>	<u>104,988</u>
7.38%	Trust III	April 6, 2028	7	81,326	6,002
5.75%	Trust I & II	June 15, 2033		<u>103,093</u>	<u>5,928</u>
			<u>184,419</u>		<u>11,930</u>

FRCB of First and Refunding Mortgage Bonds

Note 1: There was no change in outstanding debt from December 31, 2011 to March 31, 2012; therefore, annualized interest is the same for both reporting periods.

**PECO Energy Company and Subsidiary Companies
 Consolidation of Ratio of Earnings to Fixed Charges
 and Preferred Dividend Company Combined 0000
 Available for Information Period
 0000 31/2012 and December 31/2011**

	3 Months Ended 3/31/2012	12 Months Ended 12/31/2011
NET INCOME	96,113	384,697
Plus:		
Interest Allowable to Debt (including AFCC)	29,923	130,340
EARNINGS FOR COVERAGE	126,036	515,037
ANNUALIZED INTEREST		
First Mortgage Bonds	26,247	104,988
Long-term debt due to Financing Trusts	2,982	11,930
TOTAL ANNUALIZED INTEREST	29,229	116,918
Annualized Dividends on Outstanding Preferred Stock	924	3,696
PREFERRED DIVIDENDS AND INTEREST COMBINED	30,153	120,614
RATIO OF EARNINGS TO PREFERRED DIVIDENDS & INTEREST	4.18	4.27

PECO Energy Company and Subsidiary Companies
Annual Dividend Requirements on Preferred Stock
As of March 31, 2012 and December 31, 2011

<u>Series</u>	<u>Share Outstanding</u>	<u>Annual Dividend (\$000)</u>
4.68	150,000	702
4.40	274,720	1,209
4.30	150,000	645
3.80	300,000	1,140
	<u>874,720</u>	<u>3,696</u>
Quarterly Dividend		924

PECO Energy Company and Subsidiary Companies
Consolidation of Ratio of Earnings to Fixed Charges
and Preferred Stock Dividend Requirements in 000
for 31/2012 and December 31/2011

	3 Months Ended 3/31/2012	12 Months Ended 12/31/2011
Earnings		
Pre-tax income before continuing operations before extraordinary items	148,265	534,531
Plus:		
(Income) or loss from equity investees	-	-
Less:		
Interest capitalized/AFOIC	466	3,989
Preference security dividend requirements	924	3,696
Adjustments to Preferred Stock Dividends	487	1,388
Pre-tax income before continuing operations before extraordinary items	146,388	525,458
Fixed charges		
Interest expensed and capitalized, amortization of debt discount and premium on all indebtedness	29,923	134,329
Interest component of rental expense	2,817	9,334
Total fixed charges	32,740	143,663
Preferred stock dividends		
Dividends on Preferred Stock	924	3,696
Adjustments to Preferred Stock Dividends	487	1,388
Total fixed charges and preferred stock dividends	34,151	148,747
Pre-tax income before continuing operations before extraordinary items	180,539	674,205
Ratio of earnings to total fixed charges and preferred stock dividends	5.29	4.53

Additional charge equivalent to earnings required to adjust dividends on Preferred Stock to a ratio basis.

Represents one-third of rental expense relating to operating leases.

**EXCISES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2011**

Combined Notes to Consolidated Financial Statements
(Dollars in millions, except per share data unless otherwise noted)

1. Significant Accounting Policies (Exelon, Generation, ComEd and PECO)

Description of Business (Exelon, Generation, ComEd and PECO)

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

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

This is a combined annual report of Exelon, Generation, ComEd and PECO. The Notes to the Consolidated Financial Statements apply to Exelon, Generation, ComEd and PECO as indicated parenthetically next to each corresponding disclosure.

Through its business services subsidiary, BSC, Exelon provides its subsidiaries with a variety of support services at cost, including legal, human resources, financial, information technology and supply management services. The costs of BSC, including support services, are directly charged or allocated to the applicable subsidiaries using a cost-causative allocation method. Corporate governance-type costs that cannot be directly assigned are allocated based on a Modified Massachusetts formula, which is a method that utilizes a combination of gross revenues, total assets and direct labor costs for the allocation base. The results of Exelon's corporate operations are presented as "Other" within the consolidated financial statements and include intercompany eliminations unless otherwise disclosed.

Exelon owns 100% of all of its significant consolidated subsidiaries, either directly or indirectly, except for ComEd, of which Exelon owns more than 99%, and PECO, of which Exelon owns 100% of the common stock but none of PECO's preferred securities. Exelon has reflected the third-party interests in ComEd, which totaled less than \$1 million at December 31, 2011 and December 31, 2010, as equity and PECO's preferred securities as preferred securities of subsidiary in its consolidated financial statements.

Generation owns 100% of all of its significant consolidated subsidiaries, either directly or indirectly, except for Exelon SHC, Inc., of which Generation owns 99% and the remaining 1% is indirectly owned by Exelon, which is eliminated in Exelon's consolidated financial statements; and certain Exelon Wind projects, of which Generation holds a majority interest ranging from 94% to 99%, and which is included in noncontrolling interest on Exelon's and Generation's Consolidated Balance Sheets.

ComEd owns 100% of all of its significant consolidated subsidiaries, either directly or indirectly, except for RITELine Illinois, LLC of which ComEd owns 75% and 12.5% is indirectly owned by Exelon, which is eliminated in Exelon's consolidated financial statements. Exelon and ComEd have reflected the third-party interests of 12.5% and 25%, respectively, in RITELine Illinois, LLC, which both totaled less than \$1 million at December 31, 2011, as equity.

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

Each of Generation's, ComEd's and PECO's consolidated financial statements includes the accounts of their subsidiaries. All intercompany transactions have been eliminated.

Use of Estimates (Exelon, Generation, ComEd and PECO)

The accompanying consolidated financial statements have been prepared in accordance with GAAP for annual financial statements and in accordance with the instructions to Form 10-K and Regulation S-X promulgated by the SEC. The preparation of financial statements of each of the Registrants in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Areas in which significant estimates have been made include, but are not limited to, the accounting for nuclear decommissioning costs and other AROs, pension and other postretirement benefits, the application of purchase accounting, inventory reserves, allowance for uncollectible accounts, goodwill and asset impairments, derivative instruments, fixed asset depreciation, environmental costs, taxes and unbilled energy revenues. Actual results could differ from those estimates.

Reclassifications (Exelon, ComEd and PECO)

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

Accounting for the Effects of Regulation (Exelon, ComEd and PECO)

Exelon, ComEd and PECO apply the authoritative guidance for accounting for certain types of regulations, which requires ComEd and PECO to record in their consolidated financial statements the effects of cost-based rate regulation for entities with regulated operations that meet the following criteria: 1) rates are established or approved by a third-party regulator; (2) rates are designed to recover the entities' cost of providing services or products; and (3) there is a reasonable expectation that rates are set at levels that will recover the entities' costs from customers. Exelon, ComEd and PECO account for their regulated operations in accordance with regulatory and legislative guidance from the regulatory authorities having jurisdiction, principally the ICC and the PAPUC, respectively, under state public utility laws and the FERC under various Federal laws. Regulatory assets and liabilities are amortized and the related expense is recognized in the Consolidated Statements of Operations consistent with the recovery or refund included in customer rates. Exelon believes that it is probable that its currently recorded regulatory assets and liabilities will be recovered and settled, respectively, in future rates. However, Exelon, ComEd and PECO continue to evaluate their respective abilities to apply the authoritative guidance for accounting for certain types of regulation, including consideration of current events in their respective regulatory and political environments. If a separable portion of ComEd's or PECO's business was no longer able to meet the criteria discussed above, Exelon, ComEd and PECO would be required to eliminate from their consolidated financial statements the effects of regulation for that portion, which could have a material impact on their results of operations and financial positions. See Note 2—Regulatory Matters for additional information.

Variable Interest Entities (Exelon, Generation, ComEd and PECO)

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 who do not receive expected losses or returns significant to the VIE. Companies are required to consolidate a VIE if they are its primary beneficiary.

Generation

Generation's wholesale operations include the physical delivery and marketing of power obtained through its generating capacity, and long-, intermediate- and short-term contracts. Generation also has contracts to purchase fuel supplies for nuclear and fossil generation. These contracts and Generation's membership in NEIL are discussed in further detail in Note 18—Commitments and Contingencies.

Generation has evaluated these contracts and its membership with NEIL and determined that either it has no variable interest in an entity or, where Generation does have a variable interest in an entity, it is not the primary beneficiary and, therefore, consolidation is not required.

For contracts where Generation has a variable interest, Generation has considered which interest holder has the power to direct the activities that most significantly affect the economic performance of the VIE and thus is considered the primary beneficiary and is required to consolidate the entity. The primary beneficiary must also have exposure to significant losses or the right to receive significant benefits from the VIE. In general, the most significant activity of the VIEs is the operation and maintenance of the facilities. Facilities represent power plants, sources of uranium and fossil fuels, or plants used in the uranium conversion, enrichment and fabrication process. Generation does not have control over the operation and maintenance of the facilities considered VIEs, and it does not bear operational risk of the facilities. Furthermore, Generation has no debt or equity investments in the entities, under the contracts Generation receives less than the majority of the output of the remaining expected useful life of the facilities, and Generation does not provide any other financial support through liquidity arrangements, guarantees or other commitments other than purchase commitments described in Note 18—Commitments and Contingencies. Upon consideration of these factors, Generation does not consider itself to be the primary beneficiary of these VIEs and, accordingly, has determined that consolidation is not required.

Generation has historically aggregated its contracts with VIEs into two categories, energy commitments and fuel purchase obligations, based on similar risk characteristics and significance to Generation. As of the balance sheet date, the carrying amount of assets and liabilities in Generation's Consolidated Balance Sheets that relate to its involvement with these VIEs are predominately related to working capital accounts and generally represent the amounts owed by Generation for the deliveries associated with the current billing cycles under the contracts. Further, Generation has not provided or guaranteed any debt or equity support, or any liquidity arrangements, performance guarantees or other commitments associated with these contracts, so there is no significant potential exposure to loss as a result of its involvement with the VIEs.

Several of Generation's long-term PPAs have been determined to be operating leases that have no residual value guarantees, bargain purchase options or other provisions that would cause these operating leases to be variable interests.

On December 9, 2010, Generation completed the acquisition of all of the equity interests of John Deere Renewables, LLC (now known as Exelon Wind), discussed further in Note 3—Acquisition. Generation evaluated the significant agreements and ownership structures and risks of each of the wind projects and underlying entities acquired, and determined that the entities are VIEs for which Generation is the primary beneficiary and consolidation is required. Each project was designed to develop, construct and operate a wind generation facility. Generation owns 100% of most projects acquired; however, 12 of the projects have noncontrolling equity interests held by others (which range between 1% and 6%). Of the 12 projects, Generation's economic interests in nine of the projects are significantly greater than its stated contractual governance rights. However, Generation has determined that its significant economic interests in the projects include the power to direct the activities most significant to the projects. The primary factors considered in determining that Generation is the primary beneficiary were that Generation has the power to direct the operations and maintenance of the wind facilities, which is considered the activity that most significantly affects the economic performance of the projects, and the obligation to absorb losses and right to receive benefits that are significant to the projects. The ownership agreements with the noncontrolling interests state that Generation is to provide financial support to the projects in proportion to its economic interests in the projects (which range between 99% and 94%). No additional support to these projects beyond what was contractually required has been provided during 2011. As of December 31, 2011, the carrying amount of the assets and liabilities that are consolidated as a result of Generation being the primary beneficiary of these entities primarily relate to the wind generating assets, PPA intangible assets and working capital amounts.

Generation has entered into an asset sale agreement with EnergySolutions, Inc. and certain of its subsidiaries, including ZionSolutions, LLC (ZionSolutions), which is further discussed in Note 12—Asset

Retirement Obligations. Generation has evaluated this agreement and determined that it has a variable interest in ZionSolutions but is not the primary beneficiary. As a result, Generation has concluded that consolidation is not required.

ComEd and PECO

ComEd's retail operations include the purchase of electricity and RECs through procurement contracts of varying durations. PECO's retail operations include the purchase of electricity, AECs and natural gas through procurement contracts of varying durations. These contracts are discussed in further detail in Note 2 – Regulatory Matters and Note 18—Commitments and Contingencies. ComEd and PECO have evaluated these contracts and determined that either there is no variable interest, or where either ComEd or PECO does have a variable interest in a VIE as described below, ComEd or PECO is not the primary beneficiary and, therefore, consolidation is not required.

For contracts where ComEd or PECO has a variable interest, consideration has been given to which interest holder has the power to direct the activities that most significantly affect the economic performance of the VIE. In general, the most significant activity of the VIEs is the operation and maintenance of their production or procurement processes related to electricity, RECs, AECs or natural gas. ComEd and PECO do not have control over the operation and maintenance of the entities considered VIEs and they do not bear operational risk related to the associated activities. Furthermore, ComEd and PECO have no debt or equity investments in the VIEs and do not provide any other financial support through liquidity arrangements, guarantees or other commitments other than purchase commitments described in Note 18—Commitments and Contingencies. Accordingly, neither ComEd nor PECO considers itself to be the primary beneficiary of these VIEs.

As of the balance sheet date, the carrying amounts of assets and liabilities in ComEd's and PECO's Consolidated Balance Sheets that relate to their involvement with these VIEs were predominately related to working capital accounts and generally represented the amounts owed by ComEd and PECO for the purchases associated with the current billing cycles under the contracts.

The financing trust of ComEd, ComEd Financing III, and the financing trusts of PECO, PECO Trust III and PECO Trust IV, are not consolidated in Exelon's, ComEd's or PECO's financial statements. These financing trusts were created to issue mandatorily redeemable trust preferred securities. ComEd and PECO have concluded that they do not have a variable interest in ComEd Financing III, PECO Trust III or PECO Trust IV as each Registrant financed its equity interest in the financing trusts through the issuance of subordinated debt and, therefore, has no equity at risk. ComEd and PECO, as the sponsors of the financing trusts, are obligated to pay the operating expenses of the trusts.

PECO

PETT, a financing trust, was created in 1998 by PECO to purchase and own intangible transition property (ITP) and to issue transition bonds to securitize \$5 billion of PECO's stranded cost recovery authorized by the PAPUC pursuant to the Competition Act. PECO made an initial capital contribution of \$25 million to PETT. ITP represented the irrevocable right of PECO to collect intangible transition charges (ITC). ITC consisted of the portion of CTCs that were sold by PECO to PETT and securitized through the various issuances of PETT's transition bonds from 1999 through 2001 as authorized by the PAPUC. ITC provided PETT with an asset sufficient to recover the aggregate principal amount of the transition bonds issued, plus amounts sufficient to provide for the credit enhancement, interest payments, servicing fees and other expenses relating to the transition bonds. PETT's assets were restricted for the sole purpose of satisfying PETT's obligation to its transition bondholders and payment of various administrative fees. PECO did not provide ongoing financial support to PETT or guarantee PETT's performance, and the transition bondholders did not have recourse to PECO. PECO had continuing involvement in PETT in its role as the servicer of the ITC collections, for which PECO received a fee.

PETT was consolidated in Exelon's and PECO's financial statements on January 1, 2010 pursuant to authoritative guidance relating to the consolidation of VIEs that became effective on that date. Under previously issued authoritative guidance, PETT was deconsolidated in accordance with a prescribed quantitative approach, based on expected losses, for determining the primary beneficiary. Under the new

guidance, PECO concluded that it was the primary beneficiary of PETT due to PECO's involvement in the design of PETT, its role as servicer, and its right to dissolve PETT and receive any of its remaining assets following retirement of the transition bonds and payment of PETT's other expenses. The consolidation of PETT did not have a significant impact on PECO's results of operations or statement of cash flows. Upon retirement of the outstanding transition bonds on September 1, 2010, the remaining cash balance was remitted to PECO, and PETT was dissolved on September 20, 2010.

Revenues (Exelon, Generation, ComEd and PECO)

Operating Revenues. Operating revenues are recorded as service is rendered or energy is delivered to customers. At the end of each month, the Registrants accrue an estimate for the unbilled amount of energy delivered or services provided to customers. ComEd records its best estimates of the distribution and transmission revenue impacts resulting from changes in rates that ComEd believes are probable of approval by the ICC and FERC in accordance with its formula rate mechanisms. See Notes 2—Regulatory Matters and 4—Accounts Receivable for further information.

RTOs and ISOs. In RTO and ISO markets that facilitate the dispatch of energy and energy-related products, the Registrants generally report sales and purchases conducted on a net hourly basis in either revenues or purchased power on their Consolidated Statements of Operations, the classification of which depends on the net hourly activity.

Option Contracts, Swaps and Commodity Derivatives. Certain option contracts and swap arrangements that meet the definition of derivative instruments are recorded at fair value with subsequent changes in fair value recognized as revenue or expense, unless hedge accounting is applied. Premiums received and paid on option contracts are recognized as revenue or expense over the terms of the contracts. If the derivatives meet hedging criteria, changes in fair value are recorded in OCI. ComEd has not elected hedge accounting for its financial swap contract with Generation. Since ComEd is entitled to full recovery of the costs of the financial swap contract in rates as settlements occur, ComEd records the fair value of the swap as well as an offsetting regulatory asset or liability on its Consolidated Balance Sheets.

Trading Activities. Exelon and Generation account for Generation's trading activities under the provisions of the authoritative guidance for accounting for contracts involved in energy trading and risk management activities, which require energy revenues and costs related to energy trading contracts to be presented on a net basis in the income statement. Commodity derivatives used for trading purposes are accounted for using the mark-to-market method with unrealized gains and losses recognized in operating revenues.

Income Taxes (Exelon, Generation, ComEd and PECO)

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax benefits carried forward. Investment tax credits previously utilized for income tax purposes have been deferred on the Registrants' Consolidated Balance Sheets and are recognized in book income over the life of the related property. In accordance with applicable authoritative guidance, the Registrants account for uncertain income tax positions using a benefit recognition model with a two-step approach; a more-likely-than-not recognition criterion and a measurement approach that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more likely than not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. The Registrants recognize accrued interest related to unrecognized tax benefits in interest expense or in other income and deductions (interest income) on their Consolidated Statements of Operations.

Pursuant to the IRC and relevant state taxing authorities, Exelon and its subsidiaries file consolidated or combined income tax returns for Federal and certain state jurisdictions where allowed or required. See Note 11—Income Taxes for further information.

Taxes Directly Imposed on Revenue-Producing Transactions (Exelon, Generation, ComEd and PECO)

Exelon, Generation, ComEd and PECO present any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on a gross (included in revenues and costs) basis. See Note 19—Supplemental Financial Information for Generation's, ComEd's and PECO's utility taxes that are presented on a gross basis.

Cash and Cash Equivalents (Exelon, Generation, ComEd and PECO)

The Registrants consider investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Investments (Exelon, Generation, ComEd and PECO)

Restricted cash and investments represent restricted funds to satisfy designated current liabilities. As of December 31, 2011 and 2010, Exelon Corporate's restricted cash and investments primarily represented restricted funds for payment of medical, dental, vision and long-term disability benefits. As of December 31, 2011 and 2010, Generation's restricted cash and investments represented funds in escrow related to the acquisition of Shooting Star Wind Project, LLC, and for payment of certain environmental liabilities. As of December 31, 2010, Generation's restricted cash and investments represented funds for payment of certain environmental liabilities. As of December 31, 2011, ComEd's restricted cash primarily represented cash collateral held from suppliers associated with ComEd's energy and REC procurement contracts. As of December 31, 2011, PECO's restricted cash primarily represented funds from the sales of assets that were subject to PECO's mortgage indenture.

Restricted cash and investments not available to satisfy current liabilities are classified as noncurrent assets. As of December 31, 2011 and 2010, Exelon and Generation's NDT funds, which are designated to satisfy future decommissioning obligations, were classified as noncurrent assets. As of December 31, 2011 and 2010, ComEd had short-term investments in Rabbi trusts classified as noncurrent assets.

Allowance for Uncollectible Accounts (Exelon, Generation, ComEd and PECO)

The allowance for uncollectible accounts reflects the Registrants' best estimates of losses on the accounts receivable balances. For Generation, the allowance is based on accounts receivable agings, historical experience and other currently available information. ComEd and PECO estimate the allowance for uncollectible accounts on customer receivables by applying internally developed loss rates to the outstanding receivable balance by risk segment. Risk segments represent a group of customers with similar credit quality indicators that are computed based on various attributes, including delinquency of their balances and payment history. Loss rates applied to the accounts receivable balances are based on historical average charge-offs as a percentage of accounts receivable in each risk segment. ComEd and PECO customers' accounts are generally considered delinquent if the amount billed is not received by the time the next bill is issued, which normally occurs on a monthly basis. ComEd and PECO customer accounts are written off consistent with approved regulatory requirements. ComEd's and PECO's provisions for uncollectible accounts will continue to be affected by changes in volume, prices and economic conditions as well as changes in ICC and PAPUC regulations, respectively. See Note 2—Regulatory Matters for additional information regarding the regulatory recovery of uncollectible accounts receivable at ComEd.

Inventories (Exelon, Generation, ComEd and PECO)

Inventory is recorded at the lower of cost or market. Provisions are recorded for excess and obsolete inventory.

Fossil Fuel. Fossil fuel inventory includes the weighted average costs of stored natural gas, propane, coal and oil. The costs of natural gas, propane, coal and oil are generally included in inventory when purchased and charged to fuel expense when used or sold.

Materials and Supplies. Materials and supplies inventory generally includes the weighted average costs of transmission, distribution and generating plant materials. Materials are generally charged to inventory when purchased and expensed or capitalized to property, plant and equipment, as appropriate, when installed or used.

Emission Allowances. Emission allowances are included in inventory and other deferred debits and are carried at the lower of weighted average cost or market and charged to fuel expense as they are used in operations.

Marketable Securities (Exelon, Generation, ComEd and PECO)

All marketable securities are reported at fair value. Marketable securities held in the NDT funds are classified as trading securities and all securities that are not held by the NDT funds are classified as available-for-sale securities. Realized and unrealized gains and losses, net of tax, on Generation's NDT funds associated with the former ComEd and former PECO nuclear generating units (Regulatory Agreement Units) are included in regulatory liabilities at Exelon, ComEd and PECO and in noncurrent payables to affiliates at Generation and in noncurrent receivables from affiliates at ComEd and PECO. Realized and unrealized gains and losses, net of tax, on Generation's NDT funds associated with the former AmerGen nuclear generating units and the portions of the Peach Bottom nuclear generating units not subject to a regulatory agreement (Non-Regulatory Agreement Units) are included in earnings at Exelon and Generation. Unrealized gains and losses, net of tax, for ComEd's and PECO's available-for-sale securities are reported in OCI. Any decline in the fair value of ComEd's and PECO's available-for-sale securities below the cost basis is reviewed to determine if such decline is other-than-temporary. If the decline is determined to be other-than-temporary, the cost basis of the available-for-sale securities is written down to fair value as a new cost basis and the amount of the write-down is included in earnings. See Note 12—Asset Retirement Obligations for information regarding marketable securities held by NDT funds and Note 19—Supplemental Financial Information for additional information regarding ComEd's and PECO's regulatory assets and liabilities.

Property, Plant and Equipment (Exelon, Generation, ComEd and PECO)

Property, plant and equipment is recorded at original cost. Original cost includes labor, materials and construction overhead. When appropriate, original cost also includes capitalized interest for Generation and Exelon Corporate and AFUDC for regulated property at ComEd and PECO. The cost of repairs and maintenance, including planned major maintenance activities and minor replacements of property, is charged to maintenance expense as incurred.

Third parties reimburse ComEd and PECO for all or a portion of expenditures for certain capital projects. Such contributions in aid of construction costs (CIAC) are netted against the project costs. DOE SGIG funds reimbursed to PECO by the DOE are accounted for as CIAC.

For Generation, upon retirement, the cost of property is charged to accumulated depreciation in accordance with the composite method of depreciation. Upon replacement of an asset, the costs to remove the asset, net of salvage, are capitalized when incurred to gross plant as part of the cost of the newly-installed asset and recorded to depreciation expense over the life of the new asset. Removal costs, net of salvage, incurred for property that will not be replaced is charged to expense as incurred.

For ComEd and PECO, upon retirement, the cost of property, net of salvage, is charged to accumulated depreciation in accordance with the composite method of depreciation. ComEd's depreciation expense includes the estimated cost of dismantling and removing plant from service upon retirement, which is consistent with ComEd's regulatory recovery method. ComEd's actual incurred removal costs are applied against the related regulatory liability. PECO's removal costs are capitalized to accumulated depreciation when incurred, and recorded to depreciation expense over the life of the new asset constructed consistent with PECO's regulatory recovery method.

See Note 5—Property, Plant and Equipment, Note 6—Jointly Owned Electric Utility Plant and Note 19—Supplemental Financial Information for additional information regarding property, plant and equipment.

Nuclear Fuel (Exelon and Generation)

The cost of nuclear fuel is capitalized and charged to fuel expense using the unit-of-production method. The estimated disposal cost of SNF is established per the Standard Waste Contract with the DOE and is expensed through fuel expense at one mill (\$0.001) per kWh of net nuclear generation. On-site SNF storage costs are capitalized or expensed as incurred based upon the nature of the costs. A portion of the storage costs are being reimbursed by the DOE since a DOE (or government-owned) long-term storage facility has not been completed.

Nuclear Outage Costs (Exelon and Generation)

Costs associated with nuclear outages, including planned major maintenance activities, are expensed to operating and maintenance expense or capitalized to property, plant and equipment (based on the nature of the activities) in the period incurred.

New Site Development Costs (Exelon and Generation)

New site development costs represent the costs incurred in the assessment, design and construction of new power generating facilities. Such costs are capitalized when management considers project completion to be probable, primarily based on management's determination that the project is economically and operationally feasible, management and/or the Board of Directors has approved the project and has committed to a plan to develop it, and Exelon and Generation have received the required regulatory approvals or management believes the receipt of required regulatory approvals is probable. Upon commencement of construction, these costs will be charged to construction work in progress. Capitalized development costs are charged to operating and maintenance expense when project completion is no longer probable. At December 31, 2011 and 2010, Exelon and Generation's capitalized development costs totaled approximately \$376 million and \$20 million, respectively, which are included in Property, Plant and Equipment on Exelon and Generation's Consolidated Balance Sheets. These costs primarily include land rights and other third-party costs directly associated with the development of certain Exelon Wind projects. Approximately \$2 million, \$6 million and \$23 million of costs were expensed by Exelon and Generation for the years ended December 31, 2011, 2010 and 2009, respectively. The 2011 and 2010 costs primarily related to the possible development of new renewable energy projects while the 2009 costs primarily related to the possible construction of a new nuclear plant in Texas.

Capitalized Software Costs (Exelon, Generation, ComEd and PECO)

Costs incurred during the application development stage of software projects that are internally developed or purchased for operational use are capitalized. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed five years. Certain other capitalized software costs are being amortized over longer lives based on the expected life or pursuant to prescribed regulatory requirements. The following table presents net unamortized capitalized software costs and amortization of capitalized software costs by year:

<u>Net unamortized software costs</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
December 31, 2011	\$ 280	\$ 82	\$ 120	\$ 67
December 31, 2010	312	92	143	64
<u>Amortization of capitalized software costs</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
2011	\$ 122	\$ 41	\$ 50	\$ 25
2010	104	33	41	19
2009	105	24	29	15

Depreciation and Amortization (Exelon, Generation, ComEd and PECO)

Except for the amortization of nuclear fuel, depreciation is generally recorded over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. ComEd's depreciation includes a provision for estimated removal costs as authorized by the ICC. The

estimated service lives for ComEd and PECO are primarily based on the average service lives from the most recent depreciation study for each respective company. The estimated service lives of the nuclear-fuel generating facilities are based on the remaining useful lives of the stations, which assume a 20-year license renewal extension of the operating licenses (to the extent that such renewal has not yet been granted) for all of Generation's operating nuclear generating stations except for Oyster Creek. See Note 18—Commitments and Contingencies for information regarding Oyster Creek. The estimated service lives of the hydroelectric generating facilities are based on the remaining useful lives of the stations, which assume a license renewal extension of the operating licenses. The estimated service lives of the fossil fuel and other renewable generating facilities are based on the remaining useful lives of the stations, which Generation periodically evaluates based on feasibility assessments taking into account economic and capital requirement considerations. See Note 5—Property, Plant and Equipment for further information regarding depreciation.

Amortization of regulatory assets is recorded over the recovery period specified in the related legislation or regulatory agreement. See Note 2—Regulatory Matters and 19—Supplemental Financial Information for additional information regarding Generation's nuclear fuel, Generation's ARC and the amortization of ComEd's and PECO's regulatory assets.

Asset Retirement Obligations (Exelon, Generation, ComEd and PECO)

The authoritative guidance for accounting for AROs requires the recognition of a liability for a legal obligation to perform an asset retirement activity even though the timing and/or method of settlement may be conditional on a future event. Decommissioning cost studies are updated, on a rotational basis, for each of Generation's nuclear units at least every five years. Generation generally updates its ARO annually based on its review of updated cost studies and its annual evaluation of cost escalation factors and probabilities assigned to various scenarios. The liabilities associated with Exelon's non-nuclear AROs are adjusted on an ongoing rotational basis, at least once every five years.

Changes result from the passage of new laws and regulations and revisions to either the timing or amount of estimates of undiscounted cash flows and estimates of cost escalation factors. AROs are accreted each year to reflect the time value of money for these present value obligations through a charge to operating and maintenance expense in the Consolidated Statements of Operations or, in the case of the majority of ComEd's and PECO's accretion, through an increase to regulatory assets. See Note 12—Asset Retirement Obligations for additional information.

Capitalized Interest and AFUDC (Exelon, Generation, ComEd and PECO)

During construction, Exelon and Generation capitalize the costs of debt funds used to finance non-regulated construction projects. Capitalization of debt funds is recorded as a charge to construction work in progress and as a non-cash credit to interest expense.

Exelon, ComEd and PECO apply the authoritative guidance for accounting for certain types of regulation to calculate AFUDC, which is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC is recorded as a charge to construction work in progress and as a non-cash credit to AFUDC that is included in interest expense for debt-related funds and other income and deductions for equity-related funds. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

The following table summarizes total cost incurred, capitalized interest and credits to AFUDC by year:

		<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
2011	Total incurred interest ^(a)	\$ 783	\$ 219	\$ 349	\$138
	Capitalized interest	49	49	—	—
	Credits to AFUDC debt and equity	25	—	12	13
2010	Total incurred interest ^(a)	\$ 861	\$ 191	\$ 388	\$197
	Capitalized interest	38	38	—	—
	Credits to AFUDC debt and equity	16	—	5	11

2009	Total incurred interest ^(a)	\$ 786	\$ 162	\$ 322	\$189
	Capitalized interest	50	49	—	—
	Credits to AFUDC debt and equity	14	—	8	6

(a) Includes interest expense to affiliates.

Guarantees (Exelon, Generation, ComEd and PECO)

The Registrants recognize, at the inception of a guarantee, a liability for the fair market value of the obligations they have undertaken in issuing the guarantee, including the ongoing obligation to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

The liability that is initially recognized at the inception of the guarantee is reduced as the Registrants are released from risk under the guarantee. Depending on the nature of the guarantee, the release from risk of the Registrant may be recognized only upon the expiration or settlement of the guarantee or by a systematic and rational amortization method over the term of the guarantee. See Note 18—Commitments and Contingencies for additional information.

Asset Impairments (Exelon, Generation, ComEd and PECO)

Long-Lived Assets. The Registrants evaluate the carrying value of their long-lived assets, excluding goodwill, when circumstances indicate the carrying value of those assets may not be recoverable. See Note 5—Property, Plant and Equipment for a discussion of asset impairment evaluations made by Generation.

Goodwill. Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that could reduce the fair value of a reporting unit below its carrying value. See Note 7—Intangible Assets for additional information regarding Exelon's and ComEd's goodwill.

Derivative Financial Instruments (Exelon, Generation, ComEd and PECO)

All derivatives are recognized on the balance sheet at their fair value unless they qualify for certain exceptions, including the normal purchases and normal sales exception. Additionally, derivatives that qualify and are designated for hedge accounting are classified as either hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For fair value hedges, changes in fair values for both the derivative and the underlying hedged exposure are recognized in earnings each period. For cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the cost or value of the underlying exposure is deferred in accumulated OCI and later reclassified into earnings when the underlying transaction occurs. Gains and losses from the ineffective portion of any hedge are recognized in earnings immediately. For other derivative contracts that do not qualify or are not designated for hedge accounting, changes in the fair value of the derivatives are recognized in earnings each period. For energy-related derivatives entered into for proprietary trading purposes, which are subject to Exelon's Risk Management Policy, changes in the fair value of the derivatives are recognized in earnings each period. Amounts classified in earnings are included in revenue, purchased power and fuel, or other, net on the Consolidated Statements of Operations. Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Consolidated Statements of Cash Flows, depending on the underlying nature of the Registrants' hedged items.

Revenues and expenses on contracts that qualify, and are designated, as normal purchases and normal sales are recognized when the underlying physical transaction is completed. While these contracts are considered derivative financial instruments, they are not required to be recorded at fair value, but on an accrual basis of accounting. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time and price is not tied to an unrelated underlying derivative. As part of

Generation's energy marketing business, Generation enters into contracts to buy and sell energy to meet the requirements of its customers. These contracts include short-term and long-term commitments to purchase and sell energy and energy-related products in the retail and wholesale markets with the intent and ability to deliver or take delivery. If it were determined that a transaction designated as a normal purchase or a normal sale no longer met the exceptions, the fair value of the related contract would be recorded on the balance sheet and immediately recognized through earnings at Generation or offset by a regulatory asset or liability at ComEd and PECO. See Note 9—Derivative Financial Instruments for additional information.

Retirement Benefits (Exelon, Generation, ComEd and PECO)

Generation, ComEd and PECO participate in Exelon's defined benefit pension plans and other postretirement plans. AmerGen sponsored a separate defined benefit pension plan and postretirement plan for its employees until the merger of AmerGen into Generation on January 8, 2009. Exelon became the sponsor of those plans at that date.

The measurement of the plan obligations and costs of providing benefits under these plans involve various factors, including numerous assumptions and accounting elections. The assumptions are reviewed annually and at any interim remeasurement of the plan obligations. The impact of assumption changes on pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the employees rather than immediately recognized in the income statement. See Note 13—Retirement Benefits for additional discussion of Exelon's accounting for retirement benefits.

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

Exelon has identified the following new accounting pronouncements that have been recently adopted or issued that may affect the Registrants upon adoption.

Fair Value Measurements

In May 2011, the FASB issued authoritative guidance amending existing guidance for measuring fair value and for disclosing information about fair value measurements. The FASB indicated that for many of the requirements it does not intend for the amendments to result in a change to current accounting. Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs, the valuation processes used by the entity, and the sensitivity of the measurement to the unobservable inputs will be required. In addition, entities will be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. The guidance is effective for the Registrants for periods beginning after December 15, 2011 and is required to be applied prospectively. The Registrants are not currently impacted by the changes regarding the measurement of fair value and will include the required disclosures in their March 31, 2012 Form 10-Q.

Statement of Comprehensive Income

In June 2011, the FASB issued authoritative guidance requiring entities to present net income and other comprehensive income in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. The new guidance does not change the components that are recognized in net income and the components that are recognized in other comprehensive income. The guidance originally required entities to present reclassifications between net income and other comprehensive income at the financial statement line item level; however, in December 2011, the FASB deferred this requirement. This guidance is effective for the Registrants for periods beginning after December 15, 2011 and is required to be applied retroactively. Each of the Registrants currently presents a single statement of comprehensive income, consistent with the new guidance.

Goodwill Impairment Assessments

In September 2011, the FASB issued authoritative guidance amending existing guidance on the annual assessment of goodwill for impairment. Under the revised guidance, entities assessing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value based impairment test). If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step fair value based impairment test is required. Otherwise, no further testing is required. This guidance is effective for Exelon and ComEd for periods beginning after December 15, 2011 and is not expected to have an impact on their consolidated financial statements.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued authoritative guidance requiring entities to expand disclosures about instruments and transactions eligible for offset in the Balance Sheet, and instruments and transactions subject to an agreement similar to a master netting arrangement. The required disclosures will include both gross and net information about instruments to which the guidance applies, including derivatives and securities borrowing and securities lending arrangements. This guidance is effective for the Registrants for periods beginning on or after January 1, 2013 and is required to be applied retroactively. As this guidance provides only disclosure requirements, the adoption of this standard will not impact the Registrants' results of operations, cash flows or financial positions.

Regulatory Matters (Exelon, Generation, ComEd and PECO)

The following matters below discuss, in all material respects, the current status of regulatory and legislative proceedings of the Registrants.

Illinois Regulatory Matters

Legislation to Modernize Electric Utility Infrastructure and to Update Illinois Ratemaking Process (Exelon and ComEd). On October 26, 2011, the Illinois General Assembly overrode the Governor's veto of the Illinois Energy Infrastructure Modernization Act (SB 1652), which became effective immediately. The Illinois General Assembly also passed House Bill 3036 (the Trailer Bill), which modifies and supplements SB 1652. The Governor signed the Trailer Bill into law on December 30, 2011. The combined legislation (EIMA) provides for substantial capital investment over a ten-year period to modernize Illinois' electric utility infrastructure and for greater certainty related to the recovery of costs by a utility through a pre-established formula rate tariff. On January 6, 2012, ComEd filed its Infrastructure Investment Plan with the ICC. Under the plan, ComEd will invest approximately \$2.6 billion over the next ten years to modernize and storm-harden its distribution system and to implement smart grid technology. These investments will be incremental to ComEd's historical level of capital expenditures. Approximately \$1.3 billion will be invested in smart grid/smart meter technology that will place a smart meter with all customers and provide extensive customer education over the next nine years. The smart meter/smart grid technology is designed to significantly improve meter reading and to reduce the frequency and duration of outages. Approximately \$1.3 billion will be invested to improve ComEd's infrastructure, including \$200 million for storm hardening the distribution system. The January 6, 2012 filing with the ICC also included ComEd's \$233 million investment plan for 2012. Implementation of the investment plan began in early 2012 and smart meter installation in homes and businesses is expected to begin later in 2012, subject to approval of ComEd's AMI Deployment Plan by the ICC. Additionally, ComEd will contribute \$10 million per year for five years, as long as EIMA remains in effect, to fund customer assistance programs for low-income customers, which amounts will not be recoverable through rates. ComEd will also make an initial contribution of \$15 million to a new Science and Technology Innovation Trust fund that will be used to fund energy innovation. Subsequently, ComEd will make annual contributions to the fund of approximately \$4 million for as long as the AMI Deployment Plan remains in effect.

EIMA provides for a performance-based distribution formula rate tariff. On November 8, 2011, ComEd filed its initial formula rate tariff and associated testimony based on 2010 costs and 2011 plant additions. The primary purpose of this initial proceeding is to establish the formula under which rates will be calculated going-forward. The initial rate, which is expected to be lower than current rates but will be

subject to reconciliation, will take effect within 30 days after the ICC order, which must be issued by May 31, 2012.

The legislation provides for an annual reconciliation of the revenue requirement in effect to reflect the actual costs that the ICC determines are prudently and reasonably incurred in a given year. The first year for which the reconciliation will be performed is 2011. ComEd will make its initial reconciliation filing in May 2012, and the rate adjustments necessary to reconcile 2011 revenues to ComEd's actual 2011 costs incurred will take effect in January 2013 after the ICC's review. As of December 31, 2011, ComEd recorded an estimated regulatory asset of \$84 million and an offsetting increase in revenues for the 2011 reconciliation and net decrease in operating and maintenance expense for the deferral of certain storm costs of \$29 million and \$55 million, respectively. This regulatory asset represents ComEd's best estimate of the probable increase in distribution rates expected to be approved by the ICC to provide ComEd recovery of all prudently and reasonably incurred costs in 2011 and an earned rate of return on common equity, as defined in the legislation, for 2011. As the ICC proceeding to review ComEd's initially filed formula rate tariff progresses through May 2012, ComEd will adjust the estimated regulatory asset recorded as of December 31, 2011, to reflect any revisions made to the proposed formula by the ICC. ComEd currently does not anticipate any such adjustments would be material to its overall results of operations, financial position or cash flows. The positive impact of the reconciliation mechanism on ComEd's 2011 pre-tax income was partially offset by the recognition of the \$15 million contribution to be made to the Science and Technology Innovation Trust fund discussed above.

Under the terms of EIMA, for the 2011 annual reconciliation period, ComEd's earned rate of return on common equity is required to be within plus or minus 50 basis points ("the collar") of the target rate determined as the annual average rate on 30-year treasury notes plus 590 basis points. Subsequent to the 2011 annual reconciliation period, the earned rate of return on common equity is required to be within the collar of the target rate determined as the annual average rate on 30-year treasury notes plus 580 basis points. In addition, the target rate of return on common equity is subject to reduction by up to 30 basis points each year beginning in 2013, gradually increasing to 38 basis points for each of the last four years, if ComEd does not deliver the reliability and customer service benefits, as defined, it has committed to over the ten-year life of the investment program. The reliability metrics relate to improvements in outage frequency and duration and the customer service metrics relate to reductions in estimated bills, unaccounted for energy and uncollectible expense. EIMA also specifies the rate treatment for pension, incentive compensation and severance costs. In order to protect consumers, the legislation will terminate, ending ComEd's investment commitment, contribution commitments and the performance-based formula rates, (a) if the average residential rate increases by more than 2.5% annually from June 2011 through May 2014 or (b) at December 31, 2017 unless approved to continue by the Illinois General Assembly. There are additional restrictions and potential criteria for the program to end earlier than December 31, 2017.

Appeal of 2007 Illinois Electric Distribution Rate Case (Exelon and ComEd). The ICC issued an order in ComEd's 2007 electric distribution rate case (2007 Rate Case) approving a \$274 million increase in ComEd's annual delivery services revenue requirement, which became effective in September 2008. In the order, the ICC authorized a 10.3% rate of return on common equity. ComEd and several other parties filed appeals of the rate order with the Illinois Appellate Court (Court). The Court issued a decision on September 30, 2010, ruling against ComEd on the treatment of post-test year accumulated depreciation and the recovery of system modernization costs via a rider (Rider SMP). On January 25, 2011, ComEd filed a Petition for Leave to Appeal to the Illinois Supreme Court which was denied on March 30, 2011. The ICC has initiated a proceeding on remand. ComEd expects that the ICC will issue a final order in that proceeding in early 2012.

The Court held the ICC abused its discretion in not reducing ComEd's rate base to account for an additional 18 months of accumulated depreciation while including post-test year pro forma plant additions through that period (the same position ComEd took in its 2010 electric distribution rate case (2010 Rate Case) discussed below). The Court's ruling may trigger a refund obligation. An interest charge may accrue on any refund amount. The impact on ComEd's rates and any associated refund obligation should be prospective from no earlier than the date of the Court's ruling on September 30, 2010. ComEd continued to bill rates as established under the ICC's order in the 2007 Rate Case until June 1, 2011.

when the rates set in the 2010 Rate Case became effective. In August 2011, ComEd filed testimony in the remand proceeding that no refunds should be required. If the ICC decides that refunds are required, ComEd's testimony stated that the maximum potential refund should be approximately \$30 million. On November 10, 2011, the ALJ issued a proposed order in the remand proceeding agreeing with ComEd that the ICC does not have the legal authority to order a refund; a refund may only be ordered by a court. The ALJ also concluded that, to the extent that a court orders a refund, it should be in the amount of \$37 million, including interest.

The Court also reversed the ICC's approval of ComEd's Rider SMP, a program which included the installation of 131,000 smart meters in the Chicago area. In 2009, the ICC approved a modified version of Rider SMP (Rider AMP). The Court held that the ICC's approval of Rider SMP constituted illegal single-issue ratemaking. The Court's decision prescribes a new, more stringent, standard for cost recovery riders not specifically authorized by statute. Such riders would be allowed only if: (1) the pass-through cost is imposed by an "external circumstance" and is unexpected, volatile, or fluctuating; and (2) recovery via rider does not change other expenses or increase utility income. Rider AMP is the subject of a separate appeal that is still pending. ComEd does not believe any of its other riders are affected by the Court's ruling.

Subsequent to the Court's ruling, ComEd filed a request with the ICC to allow it to request recovery, through inclusion in the 2010 Rate Case, of operating and maintenance costs that would have been recovered through Rider AMP, as well as continued rider recovery of carrying costs associated with capital investment in the ICC-approved AMI/Customer Applications pilot program until the conclusion of the 2010 Rate Case. The unrecovered Rider AMP pilot program costs had already been requested in rate base in the 2010 Rate Case. On December 2, 2010, the ICC approved ComEd's request. The investment and the pilot program costs were approved in the 2010 Rate Case proceeding.

ComEd has recognized for accounting purposes its best estimate of any refund obligation, subject to reconciliation when the ICC issues an order in the remand proceedings.

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

On May 24, 2011, the ICC issued an order in ComEd's 2010 rate case, which became effective on June 1, 2011. The order approved a \$143 million increase to ComEd's annual delivery services revenue requirement and a 10.5% rate of return on common equity. As expected, the ICC followed the Court's position on the post-test year accumulated depreciation issue. The order allowed ComEd to establish or reestablish a net amount of approximately \$40 million of previously expensed plant balances or new regulatory assets, which is reflected as a reduction in operating and maintenance expense and income tax expense for the year ended December 31, 2011. The order also affirmed the current regulatory asset for severance costs, which was challenged by an intervenor in the 2010 Rate Case. The order has been appealed to the Court by several parties. ComEd cannot predict the result of these appeals.

Utility Consolidated Billing and Purchase of Receivables (Exelon and ComEd). In November 2008, the Illinois Public Utilities Act was amended to require ComEd to file tariffs establishing Utility Consolidated Billing and Purchase of Receivables services. On December 15, 2010, the ICC approved ComEd's tariff offering Purchase of Receivables with Consolidated Billing (PORCB) services for RES. Since the first quarter of 2011, ComEd has been required to buy certain RES receivables, primarily

residential and small commercial and industrial customers, at the option of the RES, for electric supply service and then include those amounts on ComEd's bill to customers. Receivables are purchased at a discount to compensate ComEd for uncollectible accounts. ComEd produces consolidated bills for the aforementioned retail customers reflecting charges for electric delivery service and purchased receivables. As of December 31, 2011, the balance of purchased accounts receivable associated with PORCB was \$16 million. Under the tariff, ComEd recovers from RES and customers the costs for implementing and operating the program.

Recovery of Uncollectible Accounts (Exelon and ComEd). On February 2, 2010, the ICC issued an order adopting tariffs for ComEd to recover from or refund to customers the difference between the utility's annual uncollectible accounts expense and amounts collected in rates annually. As a result of the ICC order, ComEd recorded a regulatory asset of \$70 million and an offsetting reduction in operating and maintenance expense in the first quarter of 2010 for the cumulative under-collections in 2008 and 2009. In addition, ComEd recorded a one-time charge of \$10 million to operating and maintenance expense in the first quarter of 2010 for a contribution to the Supplemental Low-Income Energy Assistance Fund, which is used to assist low-income residential customers.

Illinois Procurement Proceedings (Exelon, Generation and ComEd). ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. Since June 2009, under the Illinois Settlement Legislation, the IPA designs, and the ICC approves, an electricity supply portfolio for ComEd and the IPA administers a competitive process under which ComEd procures its electricity supply from various suppliers, including Generation. In order to fulfill a requirement of the Illinois Settlement Legislation, ComEd hedged the price of a significant portion of energy purchased in the spot market with a five-year variable-to-fixed financial swap contract with Generation that expires on May 31, 2013. On December 21, 2010, the ICC approved the IPA's procurement plan covering the period June 2011 through May 2016. As of December 31, 2011, ComEd had completed the ICC-approved procurement process for its energy requirements through May 2012 as well as a portion of its requirements for each of the years ending in May 2013 and May 2014.

EIMA discussed above contains a provision for the IPA to conduct procurement events for energy and REC requirements for the June 2013 through December 2017 period. ComEd expects that the procurement events will take place during February 2012.

The Illinois Settlement Legislation discussed below requires ComEd to purchase an increasing percentage of its electricity requirements from renewable energy resources. On December 17, 2010, ComEd entered into 20-year contracts with several unaffiliated suppliers regarding the procurement of long-term renewable energy and associated RECs. The long-term renewables purchased will count towards satisfying ComEd's obligation under the state's RPS and all associated costs will be recoverable from customers. As of December 31, 2011, ComEd has completed the ICC-approved procurement process for RECs through May 2012. See Notes 9 – Derivative Financial Instruments for additional information regarding ComEd's financial swap contract with Generation and long-term renewable energy contracts.

On May 25, 2010, the ICC approved a Cash Working Capital (CWC) adjustment to be included in ComEd's energy procurement tariff; however, the ICC did not specify the amount of the allowed recovery, which will ultimately be determined in an annual procurement reconciliation proceeding, based on information from ComEd's most recent rate case. The approved CWC adjustment allows ComEd to recover the time value of money between when it is required to pay for supply-related costs and when those funds are actually received from customers. ComEd began billing customers for CWC through its energy procurement rider on June 1, 2010 reflecting the costs included in ComEd's original request to amend the tariff. Because of the uncertainty regarding the amount of CWC recovery, ComEd had been recording a reserve against a portion of these billings. The ICC order in the 2010 Rate Case clarified the method for determining CWC and, as a result, ComEd reversed a \$17 million reserve during the second quarter of 2011.

Illinois Settlement Legislation (Exelon, Generation and ComEd). The Illinois Settlement Legislation was signed into law in August 2007 following a settlement resulting from extensive

discussions with legislative leaders in Illinois, ComEd, Generation and other utilities and generators in Illinois to address concerns about higher electric bills without rate freeze, generation tax or other legislation that Exelon believes would be harmful to consumers of electricity, electric utilities, generators of electricity and the State of Illinois. Various Illinois electric utilities, their affiliates and generators of electricity agreed to contribute approximately \$1 billion over a period of four years that ended in 2010 to programs to provide rate relief to Illinois electricity customers and funding for the IPA. ComEd committed to issue \$64 million in rate relief credits to customers or to fund various programs to assist customers. Generation committed to contribute an aggregate of \$747 million, consisting of \$435 million to pay ComEd for rate relief programs for ComEd customers, approximately \$308 million for rate relief programs for customers of other Illinois utilities and approximately \$5 million for partially funding operations of the IPA. The contributions were recognized in the financial statements of Generation and ComEd as rate relief credits were applied to customer bills by ComEd and other Illinois utilities or as operating expenses associated with the programs were incurred. As of December 31, 2010, Generation and ComEd had fulfilled their commitments under the Illinois Settlement Legislation.

During the years ended 2010 and 2009, Generation and ComEd recognized net costs from their contributions pursuant to the Illinois Settlement Legislation in their Consolidated Statements of Operations as follows:

Year Ended December 31, 2010	Generation	ComEd	Total Credits Issued to ComEd Customers
Credits to ComEd customers ^(a)	\$ 14	\$ 1	\$ 15
Credits to other Illinois utilities' customers ^(a)	7	n/a	n/a
Total incurred costs	<u>\$ 21</u>	<u>\$ 1</u>	<u>\$ 15</u>

Year Ended December 31, 2009	Generation	ComEd	Total Credits Issued to ComEd Customers
Credits to ComEd customers ^(a)	\$ 45	\$ 8	\$ 53
Credits to other Illinois utilities' customers ^(a)	53	n/a	n/a
Other rate relief programs ^(b)	—	1	n/a
Total incurred costs	<u>\$ 98</u>	<u>\$ 9</u>	<u>\$ 53</u>

(a) Recorded as a reduction in operating revenues.

(b) Recorded as a charge to operating and maintenance expense.

Energy Efficiency and Renewable Energy Resources (Exelon and ComEd). As a result of the Illinois Settlement Legislation, electric utilities in Illinois are required to include cost-effective energy efficiency resources in their plans to meet an incremental annual program energy savings requirement of 0.2% of energy delivered to retail customers for the year ended June 1, 2009, which increases annually to 2.0% of energy delivered in the year commencing June 1, 2015 and each year thereafter. Additionally, during the ten-year period that began June 1, 2008, electric utilities must implement cost-effective demand response measures to reduce peak demand by 0.1% over the prior year for eligible retail customers. The energy efficiency and demand response goals are subject to rate impact caps each year. Utilities are allowed recovery of costs for energy efficiency and demand response programs, subject to approval by the ICC. In February 2008, the ICC issued an order approving substantially all of ComEd's initial three-year Energy Efficiency and Demand Response Plan, including cost recovery, covering the period from June 2008 through May 2011. In December 2010, the ICC approved ComEd's second three-year Energy Efficiency and Demand Response Plan covering the period June 2011 through May 2014. The plans are designed to meet the Illinois Settlement Legislation's energy efficiency and demand response goals through May 2014, including reductions in delivered energy to all retail customers and in the peak demand of eligible retail customers.

Since June 1, 2008, utilities have been required to procure cost-effective renewable energy resources in amounts that equal or exceed 2% of the total electricity that each electric utility supplies to its eligible retail customers. ComEd is also required to acquire amounts of renewable energy resources that

will cumulatively increase this percentage to at least 10% by June 1, 2015, with an ultimate target of at least 25% by June 1, 2025, subject to customer rate cap limitations. All goals are subject to rate impact criteria set forth in the Illinois Settlement Legislation. As of December 31, 2011, ComEd had purchased sufficient renewable energy resources or equivalents, such as RECs, to comply with the Illinois Settlement Legislation. ComEd currently retires all RECs upon transfer and acceptance. ComEd is permitted to recover procurement costs of RECs from retail customers without mark-up through rates. See Note 18—Commitments and Contingencies for information regarding ComEd's future commitments for the procurement of RECs.

Pennsylvania Regulators Matters

2010 Pennsylvania Electric and Natural Gas Distribution Rate Cases (Exelon and PECO). On December 16, 2010, the PAPUC approved the settlement of PECO's electric and natural gas distribution rate cases, which were filed in March 2010, providing increases in annual service revenue of \$225 million and \$20 million, respectively. The electric settlement provides for recovery of PJM transmission service costs on a full and current basis through a rider. The approved electric and natural gas distribution rates became effective on January 1, 2011.

In addition, the settlements included a stipulation regarding how tax benefits related to the application of any new IRS guidance on repairs deduction methodology are to be handled from a rate-making perspective. The settlements require that the expected cash benefit from the application of any new guidance to prior tax years be refunded to customers over a seven-year period. On August 19, 2011, the IRS issued Revenue Procedure 2011-43 providing a safe harbor method of tax accounting for electric transmission and distribution property. PECO adopted the safe harbor and elected a method change for the 2010 tax year. The expected total refund to customers for the tax cash benefit from the application of the safe harbor to costs incurred prior to 2010 is \$171 million. On October 4, 2011, PECO filed a supplement to its electric distribution tariff to execute the refund to customers of the tax cash benefit related to the IRC Section 481(a) "catch-up" adjustment claimed on the 2010 income tax return, which is subject to adjustment based on the outcome of IRS examinations. Credits will be reflected in customer bills beginning January 1, 2012. Tax benefits claimed prospectively as a result of Revenue Procedure 2011-43 will be reflected as a reduction to income tax expense in the year in which it is claimed on the tax return and will be reflected in the determination of revenue requirements in the next electric distribution base rate case. The IRS anticipates issuing guidance in 2012 on the appropriate tax treatment of repair costs for gas distribution assets. See Note 11 for additional information.

The 2010 electric and natural gas distribution rate case settlements did not specify the rate of return upon which the settlement rates are based, but rather provided for an increase in annual revenue. PECO has not filed a transmission rate case since rates have been unbundled.

Pennsylvania Procurement Proceedings (Exelon and PECO). PECO's PAPUC approved DSP Program, under which PECO is providing default electric service, has a 29-month term that began on January 1, 2011 and ends May 31, 2013. Under the DSP Program, PECO is permitted to recover its electric procurement costs from retail default service customers without mark-up through the GSA. The GSA provides for the recovery of energy, capacity, ancillary costs and administrative costs and is subject to adjustments at least quarterly for any over or under collections. The filing and implementation costs of the DSP Program were recorded as a noncurrent regulatory asset and are being recovered through the GSA over its 29-month term. During 2011, PECO entered into contracts with PAPUC-approved bidders for its fifth and sixth competitive procurements of electric supply for default electric service, which included hourly spot market price full requirements contracts for its large commercial and industrial procurement classes that commenced June 2011, block contracts for the residential procurement class that commenced June and December 2011, and full requirements fixed price contracts for the residential, small and medium commercial procurement classes commencing June 2012. Under the full requirements contracts, default service suppliers must provide electric supply, capacity, transmission other than Network Integration Transmission Service, ancillary services, transmission and distribution losses, congestion management costs and AECs for compliance with the AEPS Act. PECO will conduct three additional competitive procurements over the remainder of the term of the DSP Program.

On April 15, 2011, the PAPUC issued an order approving the joint petition for partial settlement of the initial dynamic pricing and customer acceptance plan and ruled that the administrative costs be recovered from default service customers through the GSA.

On January 13, 2012, PECO filed its second Default Service Plan for approval with the PAPUC. The plan outlined how PECO will purchase electricity for default customers from June 1, 2013 through May 31, 2015. To continue to ensure a competitive procurement process for residential customers, PECO proposed to procure electricity through a combination of one-year and two-year fixed full requirements contracts, reduce the amount of time between when the energy is purchased and when it is provided to customers and complete an annual, rather than quarterly, reconciliation of costs for actual versus forecasted energy use. Hearings on the filing will be held in the summer of 2012, with a PAPUC ruling expected in mid-October 2012.

Purchase of Receivables Program (Exelon and PECO). PECO's revised electric and gas POR programs, approved by the PAPUC in June and December 2010, respectively, require PECO to purchase the customer accounts receivable of EGSs and natural gas suppliers that participate in customer choice programs and have elected consolidated billing by PECO. The revised POR programs provide for full recovery of PECO's system implementation costs for program administration through a temporary discount on purchased receivables and allow PECO to terminate service to customers beginning on the effective date, based on unpaid charges for electric supply or natural gas, and permit recovery of uncollectible accounts expense from customers through distribution rates. PECO's revised electric POR program became effective on January 1, 2011. PECO's gas POR program became effective on January 1, 2012.

Purchased receivables at December 31, 2011 were \$47 million, net of an allowance for uncollectible accounts of \$5 million. Purchased receivables at December 31, 2010 were \$3 million, net of an allowance for uncollectible accounts of less than \$1 million. The increase in the purchased receivables balance is a result of increased electric customer choice program participation following the expiration of the transition period. Prior to participation in the customer choice program, these receivables would have been recorded in customer accounts receivable. Purchased receivables are classified in other accounts receivable, net on Exelon's and PECO's Consolidated Balance Sheets.

Smart Meter and Smart Grid Investments (Exelon and PECO). In April 2010, the PAPUC approved PECO's \$550 million Smart Meter Procurement and Installation Plan under which PECO will install more than 1.6 million smart meters and deploy advanced communication networks by 2020. Also, in April 2010, PECO entered into a Financial Assistance Agreement with the DOE for SGIG funds under the ARRA of 2009. Under the SGIG, PECO has been awarded \$200 million, the maximum grant allowable under the program, for its SGIG project—Smart Future Greater Philadelphia. As a result of the SGIG funding, PECO will deploy 600,000 smart meters by 2013, deploy more than 1.6 million smart meters by 2020 and increase smart grid investments to approximately \$100 million by 2013. The \$200 million SGIG funds will be reimbursed ratably based on projected spending of more than \$400 million, which includes approximately \$7 million related to demonstration projects by two sub-recipients. The SGIG is non-taxable based on IRS guidance. The DOE has a conditional ownership interest in Federally-funded project property and equipment, which is subordinate to PECO's existing mortgage. In total, through 2020, PECO plans to spend up to \$650 million on its smart grid and smart meter infrastructure. The \$200 million SGIG from the DOE will be used to significantly reduce the impact of those investments on PECO ratepayers.

As of December 31, 2011, PECO received \$64 million in reimbursements and had \$29 million in outstanding receivables from the DOE for reimbursable costs, which are recorded in other accounts receivable, net on Exelon's and PECO's Consolidated Balance Sheets.

Energy Efficiency Programs (Exelon and PECO). PECO's PAPUC-approved EE&C Plan has a four-year term that began on June 1, 2009 and totals more than \$328 million pursuant to Act 129's EE&C reduction targets. The plan sets forth how PECO will reduce electric consumption by 1% and 3% in its service territory by May 31, 2011 and May 31, 2013, respectively and reduce peak demand by a minimum of 4.5% of PECO's annual system peak demand in the 100 hours of highest demand by May 31, 2013,

measured against its peak demand during the period of June 1, 2007 through May 31, 2008. If PECO fails to achieve the required reductions in consumption within the stated deadlines, PECO will be subject to civil penalties of up to \$20 million, which would not be recoverable from ratepayers.

The plan also includes a CFL program, weatherization programs, an energy efficiency appliance rebate and recycling program and rebates for non-profit, educational, governmental and business customers, customer incentives for energy management programs and incentives to help customers reduce energy demand during peak periods.

As of May 31, 2011, PECO had exceeded the 1% energy use reduction target. On August 18, 2011, the PAPUC approved filed adjustments to the EE&C Plan that will allow PECO to meet its May 31, 2013 targets for energy use and energy demand reductions while remaining within its approved budget.

Alternative Energy Portfolio Standards (Exelon and PECO). In November 2004, Pennsylvania adopted the AEPS Act. The AEPS Act mandated that beginning in 2011, following the expiration of PECO's rate cap transition period, certain percentages of electric energy sold to Pennsylvania retail electric customers shall be generated from certain alternative energy resources as measured in AECs. The requirement for electric energy that must come from Tier I alternative energy resources ranges from approximately 3.5% to 8.0% and the requirement for Tier II alternative energy resources ranges from 6.2% to 10.0%. The required compliance percentages incrementally increase each annual compliance period, which is from June 1 through May 31, until May 31, 2021. These Tier I and Tier II alternative energy resources include acceptable energy sources as set forth in Act 129 and the AEPS Act.

PECO has entered into five-year and ten-year agreements with accepted bidders, including Generation, totaling 452,000 non-solar and 8,000 solar Tier I AECs annually in accordance with a PAPUC approved plan. The plan allowed PECO to bank AECs procured prior to 2011 and use the banked AECs to meet its AEPS Act obligations over two compliance years ending May 2013. The PAPUC also approved the procurement of Tier II AECs and supplemental AECs as well as the sale of excess AECs through independent third party auctions or brokers. In May 2011, PECO procured 340,000 Tier II AECs that are being used to meet AEPS Act obligations for the compliance years ending May 2011 and May 2012. On January 5, 2012, PECO successfully conducted a competitive procurement for 275,000 Tier II AECs to be available toward its AEPS Act obligations for its compliance years ending May 2012 and May 2013, which was approved by the PAPUC on January 17, 2012.

Administrative costs and the costs of the banked AECs were recovered with a return on the unamortized balance over a twelve-month period that ended December 31, 2011. All AEPS administrative costs and costs of AECs incurred after December 31, 2010 are being recovered on a full and current basis from default service customers through a surcharge.

PECO proposed in its Default Service Plan filed on January 13, 2012 to eliminate the AEPS rider and recover AEPS compliance costs through the GSA.

Natural Gas Choice Supplier Tariff (Exelon and PECO). During 2011, the PAPUC approved PECO's tariff supplements to its Gas Choice Supplier Coordination Tariff and its Retail Gas Service Tariff to address the new licensing requirements for natural gas suppliers (NGS) set forth in the PAPUC's final rulemaking order, which became effective January 1, 2011. The new licensing requirements broaden the types of collateral that PECO can require to mitigate its risk related to an NGS default, as well as PECO's ability to adjust collateral when material changes in supplier creditworthiness occur. PECO has completed its creditworthiness determinations and expects to notify impacted NGSs of their new collateral levels by March 31, 2012.

Investigation of Pennsylvania Retail Electricity Market (Exelon and PECO). On July 28, 2011, the PAPUC issued an order outlining the next steps in its investigation into the status of competition in Pennsylvania's retail electric market. The PAPUC found that the existing default service model presents substantial impediments to the development of a vibrant retail market in Pennsylvania and directed its Office of Competitive Markets Oversight to evaluate potential intermediate and long-term structural changes to the default service model. On December 15, 2011, the PAPUC adopted a final order providing guidance to the state's electric distribution companies in developing their default service plans for the

period beginning January 1, 2013. The PAPUC also issued for comment a tentative order describing more detailed recommendations to be implemented prior to the expiration of the electric distribution company's default service plan beginning in 2013, with the exception of a Retail Opt-in Auction Program and Standard Offer Customer Referral Program, which it proposed for inclusion in the 2013 plan. Final guidance on long-term structural changes is expected to be issued in 2012. On January 13, 2012, PECO filed its second Default Service Plan for approval with the PAPUC, which proposed several new programs to continue PECO's support of retail market competition in Pennsylvania in accordance with the order issued by the PAPUC on December 15, 2011.

Pennsylvania House Bill No. 1294 (Exelon and PECO). On January 25, 2012, House Bill No. 1294 (HB 1294) was passed by the Pennsylvania State Senate. The House of Representatives approved the legislation through a concurrence vote and now it goes to the Governor for his signature. HB 1294 seeks to clarify the PAPUC's authority to approve alternative ratemaking mechanisms, which would allow for the implementation of a distribution system improvement charge (DSIC) in rates designed to recover capital project costs incurred to repair, improve or replace utilities' aging electric and natural gas distribution systems in Pennsylvania.

In order to qualify for the DSIC under HB 1294, utilities are required to submit a long-term infrastructure improvement plan, which will be reviewed by the PAPUC every 5 years, and a certification that a base rate case has been or will be filed within 5 years. The DSIC cannot exceed 5% of distribution rates and will be reset to zero if the utility's return on equity exceeds the allowable rate of return under the DSIC. Utilities can petition the PAPUC for a waiver to the 5% cap.

HB 1294 also includes a provision that allows utilities to use a fully projected future test year under which the PAPUC may permit the inclusion of projected capital costs in rate base for assets that will be placed in service during the future test year.

Federal Regulator Matters

Transmission Formula Rate (Exelon and ComEd). ComEd's transmission rates are established based on a FERC-approved formula. ComEd's most recent annual formula rate update filed in May 2011 reflects actual 2010 expenses and investments plus forecasted 2011 capital additions. The update resulted in a revenue requirement of \$438 million offset by a \$16 million reduction related to the reconciliation of 2010 actual costs for a net revenue requirement of \$422 million. This compares to the May 2010 updated revenue requirement of \$416 million. The increase in the revenue requirement was primarily driven by the Illinois income tax statutory rate change enacted in January 2011. The 2011 net revenue requirement became effective June 1, 2011 and is recovered over the period extending through May 31, 2012. The regulatory liability associated with the true-up is being amortized as the associated amounts are refunded.

ComEd's updated formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 9.10%, a decrease from the 9.27% return previously authorized. The decrease in return was primarily due to lower interest rates on ComEd's long-term debt outstanding. As part of the FERC-approved settlement of ComEd's 2007 transmission rate case, the rate of return on common equity is 11.5% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the formula transmission rate is currently capped at 55%.

PJM Transmission Rate Design and Operating Agreements (Exelon, ComEd and PECO). PJM Transmission Rate Design specifies the rates for transmission service charged to customers within PJM. Currently, ComEd and PECO incur costs based on the existing rate design, which charges customers based on the cost of the existing transmission facilities within their load zone and the cost of new transmission facilities based on those who benefit. In April 2007, FERC issued an order concluding that PJM's current rate design for existing facilities is just and reasonable and should not be changed. In the same order, FERC held that the costs of new facilities 500 kV and above should be socialized across the entire PJM footprint and that the costs of new facilities less than 500 kV should be allocated to the customers of the new facilities who caused the need for those facilities. In the short term, based on new transmission facilities approved by PJM, it is likely that allocating across PJM the costs of new facilities 500 kV and above will increase charges to ComEd and reduce charges to PECO, as compared to the

allocation methodology in effect before the FERC order. After FERC ultimately denied all requests for rehearing on all issues, several parties filed petitions in the U.S. Court of Appeals for the Seventh Circuit for review of the decision. On August 6, 2009, that court issued its decision affirming FERC's order with regard to the costs of existing facilities but reversing and remanding to FERC for further consideration its decision with regard to the costs of new facilities 500 kV and above. On January 21, 2010, FERC issued an order establishing paper hearing procedures to supplement the record. In May and June 2010, certain parties, including Exelon, submitted testimony to supplement the record. ComEd anticipates that all impacts of any rate design changes effective after December 31, 2006 should be recoverable through retail rates and, thus, the rate design changes are not expected to have a material impact on ComEd's results of operations, cash flows or financial position. PECO anticipates that all impacts of any rate design changes should be recoverable through the transmission service charge rider approved in PECO's 2010 electric distribution rate case settlement and, thus, the rate design changes are not expected to have a material impact on PECO's results of operations, cash flows or financial position. To the extent any rate design changes are retroactive to periods prior to January 1, 2011 there may be an impact on PECO's results of operations.

ComEd and PECO are committed to the construction of transmission facilities under their operating agreements with PJM to maintain system reliability. ComEd and PECO will work with PJM to continue to evaluate the scope and timing of any required construction projects. ComEd and PECO's estimated commitments are as follows:

	<u>Total</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>
ComEd	\$242	\$73	\$104	\$41	\$12	\$12
PECO	87	30	18	12	13	14

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. On February 1, 2011, in response to the enactment of New Jersey Senate Bill 2381, Generation joined a group of generating companies, PJM Power Providers Group (P3), in filing a complaint asking FERC to revise PJM's MOPR to mitigate this exercise of buyer market power. In response to P3's complaint, PJM filed a tariff amendment on February 11, 2011, to improve the MOPR. PJM's filing differs from P3's proposal, but in general P3 supports PJM's filing. P3 and PJM requested that FERC act on the proposed tariff amendment prior to the May 2011 capacity auction. A number of state regulators and consumer groups have opposed tariff changes, but these changes are in line with recent FERC orders regarding capacity markets in the New York and New England ISOs. On April 12, 2011, FERC issued an order revising PJM's MOPR to mitigate the exercise of buyer market power. Included in the FERC order was a revision to the MOPR whereby a subsidized plant cannot submit a bid into the auction for less than 90% of the cost of new entry of a plant of that type, unless the unit can justify a lower bid based on its costs. The minimum offer limitation continues until a unit clears the base residual RPM auction for the first time. After a unit clears once, it may bid in at any price, including zero. This may help reduce the magnitude of artificial suppression of capacity auction prices created by the actions of state regulators such as the capacity legislation in New Jersey. A number of parties filed rehearing of the FERC order on several different issues, including the question of whether the minimum price mitigation should apply to load serving entities that self-supply capacity. FERC scheduled the issue for consideration at a technical conference, while rehearing is pending. On November 17, 2011, the Commission issued an order on rehearing, that, among other things, denied rehearing on the central issues, including application of the MOPR to self-supply capacity and to state sponsored capacity. A number of parties filed petitions for review in the Courts of Appeals for the D.C. Circuit and the Third Circuit, all of which are currently pending in the Third Circuit. The case likely will not be resolved by the Court until the second half of 2012 or early 2013.

Market-Based Rates (Exelon, Generation, ComEd and PECO). Generation, ComEd and PECO are public utilities for purposes of the Federal Power Act and are required to obtain FERC's acceptance of rate schedules for wholesale electricity sales. Currently, Generation, ComEd and PECO have authority to execute wholesale electricity sales at market-based rates. As is customary with market-based rate schedules, FERC has reserved the right to suspend market-based rate authority on a retroactive basis if it

subsequently determines that Generation, ComEd or PECO has violated the terms and conditions of its tariff or the Federal Power Act. FERC is also authorized to order refunds if it finds that the market-based rates are not just and reasonable under the Federal Power Act.

As required by FERC's regulations, as promulgated in the Order No. 697 series, Generation, ComEd and PECO have filed market power analyses using the prescribed market share screens to demonstrate that Generation, ComEd and PECO qualify for market-based rates in the regions where they are selling energy and capacity under market-based rate tariffs. FERC accepted the 2008 filings on January 15, 2009 and September 2, 2009 and accepted the 2009 filing on October 26, 2009, affirming Exelon's affiliates continued right to make sales at market-based rates. These analyses must examine historic test period data and must be updated every three years on a prescribed schedule. The most recent updated analysis for the PJM and Northeast Regions was filed in late 2010, based on 2009 historic test period data. In that updated analysis, Generation informed FERC that its market share data in PJM would change beginning in 2011, when Generation's contract for PECO's full requirements for capacity and energy expired. The FERC Staff asked for a letter describing the amount of capacity affected by the PECO contract expiration and alternative transactions, which Generation filed on March 21, 2011. The impact of that change, as well as any new sales contracts or other intervening changes in Generation's market share, will be reflected in the next updated market share screen analysis due to be filed at the end of 2013. On June 22, 2011, FERC issued an order confirming Generation's continued authority to charge market based rates, stating that any market power concerns are adequately addressed by PJM's monitoring and mitigation programs.

Reliability Pricing Model (Exelon and Generation). PJM's RPM auctions take place 36 months ahead of the scheduled delivery year. The most recent auction for the delivery year ending May 31, 2015 occurred in May 2011. While certain state commissions, consumer advocates and trade associations continue to object to the PJM capacity market construct, their most recent challenge to auction results ran its course when the D. C. Circuit, on February 8, 2011, denied a petition to review the Commission's dismissal of their complaint.

License Renewals (Exelon and Generation). On April 8, 2009, the NRC issued a renewed operating license for Oyster Creek that expires in April 2029. On December 8, 2010, Exelon announced that Generation will permanently cease generation operations at Oyster Creek by December 31, 2019. See Note 18—Commitments and Contingencies for additional information.

On June 30, 2011, the NRC issued the renewed operating licenses for Salem Units 1 and 2 expiring in 2036 and 2040, respectively. Exelon is a 42.59% owner of the Salem Units.

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 NRC is expected to spend a total of 22 to 30 months to review the applications before making a decision. The current operating licenses for Limerick Units 1 and 2 expire in 2024 and 2029, respectively.

Regulatory Assets and Liabilities (Exelon, ComEd and PECO)

Exelon, ComEd and PECO 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.

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd and PECO as of December 31, 2011 and 2010.

December 31, 2011	Exelon	ComEd	PECO
Regulatory assets			
Pension and other postretirement benefits	\$2,998	\$ —	\$ 7

Deferred income taxes	1,181	71	1,110
AMI and smart meter programs	30	8	22
Under-recovered distribution services costs	84	84	—
Debt costs	99	88	11
Severance	63	63	—
Asset retirement obligations	74	50	24
MGP remediation costs	159	115	44
RTO start-up costs	7	7	—
Financial swap with Generation—noncurrent	—	191	—
Renewable energy and associated RECs—noncurrent	97	97	—
DSP Program costs	5	—	5
Other	42	22	20
Noncurrent regulatory assets	4,839	796	1,243
Financial swap with Generation—current	—	503	—
Under-recovered energy and transmission costs	57	48	9
Under-recovered electric universal service fund costs	3	—	3
Renewable energy and associated RECs—current	9	9	—
Current regulatory assets	69	560	12
Total regulatory assets	<u>\$4,908</u>	<u>\$1,356</u>	<u>\$1,255</u>

Regulatory liabilities

Nuclear decommissioning	\$2,222	\$1,857	\$ 365
Removal costs	1,246	1,246	—
Energy efficiency and demand response programs	118	49	69
Electric distribution tax repairs	170	—	170
Over-recovered uncollectible accounts	15	15	—
Noncurrent regulatory liabilities	3,771	3,167	604
Over-recovered energy and transmission costs	42	12	30
Over-recovered gas universal service fund costs	3	—	3
Over-recovered AEPS costs	8	—	8
Current regulatory liabilities	53	12	41
Total regulatory liabilities	<u>\$3,824</u>	<u>\$3,179</u>	<u>\$ 645</u>

December 31, 2010

Regulatory assets

	Exelon	ComEd	PECO
Pension and other postretirement benefits	\$2,763	\$ —	\$ 13
Deferred income taxes	852	23	829
AMI and smart meter program expenses	17	—	17
Debt costs	123	108	15
Severance	74	74	—
Asset retirement obligations	86	61	25
MGP remediation costs	149	110	39
RTO start-up costs	10	10	—
Under-recovered uncollectible accounts	14	14	—
Financial swap with Generation—noncurrent	—	525	—
DSP Program costs	7	—	7
Other	45	22	23
Noncurrent regulatory assets	4,140	947	968
Financial swap with Generation—current	—	450	—
Under-recovered energy and transmission costs	6	6	—
DSP Program electric procurement contracts	4	—	9
Current regulatory assets	10	456	9
Total regulatory assets	<u>\$4,150</u>	<u>\$1,403</u>	<u>\$977</u>

Regulatory liabilities

Nuclear decommissioning	\$2,267	\$1,892	\$375
Removal costs	1,211	1,211	—
Renewable energy and associated RECs—noncurrent	4	4	—
Energy efficiency and demand response programs	69	31	38
Other	4	(1)	5
Noncurrent regulatory liabilities	3,555	3,137	418
Over-recovered energy and transmission costs	44	19	25
Current regulatory liabilities	44	19	25
Total regulatory liabilities	<u>\$3,599</u>	<u>\$3,156</u>	<u>\$443</u>

Pension and other postretirement benefits. As of December 31, 2011, \$2,991 million represents regulatory assets related to the recognition of ComEd's and PECO's respective shares of the underfunded status of Exelon's defined benefit postretirement plans as a liability on Exelon's balance sheet. The regulatory asset is amortized in proportion to the recognition of prior service costs (gains), transition obligations and actuarial losses attributable to ComEd's pension plan and ComEd's and PECO's other postretirement benefit plans determined by the cost recognition provisions of the authoritative guidance for pensions and postretirement benefits. ComEd and PECO will recover these costs through base rates as allowed in their most recently approved regulated rate orders. See Note 13 – Retirement Benefits for additional detail. In addition, \$7 million is the result of PECO transitioning to the current authoritative guidance in 1993, which is recoverable in rates through 2012. ComEd and PECO are not earning a return on the recovery of these costs in base rates.

Deferred income taxes. These costs represent the difference between the method by which the regulator allows for the recovery of income taxes and how income taxes would be recorded under GAAP. Regulatory assets and liabilities associated with deferred income taxes, recorded in compliance with the authoritative guidance for accounting for certain types of regulation and income taxes, include the deferred tax effects associated principally with liberalized depreciation accounted for in accordance with the ratemaking policies of the ICC and PAPUC, as well as the revenue impacts thereon, and assume continued recovery of these costs in future transmission and distribution rates. For ComEd, this amount includes the impacts of a reduction in the deductibility, for Federal income tax purposes, of certain retiree health care costs pursuant to the March 2010 Health Care Reform Acts. ComEd was granted recovery of these additional income taxes on May 24, 2011 in the ICC's 2010 Rate Case order. The recovery period for these costs is through May 31, 2014. See Note 11—Income Taxes and Note 13—Retirement Benefits for additional information. ComEd and PECO are not earning a return on the recovery of these costs.

AMI and smart meter programs. For ComEd, this amount represents operating and maintenance expenses and meter costs associated with ComEd's AMI pilot program approved in the May 24, 2011 ICC order in ComEd's 2010 rate case. The recovery periods for operating and maintenance expenses and meter costs are through May 31, 2014 and January 1, 2020, respectively. ComEd is earning a return on the meter costs. For PECO, this amount represents accelerated depreciation and filing and implementation costs relating to the PAPUC-approved Smart Meter Procurement and Installation Plan as well as the return on the un-depreciated investment, taxes, and operating and maintenance expenses. The approved plan allows for recovery of filing and implementation costs incurred through December 31, 2010 during 2011 and 2012. In addition, the approved plan provides for recovery of program costs, which includes depreciation on new equipment placed in service, beginning in January 2011 on full and current basis, which includes interest income or expense on the under or over recovery, and recovery of accelerated depreciation on PECO's current meter assets over a 10-year period ending December 31, 2020.

Under-recovered distribution services costs. Under EIMA, which became effective in the fourth quarter of 2011, ComEd is allowed recovery of distribution services costs through a formula rate tariff. The legislation provides for an annual reconciliation of the revenue requirement in effect to reflect the actual costs that the ICC determines are prudently and reasonably incurred in a given year. The reconciliation will be recovered through rates over a one-year period, beginning in January 2013 for the

2011 annual reconciliation period. The regulatory asset also includes costs associated with certain one-time events, such as large storms, which will be recovered over a five-year period beginning in January 2013. ComEd is earning a return on these costs. As of December 31, 2011, the regulatory asset was comprised of \$29 million for the annual reconciliation and \$55 million related to significant storms.

Debt costs. Consistent with rate recovery for ratemaking purposes, ComEd's and PECO's recoverable losses on reacquired long-term debt related to regulated operations are deferred and amortized to interest expense over the life of the new debt issued to finance the debt redemption or over the life of the original debt issuance if the debt is not refinanced. Interest-rate swap settlements are deferred and amortized over the period that the related debt is outstanding or the life of the original issuance retired. These debt costs are used in the determination of the weighted cost of capital applied to rate base in the rate-making process.

Severance. These costs represent previously incurred severance costs that ComEd was granted recovery of in the December 20, 2006 ICC rehearing rate order and the May 24, 2011 ICC order in ComEd's 2010 rate case. The recovery periods are through June 30, 2014 and May 31, 2014, respectively. ComEd is not earning a return on these costs.

Asset retirement obligations. These costs represent future removal costs associated with ComEd's and PECO's existing asset retirement obligations. PECO will begin to earn a return on, and a recovery of, these costs once the removal activities have been performed. ComEd will recover these costs through future depreciation expense and will earn a return on these costs once the removal activities have been performed. See Note 12—Asset Retirement Obligations for additional information.

MGP remediation costs. Recovery of these items was granted to ComEd in the July 26, 2006 ICC rate order. For PECO, these costs are recoverable through rates as affirmed in the 2010 approved natural gas distribution rate case settlement. The period of recovery for both ComEd and PECO will depend on the timing of the actual expenditures. ComEd and PECO are not earning a return on the recovery of these costs. See Note 18—Commitments and Contingencies for additional information.

RTO start-up costs. Recovery of these RTO start-up costs was approved by FERC. The recovery period is through March 31, 2015. ComEd is earning a return on these costs.

Under (Over)-recovered uncollectible accounts. As a result of the February 2010 ICC order approving recovery of ComEd's uncollectible accounts, ComEd has the ability to adjust its rates annually to reflect the increases and decreases in annual uncollectible accounts expense starting with year 2008. ComEd recorded a regulatory asset for the cumulative under-collections in 2008 and 2009. Recovery of the initial regulatory asset was completed over an approximate 14-month time frame which began in April 2010. The recovery or refund of the difference in the uncollectible accounts expense applicable to the years starting with January 1, 2010, will take place over a 12-month time frame beginning in June of the following year. ComEd is not earning a return on these costs.

Financial swap with Generation. To fulfill a requirement of the Illinois Settlement Legislation, ComEd entered into a five-year financial swap contract with Generation that expires on May 31, 2013. Since the swap contract was deemed prudent by the Illinois Settlement Legislation, ensuring ComEd of full recovery in rates, the changes in fair value each period are recorded by ComEd as well as an offsetting regulatory asset or liability. ComEd does not earn (pay) a return on the regulatory asset (liability). The basis for the mark-to-market derivative asset or liability position is based on the difference between ComEd's cost to purchase energy on the spot market and the contracted price. In Exelon's consolidated financial statements, the fair value of the intercompany swap recorded by Generation and ComEd is eliminated.

Renewable Energy and Associated RECs. On December 17, 2010, ComEd entered into several 20-year floating-to-fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. Delivery under the contracts begins in June 2012. Since the swap contract was deemed prudent by the Illinois Settlement Legislation, ensuring ComEd of full recovery in rates, the changes in fair value each period as well as an offsetting regulatory asset or liability are recorded by ComEd. ComEd does not earn (pay) a return on the regulatory asset (liability). The basis

for the mark-to-market derivative asset or liability position is based on the difference between ComEd's cost to purchase energy on the spot market and the contracted price.

Rate case costs. The ICC generally allows ComEd to receive recovery of rate case costs over three years. The ICC has issued orders allowing recovery of these costs on July 26, 2006, September 10, 2008 and May 24, 2011. The recovery period for the two former rate case costs was through September 15, 2011. The recovery period for the 2010 Rate Case costs is through May 31, 2014. Pursuant to the approved settlements of the 2010 electric and natural gas distribution rate cases, PECO is allowed recovery of rate case costs over two years ending December 31, 2012. ComEd and PECO do not earn a return on the recovery of these costs.

DSP Program costs. These amounts represent recoverable administrative costs incurred relating to filing, procurement, and information technology improvements associated with PECO's PAPUC-approved DSP Program for the procurement of electric supply following the expiration of PECO's generation rate caps on December 31, 2010. The filing and implementation costs of this DSP Program are recoverable through the GSA over its 29-month term, beginning January 1, 2011. The independent evaluator costs associated with conducting procurements is recoverable over a 12-month period after the PAPUC approves the results of the procurements. Costs relating to information technology improvements are recoverable over a 5-year period beginning January 1, 2011. PECO earns a return on the recovery of information technology costs.

Under (Over)-recovered energy and transmission costs current asset (liability). Starting in 2007, ComEd's energy and transmission costs are recoverable (refundable) under ComEd's ICC and/or FERC-approved rates. ComEd earns interest on under-recovered costs and pays interest on over-recovered costs to customers. The PECO energy costs represent the electric and gas supply related costs recoverable (refundable) under PECO's GSA and PGC, respectively. PECO earns interest on the under-recovered energy and natural gas costs and pays interest on over-recovered energy and natural gas costs to customers. The PECO transmission costs represent the electric transmission costs recoverable (refundable) under the TSC under which PECO earns interest on under-recovered costs and pays interest on over-recovered costs to customers. As of December 31, 2011, PECO had a regulatory asset related to under-recovered transmission costs of \$9 million and a regulatory liability that included \$25 million related to over-recovered electric supply costs under the GSA and \$5 million related to over-recovered natural gas supply costs under the PGC.

Nuclear decommissioning. These amounts represent estimated future nuclear decommissioning costs that exceed (regulatory asset) or are less than (regulatory liability) the associated decommissioning trust fund assets. Exelon believes the trust fund assets, including prospective earnings thereon and any future collections from customers, will equal the associated future decommissioning costs at the time of decommissioning. See Note 12—Asset Retirement Obligations for additional information.

Removal costs. These amounts represent funds ComEd has received from customers to cover the future removal of property, plant and equipment which reduces rate base for ratemaking purposes.

Energy efficiency and demand response programs. These amounts represent costs recoverable (refundable) under ComEd's ICC approved Energy Efficiency and Demand Response Plan and PECO's, PAPUC-approved EE&C Plan. ComEd began recovering these costs or refunding over-collections of these costs on June 1, 2008 through a rider. ComEd earns a return on the capital investment incurred under the program but does not earn (pay) interest on under (over) collections. PECO began recovering these costs through a rider in January 2010 based on projected spending under the program. Recovery will continue over the life of the program, which expires on May 31, 2013. Excess funds collected are required to be refunded no later than six months following the expiration of the program.

Electric distribution tax repairs. PECO's 2010 electric distribution rate case settlement required that the expected cash benefit from the application of Revenue Procedure 2011-43, which was issued on August 19, 2011, to prior tax years be refunded to customers over a seven-year period. Credits will be reflected in customer bills beginning January 1, 2012. No interest will be paid to customers.

Under (Over)-recovered universal service fund costs. The universal service fund cost is a recovery mechanism that allows PECO to recover discounts issued to electric and gas customers enrolled in assistance programs. As of December 31, 2011, PECO was under-recovered for its electric program and over-recovered for its gas program. PECO earns interest on under-recovered costs and pays interest on over-recovered costs to customers.

Under (Over)-recovered AEPS costs current asset (liability). The AEPS costs represent the administrative and AEC costs incurred to comply with the requirements of the AEPS Act, which are recoverable on a full and current basis. PECO earns interest on under-recovered costs and pays interest on over-recovered costs to customers.

Operating and Maintenance for Regulatory Required Programs (Exelon, ComEd and PECO)

The following tables set forth costs for various legislative and/or regulatory programs that are recoverable from customers on a full and current basis through a rider for ComEd and PECO for the years ended December 31, 2011, 2010 and 2009. An equal and offsetting amount has been reflected in operating revenues during the periods.

For the Year Ended December 31, 2011	Exelon	ComEd	PECO
Energy efficiency and demand response programs	\$ 162	\$ 110 ^(a)	\$ 52
Smart meter program	9	—	9
Purchased power administrative costs	10	5	5
AEPS administrative costs	1	—	1
Consumer education program	2	—	2
Total operating and maintenance for regulatory required programs	<u>\$ 184</u>	<u>\$ 115</u>	<u>\$ 69</u>

For the Year Ended December 31, 2010	Exelon	ComEd	PECO
Energy efficiency and demand response programs	\$ 135	\$ 85 ^(a)	\$ 50
Advanced metering infrastructure pilot program	5	5	—
Purchased power administrative costs	4	4	—
Consumer education program	3	—	3
Total operating and maintenance for regulatory required programs	<u>\$ 147</u>	<u>\$ 94</u>	<u>\$ 53</u>

For the Year Ended December 31, 2009	Exelon	ComEd	PECO
Energy efficiency and demand response programs	\$ 59	\$ 59 ^(a)	\$ —
Purchased power administrative costs	4	4	—
Total operating and maintenance for regulatory required programs	<u>\$ 63</u>	<u>\$ 63</u>	<u>\$ —</u>

(a) As a result of the Illinois Settlement, utilities are required to provide energy efficiency and demand response programs.

Merger and Acquisitions (Exelon and Generation)

Proposed Merger with Constellation Energy Group, Inc. (Exelon)

On April 28, 2011, Exelon and Constellation Energy Group, Inc. (Constellation) announced that they signed an agreement and plan of merger to combine the two companies in a stock-for-stock transaction. Under the merger agreement, Constellation's shareholders will receive 0.930 shares of Exelon common stock in exchange for each share of Constellation common stock. Based on Exelon's closing share price on April 27, 2011, Constellation shareholders would receive \$7.9 billion in total equity value. The resulting company will retain the Exelon name and be headquartered in Chicago. The transaction requires the approval by the shareholders of both Exelon and Constellation. Completion of the transaction is also conditioned upon review of the transaction by the U.S. Department of Justice (DOJ) and approval by the FERC, NRC, Maryland Public Service Commission (MDPSC), the New York Public

Service Commission (NYPSC), the Public Utility Commission of Texas (PUCT), and other state and federal regulatory bodies. As of February 9, 2012, Exelon and Constellation have received approval of the transaction from the shareholders of Exelon and Constellation, DOJ, PUCT and the NYPSC. Exelon and Constellation are awaiting final approval of the transaction from the MDPSC, FERC and NRC.

On January 30, 2012, FERC published a notice on its website regarding a non-public investigation of certain of Constellation's power trading activities in and around the New York ISO from September 2007 through December 2008. Exelon continues to evaluate the matter in order to make an assessment regarding (1) the likely outcome of the investigation and (2) whether the ultimate resolution of the investigation will be material to the results of operations, cash flows, or financial condition of Constellation before the merger or Exelon after the merger. Absent any delay in the FERC approval process, the companies anticipate closing the transaction in the first quarter of 2012.

Associated with certain of the regulatory approvals required for the merger, the companies have proposed to divest three Constellation generating stations located in PJM, which is the only market where there is a material overlap of generation owned by both companies. These stations, Brandon Shores and H.A. Wagner in Anne Arundel County, Maryland, and C.P. Crane in Baltimore County, Maryland, include base-load, coal-fired generation units plus associated gas/oil units located at the same sites, and total 2,648 MW of generation capacity. In October 2011, Exelon and Constellation reached a settlement with the PJM Independent Market Monitor, who had previously raised market power concerns regarding the merger. The settlement contains a number of commitments by the merged company, including limiting the universe of potential buyers of the divested assets to entities without significant market shares in the relevant PJM markets. The settlement also includes assurances about how the merged company will bid its units into the PJM markets. The proposed divestiture and the settlement with the PJM Market Monitor were filed with FERC and the MDPSC and are included in their decisions to issue a final order approving the merger.

In December 2011, Exelon and Constellation reached a settlement with the State of Maryland and the City of Baltimore and other interested parties in connection with the regulatory proceedings pending before the MDPSC. As part of this settlement and the application for approval of the merger by MDPSC, Exelon and Constellation have proposed a package of benefits to Baltimore Gas and Electric Company (BGE) customers, the City of Baltimore and the state of Maryland, which results in a direct investment in the state of Maryland of more than \$1 billion. This investment includes capital projects including development of new renewable and gas-fired generation in Maryland, representing a substantial portion of the investment.

In addition, in January 2012 Exelon and Constellation reached an agreement with Electricite de France (EDF) under which EDF has withdrawn its opposition to the Exelon-Constellation merger. The terms address Constellation Energy Nuclear Group (CENG), a joint venture between Constellation and EDF that owns and operates three nuclear facilities with five generating units in Maryland and New York. The agreement reaffirms the terms of the joint venture. The agreement did not include any exchange of monetary consideration and Exelon does not expect the agreement will have a significant impact on Exelon and Generation's future results of operations, financial position and cash flows.

Exelon was named in suits filed in the Circuit Court of Baltimore City, Maryland alleging that individual directors of Constellation breached their fiduciary duties by entering into the proposed merger transaction and Exelon aided and abetted the individual directors' breaches. Similar suits were also filed in the United States District Court for the District of Maryland. The suits sought to enjoin a Constellation shareholder vote on the proposed merger until all material information is disclosed and sought rescission of the proposed merger. During the third quarter, the parties to the suits reached an agreement in principle to settle the suits through additional disclosures to Constellation shareholders. The settlement is subject to court approval.

Through December 31, 2011, Exelon has incurred approximately \$77 million of expense associated with the transaction, primarily related to fees incurred as part of the acquisition. Under the merger agreement, in the event Exelon or Constellation terminates the merger agreement to accept a superior proposal, or under certain other circumstances, Exelon or Constellation, as applicable, would be required

to pay a termination fee of \$800 million in the case of a termination fee payable by Exelon to Constellation or a termination fee of \$200 million in the case of a termination fee payable by Constellation to Exelon.

Acquisitions (Exelon and Generation)

Consistent with the applicable accounting guidance, the fair value of the assets acquired and liabilities assumed was determined as of the acquisition date through the use of significant estimates and assumptions that are judgmental in nature. Some of the more significant estimates and assumptions used include: projected future cash flows (including the amount and timing); discount rates reflecting the risk inherent in the future cash flows; future power and fuel market prices. Additionally, market prices based on the Market Price Referent (MPR) established by the CPUC for renewable energy resources were used in determining the fair value of the Antelope Valley assets acquired and liabilities assumed. There were also judgments made to determine the expected useful lives assigned to each class of assets acquired and the duration of the liabilities assumed. Generation did not record any goodwill related to any of the respective acquisitions.

The following table summarizes the acquisition-date fair value of the consideration transferred and the assets and liabilities assumed for each of the companies acquired by Generation during the years ended December 31, 2011 and December 31, 2010:

	Acquisitions			
	Wolf Hollow	Antelope Valley	Shooting Star	Exelon Ind
Fair value of consideration transferred				
Cash	\$ 305	\$ 75	\$ 3	\$ 893
Plus: Gain on PPA settlement	6	—	—	—
Contingent consideration ^(a)	—	—	9	32
Total fair value of consideration transferred	\$ 311	\$ 75	\$ 12	\$ 925
Recognized amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment	\$ 347	\$ 15	\$ 12	\$ 700
Inventory	5	—	—	—
Intangible assets ^(b)	—	190	—	224
Payable to First Solar, Inc. ^(c)	—	(135)	—	—
Working capital, net ^(d)	(5)	—	—	18
Asset retirement obligations	—	—	—	(13)
Noncontrolling interest	—	—	—	(3)
Other Assets	—	5	—	(1)
Total net identifiable assets	\$ 347	\$ 75	\$ 12	\$ 925
Bargain purchase gain	\$ 36	\$ —	\$ —	\$ —

(a) For the Shooting Star acquisition, the balance includes \$4 million of cash placed in escrow which will be paid to Infinity Wind Holdings, LLC upon commencement of construction.

(b) See Note 7—Intangible Assets for additional information.

(c) Generation concluded that the remaining, yet-to-be paid \$135 million in consideration was embedded in the amounts payable under the Engineering, Procurement, Construction (EPC) agreement for First Solar, Inc. to construct the solar facility. For accounting purposes, this aspect of the transaction is considered to be akin to a "seller financing" arrangement. As such, Generation recorded a liability of \$135 million associated with the portion of the future payments to First Solar, Inc. under the EPC agreement to reflect Generation's implicit amounts due First Solar, Inc. for the remainder of the value of the net assets acquired. The \$135 million payable to First Solar, Inc. will be relieved as Generation makes payments for costs incurred over the project construction period.

(d) Working capital acquired for Wolf Hollow is subject to a 180-day adjustment period.

Wolf Hollow, LLC. On August 24, 2011, Generation completed the acquisition of all of the equity interests of Wolf Hollow, LLC (Wolf Hollow), a combined-cycle, natural gas-fired power plant in north Texas, pursuant to which Generation added 720 MWs of capacity within the ERCOT power market. The acquisition supports the Exelon commitment to clean energy as part of Exelon 2020. In connection with the acquisition, Generation terminated and settled its existing long-term PPA with Wolf Hollow, resulting

in a gain of approximately \$6 million, which is included within operating revenues (other revenue) in Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income.

Generation recognized an approximately \$36 million non-cash bargain purchase gain (i.e., negative goodwill). Increases in observable forward market power prices since the May 2011 transaction announcement date, primarily reflecting the impact on the Texas power markets of the Cross-State Air Pollution Rule (CSAPR) final regulations issued by the EPA in July 2011, as well as sustained hot weather in Texas, resulted in an increase in the fair value of the net assets as of the acquisition date, resulting in the bargain purchase gain. The gain was included within other, net in Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income.

The fair value of the assets acquired included receivables for insurance claims of \$14 million shown in working capital above. This amount represents insured repair costs incurred prior to the acquisition date, less the applicable deductible. As of December 31, 2011, approximately \$4 million remains outstanding, which Generation expects to collect during the first quarter of 2012.

Wolf Hollow's revenue and operating income contribution to Exelon and Generation for the period from August 25, 2011 to December 31, 2011 was approximately \$30 million and \$(5) million, respectively. The unaudited pro forma results for Exelon and Generation as if the Wolf Hollow acquisition occurred on January 1, 2010 were not materially different from Exelon and Generation's financial results for the years ended December 31, 2011 and 2010. Exelon and Generation incurred approximately \$4 million of acquisition-related costs associated with this transaction. These costs are included within operating and maintenance expense in Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income.

Antelope Valley Solar Ranch One. On September 30, 2011, Exelon announced the completion of its acquisition of all of the interests in Antelope Valley Solar Ranch One (Antelope Valley), a 230-MW solar photovoltaic (PV) project under development in northern Los Angeles County, California, from First Solar, Inc., which developed and will build, operate, and maintain the project. Construction has started, with the first portion of the project expected to come online in late 2012 and full operation planned for late 2013. The acquisition supports the Exelon commitment to clean energy as part of Exelon 2020. The project has a 25-year PPA, approved by the California Public Utilities Commission (CPUC), with Pacific Gas & Electric Company for the full output of the plant.

Exelon expects to invest up to \$713 million in equity in the project through 2013. The DOE's Loan Programs Office issued a guarantee for up to \$646 million for a non-recourse loan from the Federal Financing Bank to support the financing of the construction of the project. An initial DOE Loan advance was expected to be made during the fourth quarter of 2011, but was delayed by the DOE pending resolution of an outstanding construction permit issue. While the construction permit may constitute a technical default under the loan guarantee agreement, based on discussions with the governmental body that issued the permit, Exelon believes a ministerial change to the permit should resolve the issue. DOE was notified of this issue and has extended to April 6, 2012 the date by which the initial loan advance must be funded. See Note 10 – Debt and Credit Agreements for additional information on the DOE loan guarantee. The original purchase agreement also contained a provision that First Solar, Inc. will repurchase Antelope Valley if initial funding of the loan does not occur by January 10, 2012. However, the purchase agreement has been amended to extend this date to February 24, 2012 or such later date as may be agreed by Exelon and First Solar, Inc. If this date is not extended further, First Solar, Inc. would repurchase Antelope Valley for the purchase price paid by Exelon and certain other costs incurred by Exelon related to the project.

In 2011, Exelon and Generation incurred approximately \$8 million of acquisition-related costs associated with this transaction. These costs are included within operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Shooting Star Wind Project, LLC. On December 7, 2011, Exelon Wind and Infinity Wind Holdings, LLC (Infinity Wind) entered into a purchase agreement by which Exelon Wind purchased all of the membership interests in Shooting Star Wind Project, LLC (Shooting Star), a 104-MW wind power generation project in Kiowa County, Kansas. Shooting Star is in the development stage and backed by a

20-year PPA with Mid-Kansas Electric Company for 100% of the net energy, capacity, ancillaries, and green tags produced. The project will require a total investment of approximately \$148 million and is expected to achieve commercial operation in the fourth quarter of 2012.

Exelon ☐ **ind.** On December 9, 2010, Generation completed the acquisition of all of the equity interests of John Deere Renewables, LLC (now known as Exelon Wind), a leading operator and developer of wind power. Under the terms of the agreement, Generation added 735 MWs of installed, operating wind capacity located in eight states. The acquisition supports Exelon's commitment to renewable energy as part of Exelon 2020.

The contingent consideration arrangement requires that Generation pay up to \$40 million related to three individual projects with an aggregate capacity of 230 MWs, contingent upon meeting certain contractual commitments related to the commencement of construction of each project. The fair value of the contingent consideration arrangement of \$32 million was determined as of the acquisition date based upon a weighted average probability of meeting certain contractual commitments related to the commencement of construction of each project, which is considered an unobservable (Level 3) input pursuant to applicable accounting guidance. During the third quarter of 2011, \$16 million of contingent consideration was paid to Deere & Company for one of the projects and the probability of a second project beginning construction, Harvest II, was increased to 100%. As a result, \$2 million was recorded in operating and maintenance expense within Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income and the contingent consideration included within other current liabilities within Exelon and Generation's Consolidated Balance Sheets was adjusted to \$10 million to reflect the full expected contingent payment related to the Harvest II project. The remaining \$8 million of contingent consideration is included in other current liabilities within Exelon and Generation's Consolidated Balance Sheets.

The fair value of the assets acquired included customer receivables of \$18 million. There are no outstanding customer receivables that were acquired in the Exelon Wind transaction.

The \$3 million noncontrolling interest represents the noncontrolling members' proportionate share in the fair value of the assets acquired and liabilities assumed in the transaction.

The unaudited pro forma results for Exelon and Generation prepared as if the Exelon Wind acquisition occurred on January 1, 2009 were not materially different from Exelon's and Generation's financial results for the years ended December 31, 2010 and 2009.

☐ **Accounts Receivable (Exelon, Generation, ComEd and PECO)**

Accounts receivable at December 31, 2011 and 2010 included estimated unbilled revenues, representing an estimate for the unbilled amount of energy or services provided to customers, and is net of an allowance for uncollectible accounts as follows:

<u>2011</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Unbilled customer revenues	\$ 902	\$ 493	\$ 246	\$163
Allowance for uncollectible accounts ^(a)	(199)	(29)	(78)	(92) ^(b)
<u>2010</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Unbilled customer revenues	\$1,060	\$ 407	\$ 304	\$349
Allowance for uncollectible accounts ^(a)	(211)	(32)	(80)	(99) ^(b)

(a) Includes the allowance for uncollectible accounts on customer and other accounts receivable.

(b) Includes an allowance for uncollectible accounts of \$8 million and \$2 million at December 31, 2011 and December 31, 2010, respectively, related to PECO's current installment plan receivables described below.

PECO Installment Plan Receivables (Exelon and PECO). PECO enters into payment agreements with certain delinquent customers, primarily residential, seeking to restore their service, as required by the PAPUC. Customers with past due balances that meet certain income criteria are provided the option to

enter into an installment payment plan, some of which have terms greater than one year, to repay past due balances in addition to paying for their ongoing service on a current basis. The receivable balance for these payment agreement receivables is recorded in accounts receivable for the current portion and other deferred debits and other assets for the noncurrent portion. The net receivable balance for installment plans with terms greater than one year was \$21 million and \$22 million as of December 31, 2011 and December 31, 2010, respectively. The allowance for uncollectible accounts reserve methodology and assessment of the credit quality of the installment plan receivables are consistent with the customer accounts receivable methodology discussed in Note 1 – Significant Accounting Policies. The allowance for uncollectible accounts balance associated with these receivables at December 31, 2011 of \$17 million consists of \$1 million, \$3 million and \$13 million for low risk, medium risk and high risk segments, respectively. The allowance for uncollectible accounts balance at December 31, 2010 of \$19 million consists of \$1 million, \$5 million and \$13 million for low risk, medium risk and high risk segments, respectively. The balance of the payment agreement is billed to the customer in equal monthly installments over the term of the agreement. Installment receivables outstanding as of December 31, 2011 include balances not yet presented on the customer bill, accounts currently billed and an immaterial amount of past due receivables. When a customer defaults on its payment agreement, the terms of which are defined by plan type, the entire balance of the agreement becomes due and the balance is reclassified to current customer accounts receivable and reserved for in accordance with the methodology discussed in Note 1—Significant Accounting Policies.

Accounts Receivable Agreement (Exelon and PECO). PECO is party to an agreement with a financial institution under which it sold an undivided interest, adjusted daily, in up to \$225 million of designated accounts receivable, which is accounted for as a secured borrowing. As of December 31, 2011 and December 31, 2010, the financial institution's undivided interest in Exelon and PECO's gross accounts receivable was equivalent to \$329 million and \$346 million, respectively, which is calculated under the terms of the agreement. See Note 10—Debt and Credit Agreements for additional information regarding the accounts receivable agreement.

□ Property, Plant and Equipment (Exelon, Generation, ComEd and PECO)

Exelon

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2011 and 2010:

Asset Category	Average Service Life (Years)	2011	2010
Electric—transmission and distribution	5 -75	\$21,716	\$20,389
Electric—generation ^(a)	1 -54	13,682	11,914
Gas—transportation and distribution	5 -70	1,793	1,732
Common—electric and gas	5 -50	564	534
Nuclear fuel ^(b)	1 - 8	4,225	3,725
Construction work in progress	N/A	1,110	1,290
Other property, plant and equipment ^(c)	4 -50	439	421
Total property, plant and equipment		43,529	40,005
Less: accumulated depreciation ^(d)		10,959	10,064
Property, plant and equipment, net		<u>\$32,570</u>	<u>\$29,941</u>

(a) Includes assets acquired through acquisitions. See Note 3—Acquisition for additional information.

(b) Includes nuclear fuel that is in the fabrication and installation phase of \$674 million and \$651 million at December 31, 2011 and 2010, respectively.

(c) Includes Generation's buildings under capital lease with a net carrying value of \$23 million and \$26 million at December 31, 2011 and 2010, respectively. The original cost basis of the buildings was \$53 million and total accumulated amortization was \$30 million and \$27 million as of December 31, 2011 and 2010, respectively. Also includes unregulated property at ComEd and PECO.

(d) Includes accumulated amortization of nuclear fuel in the reactor core at Generation of \$1,784 million and \$1,592 million as of December 31, 2011 and 2010, respectively.

The following table presents the annual depreciation provisions as a percentage of average service life for each asset category.

Average Service Life Percentage b Asset Category	2011	2010	2009
Electric—transmission and distribution	2.59%	2.53%	2.43%
Electric—generation	3.12%	2.86%	2.28%
Gas	1.73%	1.75%	1.75%
Common—electric and gas	8.05%	7.25%	6.41%

Generation

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2011 and 2010:

Asset Category	Average Service Life (Years)	2011	2010
Electric—generation ^(a)	1 -54	\$13,682	\$11,914
Nuclear fuel ^(b)	1 - 8	4,225	3,725
Construction work in progress	N/A	827	849
Other property, plant and equipment ^(c)	4 -22	54	54
Total property, plant and equipment		18,788	16,542
Less: accumulated depreciation ^(d)		5,313	4,880
Property, plant and equipment, net		<u>\$13,475</u>	<u>\$11,662</u>

(a) Includes assets acquired through acquisitions. See Note 3—Acquisition for additional information.

(b) Includes nuclear fuel that is in the fabrication and installation phase of \$674 million and \$651 million at December 31, 2011 and 2010, respectively.

(c) Includes buildings under capital lease with a net carrying value of \$23 million and \$26 million at December 31, 2011 and 2010, respectively. The original cost basis of the buildings was \$53 million and total accumulated amortization was \$30 million and \$27 million as of December 31, 2011 and 2010, respectively.

(d) Includes accumulated amortization of nuclear fuel in the reactor core of \$1,784 million and \$1,592 million as of December 31, 2011 and 2010, respectively.

The annual depreciation provisions as a percentage of average service life for electric generation assets were 3.12%, 2.86% and 2.28% for the years ended December 31, 2011, 2010 and 2009, respectively.

License Renewals. Generation's depreciation provisions are based on the estimated useful lives of its generating stations, which assume the renewal of the licenses for all nuclear generating stations except for Oyster Creek. See Note 18—Commitments and Contingencies for additional information regarding Oyster Creek. As a result, the receipt of license renewals has no impact on the Consolidated Statements of Operations. See Note 2—Regulatory Matters for additional information regarding license renewals.

Long-Lived Asset Impairments. Due to the continued decline in forward energy prices in the first quarter of 2009, Generation evaluated its Texas plants for recoverability as of March 31, 2009. As the estimated undiscounted future cash flows and fair value of the Handley and Mountain Creek stations were less than the stations' carrying values, the stations were determined to be impaired at March 31, 2009. LaPorte station was determined not to be impaired. Accordingly, the Handley and Mountain Creek stations were written down to fair value, and an impairment charge of \$223 million was recorded in operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations in the first quarter of 2009. The fair value of the stations was determined using the income (discounted cash flow), market (available comparables) and cost (replacement cost) valuation approaches.

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2011 and 2010:

Asset Category	Average Service Life (Years)	2011	2010
Electric—transmission and distribution	5 - 75	\$15,637	\$14,752
Construction work in progress	N/A	187	207
Other property, plant and equipment ^(a)	50	47	47
Total property, plant and equipment		15,871	15,006
Less: accumulated depreciation		2,750	2,428
Property, plant and equipment, net		<u>\$13,121</u>	<u>\$12,578</u>

(a) Represents unregulated property.

The annual depreciation provisions as a percentage of average service life for electric transmission and distribution assets were 2.67%, 2.64% and 2.57% for the years ended December 31, 2011, 2010 and 2009, respectively.

PECO

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2011 and 2010:

Asset Category	Average Service Life (Years)	2011	2010
Electric—transmission and distribution	5 - 65	\$6,079	\$5,637
Gas—transportation and distribution	5 - 70	1,793	1,732
Common—electric and gas	5 - 50	564	534
Construction work in progress	N/A	83	231
Other property, plant and equipment (a)	50	17	17
Total property, plant and equipment		8,536	8,151
Less: accumulated depreciation		2,662	2,531
Property, plant and equipment, net		<u>\$5,874</u>	<u>\$5,620</u>

(a) Represents unregulated property.

The following table presents the annual depreciation provisions as a percentage of average service life for each asset category.

Average Service Life Percentage by Asset Category	2011	2010	2009
Electric—transmission and distribution	2.33%	2.17%	1.97%
Gas	1.73%	1.75%	1.75%
Common—electric and gas	8.05%	7.25%	6.41%

See Note 1—Significant Accounting Policies for further information regarding property, plant and equipment policies and accounting for capitalized software costs for Exelon, Generation, ComEd and PECO. See Note 10—Debt and Credit Agreements for further information regarding Exelon's, ComEd's and PECO's property, plant and equipment subject to mortgage liens.

Jointly Owned Electric Utility Plant (Exelon, Generation and PECO)

Exelon's, Generation's and PECO's undivided ownership interests in jointly owned electric plants and transmission facilities at December 31, 2011 and 2010 were as follows:

	Nuclear generation			Fossil fuel generation			Transmission		Other (d)
	Quad Cities	Peach Bottom	Salem (a)	ComEd	Conemaugh	ComEd	PA (b)	DEIN (c)	
	Generation	Generation	PSEG Nuclear	GenO n	GenO n	FP&L	First Energy	PSEG	
Operator Ownership interest	%	%	%	%	%	%		42.5%	44.2%
Exelon's share at December 31, 2011	75.00	50.00	42.59	20.99	20.72	5.89	Various	5	4
Plant	\$ 822	\$ 650	\$ 420	\$ 366	\$ 271	\$ 3	\$ 5	\$ 66	\$ 1
Accumulated depreciation	156	285	103	137	154	3	3	33	—
Construction work in progress	37	111	61	5	15	—	—	—	—
Exelon's share at December 31, 2011									
Plant	\$ 709	\$ 566	\$ 395	\$ 360	\$ 247	\$ 3	\$ 8	\$ 60	\$ 1
Accumulated depreciation	124	274	96	128	152	2	5	29	—
Construction work in progress	63	88	72	3	11	—	—	—	—

- (a) Generation also owns a proportionate share in the fossil fuel combustion turbine at Salem, which is fully depreciated. The gross book value was \$3 million at December 31, 2011 and 2010.
- (b) PECO owns a 22% share in 127 miles of 500 kV lines located in Pennsylvania; PECO also owns a 20.7% share of a 500 kV substation immediately outside of the Conemaugh fossil generating station which supplies power to the 500 kV lines noted above.
- (c) PECO owns a 42.55% share in 131 miles of 500 kV lines located in Delaware and New Jersey as well as a 42.55% share in a 500kV substation immediately outside of the Salem nuclear generating station in New Jersey which supplies power to the 500kV lines noted above.
- (d) Generation has a 44.24% ownership interest in Merrill Creek Reservoir located in New Jersey.

Exelon's, Generation's and PECO's undivided ownership interests are financed with their funds and all operations are accounted for as if such participating interests were wholly owned facilities. Exelon's, Generation's and PECO's share of direct expenses of the jointly owned plants are included in fuel and operating and maintenance expenses on Exelon's and Generation's Consolidated Statements of Operations and in operating and maintenance expenses on PECO's Consolidated Statements of Operations.

□. Intangible Assets (Exelon, Generation, ComEd and PECO)

Goodwill

Exelon's and ComEd's gross amount of goodwill, accumulated impairment losses and carrying amount of goodwill for the years ended December 31, 2011 and 2010 were as follows:

	2011			2010		
	Gross Amount ^(a)	Accumulated Impairment Losses	Carrying Amount	Gross Amount ^(a)	Accumulated Impairment Losses	Carrying Amount
Balance, January 1	\$ 4,608	\$ 1,983	\$2,625	\$ 4,608	\$ 1,983	\$2,625
Impairment losses	—	—	—	—	—	—
Balance, December 31,	<u>\$ 4,608</u>	<u>\$ 1,983</u>	<u>\$2,625</u>	<u>\$ 4,608</u>	<u>\$ 1,983</u>	<u>\$2,625</u>

(a) Reflects goodwill recorded in 2000 from the PECO/Unicom merger net of amortization, resolution of tax matters and other non-impairment-related changes as allowed under previous authoritative guidance.

Goodwill is not amortized, but is subject to an assessment for impairment at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The impairment assessment is performed using a two-step, fair value based test. The first step compares the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense.

Exelon assesses goodwill impairment at its ComEd reporting unit. Accordingly, any goodwill impairment charge at ComEd will affect Exelon's consolidated results of operations. Under the effective authoritative guidance for fair value measurement, Exelon and ComEd estimate the fair value of the ComEd reporting unit using a weighted combination of a discounted cash flow analysis and a market multiples analysis. New guidance that does not have an impact on the Step 1 test will become effective for ComEd January 1, 2012. See Note 1—Significant Accounting Policies for additional information on the new guidance. The discounted cash flow analysis relies on a single scenario reflecting "base case" or "best estimate" projected cash flows for ComEd's business and includes an estimate of ComEd's terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the entity's residual cash flows. The discount rate is based on the generally accepted Capital Asset Pricing Model and represents the weighted average cost of capital of comparable companies. The market multiples analysis utilizes multiples of business enterprise value to earnings, before interest, taxes, depreciation and amortization (EBITDA) of comparable companies in estimating fair value. Significant assumptions used in estimating the fair value include discount and growth rates, utility sector market performance and transactions, operating and capital expenditure requirements and the fair value of debt. Management performs a reconciliation of the sum of the estimated fair value of all Exelon reporting units to Exelon's enterprise value based on its trading price to corroborate the results of the discounted cash flow analysis and the market multiple analysis.

2011 Annual Goodwill Impairment Assessment. The 2011 annual goodwill impairment assessment was performed as of November 1, 2011. The first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill; therefore, the second step was not required. Operating and capital expenditure requirements used for the 2011 assessment included the impacts of EIMA discussed in Note 2—Regulatory Matters. Although the fair value of the reporting unit currently exceeds its carrying value, deterioration in market related factors used in the impairment review, a fully successful IRS challenge to Exelon's and ComEd's like-kind exchange income tax position or adverse regulatory actions such as early termination of EIMA could potentially result in a future impairment loss of ComEd's goodwill, which could be material.

Prior Goodwill Impairment Assessments. The 2010 and 2009 annual goodwill impairment assessments were performed as of November 1, 2010 and November 1, 2009, respectively. In each

case, the first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill; therefore, the second step was not required.

Other Intangible Assets

Exelon's, Generation's and ComEd's other intangible assets, included in deferred debits and other assets in their Consolidated Balance Sheets, consisted of the following as of December 31, 2011:

	Gross	Accumulated Amortization	Net	Estimated amortization expense				
				2011	2010	2010	2010	2010
Generation								
Exelon Wind acquisition ^(a)	\$224	\$ (13)	\$211	\$ 13	\$14	\$14	\$14	\$14
Antelope Valley acquisition ^(b)	190	—	190	—	6	7	7	7
ComEd								
Chicago settlement—1999 agreement ^(c)	100	(69)	31	3	3	3	3	3
Chicago settlement—2003 agreement ^(d)	62	(31)	31	4	4	4	4	4
Total intangible assets	\$576	\$ (113)	\$463	\$ 20	\$27	\$28	\$28	\$28

(a) Refer to Note 3—Acquisition for additional information regarding Exelon Wind.

(b) Refer to Note 3—Acquisition for additional information regarding Antelope Valley.

(c) In March 1999, ComEd entered into a settlement agreement with the City of Chicago associated with ComEd's franchise agreement. Under the terms of the settlement, ComEd agreed to make payments to the City of Chicago each year from 1999 to 2002. The intangible asset recognized as a result of these payments is being amortized ratably over the remaining term of the franchise agreement, which ends in 2020.

(d) In February 2003, ComEd entered into separate agreements with the City of Chicago and with Midwest Generation, LLC (Midwest Generation). Under the terms of the settlement agreement with the City of Chicago, ComEd agreed to pay the City of Chicago a total of \$60 million over a ten-year period, beginning in 2003. The intangible asset recognized as a result of the settlement agreement is being amortized ratably over the remaining term of the City of Chicago franchise agreement, which ends in 2020. As required by the settlement, ComEd also made a payment of \$2 million to a third party on the City of Chicago's behalf. Under the terms of the agreement with Midwest Generation, ComEd received payments of \$32 million from Midwest Generation to relieve Midwest Generation's obligation under the 1999 fossil sale agreement with ComEd to build the generation facility in the City of Chicago. The payments received by ComEd, which have been recorded in other long-term liabilities, are being recognized ratably (approximately \$2 million annually) as an offset to amortization expense over the remaining term of the franchise agreement.

The following table summarizes the amortization expense related to intangible assets for each of the years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,	Exelon	Generation	ComEd
2011	\$ 19	\$ 12	\$ 7
2010	8	1	7
2009	7	—	7

Acquired Intangible Assets

Accounting guidance for business combinations requires that the acquirer must recognize separately identifiable intangible assets in the application of purchase accounting. The valuation of the acquired intangible assets discussed below were estimated by applying the income approach, which is based upon discounted projected future cash flows associated with the respective PPAs. Those measures are based upon certain unobservable inputs, which are considered Level 3 inputs, pursuant to applicable accounting guidance.

Antelope Valley. Upon completion of the development project, all of the output will be sold under a PPA with Pacific Gas & Electric. The excess of the contract price of the PPA over forecasted MPR-based market prices was recognized as an intangible asset at the acquisition date. Generation determined that the estimated acquisition-date fair value of the intangible asset was approximately \$190 million, which was recorded in other deferred debits and other assets within Exelon and Generation's Consolidated

Balance Sheets. While Generation expects to perform under the PPA once the construction of this project is complete, there is a risk of impairment if the project does not reach commercial operation.

Key assumptions used in the valuation of the intangible asset include forecasted MRP-based market prices and discount rate. The intangible asset will be amortized as revenue is earned over the 25 term of the underlying PPA. The amortization expense will be reflected as a decrease in operating revenue within Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income.

Exelon Wind. The output of the acquired wind turbines has been sold under PPA contracts. The excess of the contract price of the PPAs over market prices was recognized as intangible assets. Generation determined that the estimated acquisition-date fair value of the intangible assets was approximately \$224 million, which was recorded in other deferred debits and other assets within Exelon and Generation's Consolidated Balance Sheets. Included in this amount is \$21 million related to the PPAs for the projects that are in the advanced stage of development. While Generation expects to perform under the PPAs once the construction of these projects is complete, there is a risk of impairment if the projects do not reach commercial operation.

Key assumptions used in the valuation of the intangible assets include forecasted power prices and discount rate. The intangible assets will be amortized on a straight-line basis over the period in which the associated contract revenues are recognized. The amortization expense will be reflected as a decrease in operating revenue within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. The weighted-average amortization period for these intangibles is approximately 18 years.

Renewable Energy Credits and Alternative Energy Credits (Exelon, Generation and PECO).

Exelon's, Generation's and PECO's other intangible assets, included in other current assets and other deferred debits and other assets on the Consolidated Balance Sheets, include RECs (Exelon and Generation) and AECs (Exelon and PECO). As of December 31, 2011 and 2010, PECO had current AECs of \$14 million and \$10 million, respectively, and noncurrent AECs of \$16 million and \$11 million, respectively. As of December 31, 2011 and 2010, the balances of RECs for Generation, which are considered noncurrent, were \$6 million and \$8 million, respectively. See Notes 2—Regulatory Matters and Note 18—Commitments and Contingencies for additional information on RECs and AECs.

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

Non-Derivative Financial Assets and Liabilities. As of December 31, 2011 and 2010, the Registrants' carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, short term notes payable and accrued liabilities are representative of fair value because of the short-term nature of these instruments.

Fair Value of Financial Liabilities Recorded at the Carrying Amount

Exelon

The carrying amounts and fair values of Exelon's long-term debt, SNF obligation and preferred securities of subsidiary as of December 31, 2011 and 2010 were as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	\$12,627	\$14,488	\$12,213	\$12,960
Long-term debt to financing trusts	390	358	390	350
Spent nuclear fuel obligation	1,019	886	1,018	876
Preferred securities of subsidiary	87	79	87	68

The fair value of long-term debt is determined using a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing

curves. The fair value of preferred securities of subsidiaries is determined using observable market prices as these securities are actively traded. The carrying amount of Exelon and Generation's SNF obligation resulted from a contract with the DOE to provide for disposal of SNF from Generation's nuclear generating stations. Exelon and Generation's obligation to the DOE accrues at the 13-week Treasury rate. When determining the fair value of the obligation, the future carrying amount of the SNF obligation in 2020 is calculated by compounding the current book value of the SNF obligation at the 13-week Treasury rate. The future compounded obligation amount is discounted back to present using the prevailing Treasury rate for a long-term obligation with an estimated maturity date of 2020 (after being adjusted for Generation's credit risk).

Generation

The carrying amounts and fair values of Generation's long-term debt and SNF obligation as of December 31, 2011 and 2010 were as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	\$3,677	\$4,231	\$3,679	\$3,792
Spent nuclear fuel obligation	1,019	886	1,018	876

ComEd

The carrying amounts and fair values of ComEd's long-term debt as of December 31, 2011 and 2010 were as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	\$5,665	\$6,540	\$5,001	\$5,411
Long-term debt to financing trust	206	184	206	176

PECO

The carrying amounts and fair values of PECO's long-term debt and preferred securities as of December 31, 2011 and 2010 were as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	\$1,972	\$2,295	\$2,222	\$2,402
Long-term debt to financing trusts	184	174	184	173
Preferred securities	87	79	87	68

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, 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, non-exchange-based 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 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 non-exchange-based derivatives and investments priced using an alternative pricing mechanism.

There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2011 and 2010. See Note 13—Retirement Benefits for further information regarding the fair value and related valuation techniques for pension and postretirement plan assets.

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 December 31, 2011 and 2010:

<u>As of December 31, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents ^(a)	\$ 861	\$ —	\$ —	\$ 861
Nuclear decommissioning trust fund investments				
Cash equivalents	504	—	—	504
Equity				
Equity securities	1,275	—	—	1,275
Commingled funds	—	1,822	—	1,822
Equity funds subtotal	<u>1,275</u>	<u>1,822</u>	<u>—</u>	<u>3,097</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	774	345	—	1,119
Debt securities issued by states of the United States and political subdivisions of the states	—	541	—	541
Corporate debt securities	—	779	—	779
Federal agency mortgage-backed securities	—	357	—	357
Commercial mortgage-backed securities (non-agency)	—	83	—	83
Residential mortgage-backed securities (non-agency)	—	5	—	5
Mutual funds	—	47	—	47
Fixed income subtotal	<u>774</u>	<u>2,157</u>	<u>—</u>	<u>2,931</u>
Other debt obligations	—	19	13	32
Nuclear decommissioning trust fund investments subtotal ^(b)	<u>2,553</u>	<u>3,998</u>	<u>13</u>	<u>6,564</u>
Pledged assets for Zion decommissioning				
Cash equivalents	—	—	—	—
Equity				
Equity securities	35	—	—	35
Commingled funds	—	30	—	30
Equity funds subtotal	<u>35</u>	<u>30</u>	<u>—</u>	<u>65</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	54	26	—	80
Debt securities issued by states of the United	—	65	—	65

States and political subdivisions of the states				
Corporate debt securities	—	311	—	311
Federal agency mortgage-backed securities	—	121	—	121
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	20	—	20
Fixed income subtotal	<u>54</u>	<u>553</u>	<u>—</u>	<u>607</u>
Direct lending funds	—	—	37	37
Other debt obligations	—	16	—	16
Pledged assets for Zion decommissioning subtotal ^(a)	<u>89</u>	<u>599</u>	<u>37</u>	<u>725</u>

<u>As of December 31, 2011</u>	<u>DeCet 1</u>	<u>DeCet 2</u>	<u>DeCet 3</u>	<u>Total</u>
Rabbi trust investments				
Cash equivalents	2	—	—	2
Mutual funds ^(a)	—	34	—	34
Rabbi trust investments subtotal	<u>2</u>	<u>34</u>	<u>—</u>	<u>36</u>
Commodity mark-to-market derivative assets				
Cash flow hedges	—	857	—	857
Other derivatives	—	1,653	124	1,777
Proprietary trading	—	240	48	288
Interest rate mark-to-market derivative assets	—	15	—	15
Effect of netting and allocation of collateral ^(a)	—	(1,827)	(28)	(1,855)
Mark-to-market assets ^(b)	—	938	144	1,082
Total assets	<u>3,505</u>	<u>5,569</u>	<u>194</u>	<u>9,268</u>
Liabilities				
Commodity mark-to-market derivative liabilities				
Cash flow hedges	—	(13)	—	(13)
Other derivatives	(1)	(1,137)	(119)	(1,257)
Proprietary trading	—	(236)	(28)	(264)
Interest rate mark-to-market derivative liabilities	—	(19)	—	(19)
Effect of netting and allocation of collateral ^(a)	—	1,295	20	1,315
Mark-to-market liabilities ^(b)	(1)	(110)	(127)	(238)
Deferred compensation	—	(73)	—	(73)
Total liabilities	<u>(1)</u>	<u>(183)</u>	<u>(127)</u>	<u>(311)</u>
Total net assets	<u>\$3,504</u>	<u>\$ 5,386</u>	<u>\$ 67</u>	<u>\$ 8,957</u>

<u>As of December 31, 2010</u>	<u>DeCet 1</u>	<u>DeCet 2</u>	<u>DeCet 3</u>	<u>Total</u>
Assets				
Cash equivalents ^(a)	\$1,473	\$ —	\$ —	\$ 1,473
Nuclear decommissioning trust fund investments				
Cash equivalents	45	—	—	45
Equity				
Equity securities	1,513	—	—	1,513
Commingled funds	—	2,081	—	2,081
Equity funds subtotal	<u>1,513</u>	<u>2,081</u>	<u>—</u>	<u>3,594</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	504	96	—	600
Debt securities issued by states of the United States and political subdivisions of the states	—	451	—	451
Corporate debt securities	—	619	—	619
Federal agency mortgage-backed securities	—	804	—	804

Commercial mortgage-backed securities (non-agency)	—	114	—	114
Residential mortgage-backed securities (non-agency)	—	14	—	14
Commingled funds	—	47	—	47
Mutual funds	—	40	—	40
Fixed income subtotal	504	2,185	—	2,689
Other debt obligations	—	48	—	48
Nuclear decommissioning trust fund investments subtotal ^(b)	2,062	4,314	—	6,376
As of December 31, 2010	De Cel 1	De Cel 2	De Cel 3	Total
Pledged assets for Zion decommissioning				
Equity				
Equity securities	84	—	—	84
Commingled funds	—	82	—	82
Equity funds subtotal	84	82	—	166
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	166	12	—	178
Debt securities issued by states of the United States and political subdivisions of the states	—	45	—	45
Corporate debt securities	—	263	—	263
Federal agency mortgage-backed securities	—	102	—	102
Commercial mortgage-backed securities (non-agency)	—	14	—	14
Commingled funds	—	50	—	50
Fixed income subtotal	166	486	—	652
Other debt obligations	—	2	—	2
Pledged assets for Zion decommissioning subtotal ^(c)	250	570	—	820
Rabbi trust investments				
Mutual funds ^(d)	—	36	—	36
Rabbi trust investments subtotal	—	36	—	36
Mark-to-market derivative assets				
Cash flow hedges	—	724	12	736
Other derivatives	2	1,709	57	1,768
Proprietary trading	—	235	46	281
Effect of netting and allocation of collateral ^(e)	(3)	(1,848)	(38)	(1,889)
Mark-to-market assets ^(f)	(1)	820	77	896
Total assets	3,784	5,740	77	9,601
Liabilities				
Mark-to-market derivative liabilities				
Cash flow hedges	—	(45)	—	(45)
Other derivatives	(2)	(667)	(29)	(698)
Proprietary trading	—	(233)	(21)	(254)
Effect of netting and allocation of collateral ^(e)	1	914	23	938
Mark-to-market liabilities ^(f)	(1)	(31)	(27)	(59)
Deferred compensation	—	(76)	—	(76)
Total liabilities	(1)	(107)	(27)	(135)
Total net assets	\$3,783	\$5,633	\$50	\$9,466

- (a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.
- (b) Excludes net (liabilities) assets of \$(57) million and \$32 million at December 31, 2011 and 2010, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables and payables related to pending securities purchases.
- (c) Excludes net assets of \$9 million and \$4 million at December 31, 2011 and 2010. These items consist of receivables related to pending securities sales, interest and dividend receivables and payables related to pending securities purchases.
- (d) Excludes \$25 million of the cash surrender value of life insurance investments at December 31, 2011 and 2010.
- (e) Includes collateral postings received from counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$532 million and \$8 million allocated to Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2011. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$2 million, \$934 million and \$15 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2010.
- (f) The Level 3 balance does not include current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$503 million and \$191 million at December 31, 2011 and \$450 million and \$525 million at December 31, 2010, respectively, related to the fair value of Generation's financial swap contract with ComEd; and current assets of \$5 million at December 31, 2010, related to the fair value of Generation's block contracts with PECO, which eliminate upon consolidation in Exelon's Consolidated Financial Statements. Generation's block contracts with PECO ended December 31, 2011.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

For the Year Ended December 31, 2011	Nuclear Decommissioning Trust Fund Investment	Pledged Assets for Generation Station Decommissioning	Derivative Net Derivatives	Total
Balance as of January 1, 2011	\$ —	\$ —	\$ 50	\$ 50
Total realized / unrealized gains (losses)				
Included in income	1	—	99 ^(a)	100
Included in other comprehensive income	—	—	(25) ^(b)	(25)
Included in regulatory liabilities	2	—	(106)	(104)
Change in collateral	—	—	6	6
Purchases, sales, issuances and settlements				
Purchases	10	60	10	80
Sales	—	(23)	—	(23)
Transfers out of Level 3	—	—	(17)	(17)
Balance as of December 31, 2011	<u>\$ 13</u>	<u>\$ 37</u>	<u>\$ 17</u>	<u>\$ 67</u>
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the year ended December 31, 2011	\$ 1	\$ —	\$ 131	\$ 132

- (a) Includes the reclassification of \$32 million of realized losses due to settlements of derivative contracts recorded in results of operations for the year ended December 31, 2011.
- (b) Excludes \$170 million of increases in fair value and \$451 million of realized losses reclassified from OCI due to settlements of associated with Generation's financial swap contract with ComEd for the year ended December 31, 2011 and \$5 million of decreases in fair value due to settlement of Generation's block contracts with PECO for the year ended December 31, 2011. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

For the Year Ended December 31, 2010	Service Liability	Nuclear Decommissioning Trust Fund Investments	Derivative Net Derivatives	Total
Balance as of January 1, 2010	\$ (2)	\$ —	\$ (44)	\$ (46)

Total realized / unrealized gains				
Included in income	2 ^(c)	—	46 ^(a)	48
Included in other comprehensive income	—	—	16 ^(b)	16
Included in regulatory assets/liabilities	—	—	2	2
Change in collateral	—	—	(10)	(10)
Purchases, sales, issuances and settlements				
Purchases	—	13	15	28
Sales	—	(1)	—	(1)
Transfers out of Level 3	—	(12)	25	13
Balance as of December 31, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 50</u>
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the year ended December 31, 2010	\$ —	\$ —	\$ 54	\$ 54

- (a) Includes the reclassification of \$8 million of realized losses due to settlements of derivative contracts recorded in results of operations.
- (b) Excludes increases in fair value of \$375 million and realized losses reclassified from OCI due to settlements of \$371 million associated with Generation's financial swap contract with ComEd for the year ended December 31, 2010. The PECO block contracts were designated as normal sales as of May 31, 2010. As such, there were no effective changes in the fair value of the block contracts with PECO after that point, as the mark-to-market balances previously recorded will be amortized over the term of the contracts. The increase in fair value was \$3 million through May 31, 2010. Generation's block contracts with PECO ended December 31, 2011. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.
- (c) The servicing liability related to PECO's accounts receivable agreement was released in accordance with new guidance on accounting for transfers of financial assets that was adopted on January 1, 2010. See Note 10—Debt and Credit Agreements for additional information.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

	Operating CeCenue	Purchased Power	Fuel	Other, net (a)
Total gains (losses) included in income for the year ended December 31, 2011	\$ 108	\$ —	\$ (9)	\$ 1
Change in the unrealized gains (losses) relating to assets and liabilities held for the year ended December 31, 2011	\$ 137	\$ —	\$ (6)	\$ 1
	Operating CeCenue	Purchased Power	Fuel	Other, net
Total gains included in income for the year ended December 31, 2010	\$ 3	\$ 7	\$36	\$—
Change in the unrealized gains relating to assets and liabilities held for the year ended December 31, 2010	\$ 22	\$ 4	\$28	\$—

(a) Other, net activity consists of realized and unrealized gains included in income for the NDT funds held by Generation.

Generation

The following table presents assets and liabilities measured and recorded at fair value on Generation's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2011 and 2010:

As of December 31, 2011	Level 1	Level 2	Level 3	Total

Assets				
Cash equivalents ^(a)	\$ 466	\$ —	\$ —	\$ 466
Nuclear decommissioning trust fund investments				
Cash equivalents	504	—	—	504
Equity				
Equity securities	1,275	—	—	1,275
Commingled funds	—	1,822	—	1,822
Equity funds subtotal	<u>1,275</u>	<u>1,822</u>	<u>—</u>	<u>3,097</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	774	345	—	1,119
Debt securities issued by states of the United States and political subdivisions of the states	—	541	—	541
Corporate debt securities	—	779	—	779
Federal agency mortgage-backed securities	—	357	—	357
Commercial mortgage-backed securities (non-agency)	—	83	—	83
Residential mortgage-backed securities (non-agency)	—	5	—	5
Mutual funds	—	47	—	47
Fixed income subtotal	<u>774</u>	<u>2,157</u>	<u>—</u>	<u>2,931</u>
Other debt obligations	—	19	13	32
Nuclear decommissioning trust fund investments subtotal ^(b)	<u>2,553</u>	<u>3,998</u>	<u>13</u>	<u>6,564</u>
Pledged assets for Zion Station decommissioning				
Equity				
Equity securities	35	—	—	35
Commingled funds	—	30	—	30
Equity funds subtotal	<u>35</u>	<u>30</u>	<u>—</u>	<u>65</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	54	26	—	80
Debt securities issued by states of the United States and political subdivisions of the states	—	65	—	65
Corporate debt securities	—	311	—	311
Federal agency mortgage-backed securities	—	121	—	121
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	20	—	20
Fixed income subtotal	<u>54</u>	<u>553</u>	<u>—</u>	<u>607</u>
Direct lending funds	—	—	37	37
Other debt obligations	—	16	—	16
Pledged assets for Zion Station decommissioning subtotal ^(c)	<u>89</u>	<u>599</u>	<u>37</u>	<u>725</u>
Rabbi trust investments ^{(d)(e)}	—	4	—	4
As of December 31, 2011				
	<u>DeCel 1</u>	<u>DeCel 2</u>	<u>LeCel 2</u>	<u>Total</u>
Commodity mark-to-market derivative assets				
Cash flow hedges	—	857	694	1,551
Other derivatives	—	1,653	124	1,777
Proprietary trading	—	240	48	288
Effect of netting and allocation of collateral ^(f)	—	(1,827)	(28)	(1,855)
Mark-to-market assets ^(g)	<u>—</u>	<u>923</u>	<u>838</u>	<u>1,761</u>

Total assets	<u>3,108</u>	<u>5,524</u>	<u>888</u>	<u>9,520</u>
Liabilities				
Commodity mark-to-market derivative liabilities				
Cash flow hedges	—	(13)	—	(13)
Other derivatives	(1)	(1,137)	(13)	(1,151)
Proprietary trading	—	(236)	(28)	(264)
Interest rate mark-to-market derivative liabilities	—	(19)	—	(19)
Effect of netting and allocation of collateral ^(b)	—	1,295	20	1,315
Mark-to-market liabilities	(1)	(110)	(21)	(132)
Deferred compensation	—	(18)	—	(18)
Total liabilities	<u>(1)</u>	<u>(128)</u>	<u>(21)</u>	<u>(150)</u>
Total net assets	<u>\$3,107</u>	<u>\$ 5,396</u>	<u>\$ 867</u>	<u>\$ 9,370</u>

As of December 31, 2010

	<u>Debt 1</u>	<u>Debt 2</u>	<u>Debt 3</u>	<u>Total</u>
Assets				
Cash equivalents ^(a)	\$ 419	\$ —	\$ —	\$ 419
Nuclear decommissioning trust fund investments				
Cash equivalents	45	—	—	45
Equity				
Equity securities	1,513	—	—	1,513
Commingled funds	—	2,081	—	2,081
Equity funds subtotal	<u>1,513</u>	<u>2,081</u>	<u>—</u>	<u>3,594</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	504	96	—	600
Debt securities issued by states of the United States and political subdivisions of the states	—	451	—	451
Corporate debt securities	—	619	—	619
Federal agency mortgage-backed securities	—	804	—	804
Commercial mortgage-backed securities (non-agency)	—	114	—	114
Residential mortgage-backed securities (non-agency)	—	14	—	14
Commingled funds	—	47	—	47
Mutual funds	—	40	—	40
Fixed income subtotal	<u>504</u>	<u>2,185</u>	<u>—</u>	<u>2,689</u>
Other debt obligations	—	48	—	48
Nuclear decommissioning trust fund investments subtotal ^(b)	<u>2,062</u>	<u>4,314</u>	<u>—</u>	<u>6,376</u>

As of December 31, 2010

	<u>Debt 1</u>	<u>Debt 2</u>	<u>Debt 3</u>	<u>Total</u>
Pledged assets for Zion Station decommissioning				
Equity				
Equity securities	84	—	—	84
Commingled funds	—	82	—	82
Equity funds subtotal	<u>84</u>	<u>82</u>	<u>—</u>	<u>166</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	166	12	—	178
Debt securities issued by states of the United States and political subdivisions of the	—	45	—	45

states				
Corporate debt securities	—	263	—	263
Federal agency mortgage-backed securities	—	102	—	102
Commercial mortgage-backed securities (non-agency)	—	14	—	14
Residential mortgage-backed securities (non-agency)	—	—	—	—
Commingled funds	—	50	—	50
Fixed income subtotal	166	486	—	652
Other debt obligations	—	2	—	2
Pledged assets for Zion Station decommissioning subtotal ^(c)	250	570	—	820
Rabbi trust investments ^{(d)(e)}	—	4	—	4
Mark-to-market derivative assets				
Cash flow hedges	—	724	992	1,716
Other derivatives	2	1,695	53	1,750
Proprietary trading	—	235	46	281
Effect of netting and allocation of collateral ^(f)	(3)	(1,848)	(38)	(1,889)
Mark-to-market derivative net assets ^(g)	(1)	806	1,053	1,858
Total assets	2,730	5,694	1,053	9,477
Liabilities				
Mark-to-market derivative liabilities				
Cash flow hedges	—	(45)	—	(45)
Other derivatives	(2)	(667)	(25)	(694)
Proprietary trading	—	(233)	(21)	(254)
Effect of netting and allocation of collateral ^(f)	1	914	23	938
Mark-to-market liabilities	(1)	(31)	(23)	(55)
Deferred compensation	—	(20)	—	(20)
Total liabilities	(1)	(51)	(23)	(75)
Total net assets	\$2,729	\$ 5,643	\$1,030	\$ 9,402

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) Excludes net (liabilities) assets of \$(57) million and \$32 million at December 31, 2011 and 2010, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(c) Excludes net assets of \$9 million and \$4 million at December 31, 2011 and 2010, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(d) The mutual funds held by the Rabbi trusts that are invested in common stock of Standard and Poor's 500 companies and Pennsylvania municipal bonds are primarily rated as investment grade.

(e) Excludes \$7 million of the cash surrender value of life insurance investments at December 31, 2011 and 2010.

(f) Includes collateral postings received from counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$532 million and \$8 million allocated to Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2011. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$2 million, \$934 million and \$15 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2010.

(g) The Level 3 balance includes current and noncurrent assets for Generation of \$503 million and \$191 million at December 31, 2011 and \$450 million and \$525 million at December 31, 2010, respectively, related to the fair value of Generation's financial swap contract with ComEd; and current assets of \$5 million at December 31, 2010 related to the fair value of Generation's block contracts with PECO. All of the mark-to-market balances Generation carries associated with the financial swap contract with ComEd and the block contracts with PECO eliminate upon consolidation in Exelon's Consolidated Financial Statements. Generation's block contracts with PECO ended December 31, 2011.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Total
Year Ended December 31, 2011				
Balance as of January 1, 2011	\$ —	—	\$ 1,030	\$1,030

Total unrealized / realized gains (losses)				
Included in income	1	—	99 ^(a)	100
Included in other comprehensive income	—	—	(311) ^(b)	(311)
Included in noncurrent payables to affiliates	2	—	—	2
Change in collateral	—	—	6	6
Purchases, sales, issuances and settlements				
Purchases	10	60	10	80
Sales	—	(23)	—	(23)
Transfers out of Level 3	—	—	(17)	(17)
Balance as of December 31, 2011	<u>\$ 13</u>	<u>37</u>	<u>\$ 817</u>	<u>\$ 867</u>
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the year ended December 31, 2011	\$ 1	\$ —	\$ 131	\$ 132

(a) Includes the reclassification of \$32 million of realized losses due to the settlement of derivative contracts recorded in results of operations for the year ended December 31, 2011.

(b) Includes \$170 million of increases in fair value and \$451 million of realized losses reclassified from OCI due to settlements associated with Generation's financial swap contract with ComEd for the year ended December 31, 2011, and \$5 million of decreases in fair value due to settlement of Generation's block contracts with PECO for the year ended December 31, 2011. Generation's block contracts with PECO ended December 31, 2011. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

Year Ended December 31, 2010	Nuclear Decommissioning Trust Fund Investments	Derivative Derivatives	Total
Balance as of January 1, 2010	\$ —	\$ 931	\$ 931
Total unrealized / realized gains:			
Included in income	—	46 ^(a)	46
Included in other comprehensive income	—	23 ^(b)	23
Change in collateral	—	(10)	(10)
Purchases, sales, issuances and settlements:			
Purchases	13	15	28
Sales	(1)	—	(1)
Transfers out of Level 3	(12)	25	13
Balance as of December 31, 2010	<u>\$ —</u>	<u>\$ 1,030</u>	<u>\$1,030</u>
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the year ended December 31, 2010	\$ —	\$ 54	\$ 54

(a) Includes the reclassification of \$8 million of realized losses due to settlements of derivative contracts recorded in results of operations.

(b) Includes increases in fair value of \$375 million and realized losses reclassified from OCI due to settlements of \$371 million associated with Generation's financial swap contract with ComEd for the year ended December 31, 2010. The PECO block contracts were designated as normal sales as of May 31, 2010. As such, there were no effective changes in fair value of the block contracts with PECO after that point, as the mark-to-market balances previously recorded will be amortized over the term of the contracts. The increase in fair value was \$3 million through May 31, 2010. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

	Operating Revenue	Purchased Power	Fuel	Other, net ^(a)
Total gains (losses) included in income for the year ended December 31, 2011	\$ 108	\$ —	\$ (9)	\$ 1
Change in the unrealized gains (losses) relating to assets and liabilities held for the year ended December 31, 2011	\$ 137	\$ —	\$ (6)	\$ 1
	Operating Revenue	Purchased Power	Fuel	Other, net
Total gains included in income for the year ended December 31, 2010	\$ 3	\$ 7	\$36	\$—
Change in the unrealized gains relating to assets and liabilities held for the year ended December 31, 2010	\$ 22	\$ 4	\$28	\$—

(a) Other, net activity consists of realized and unrealized gains included in income for the NDT funds held by Generation:

ComEd

The following table presents assets measured and recorded at fair value on ComEd's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2011 and 2010:

As of December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents ^(a)	\$ 173	\$ —	\$ —	\$ 173
Rabbi trust investments				
Cash equivalents	2	—	—	2
Mutual funds	—	19	—	19
Rabbi trust investments subtotal	2	19	—	21
Total assets	<u>175</u>	<u>19</u>	<u>—</u>	<u>194</u>
Liabilities				
Deferred compensation obligation	—	(8)	—	(8)
Mark-to-market derivative liabilities ^{(b)(c)}	—	—	(800)	(800)
Total liabilities	<u>—</u>	<u>(8)</u>	<u>(800)</u>	<u>(808)</u>
Total net assets (liabilities)	<u>\$ 175</u>	<u>\$ 11</u>	<u>\$(800)</u>	<u>\$(614)</u>

As of December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents ^(a)	\$ 1	\$ —	\$ —	\$ 1
Rabbi trust investments				
Mutual Funds	—	23	—	23
Rabbi trust investments subtotal	—	23	—	23
Mark-to-market derivative assets ^(c)	—	—	4	4
Total assets	<u>1</u>	<u>23</u>	<u>4</u>	<u>28</u>
Liabilities				
Deferred compensation obligation	—	(8)	—	(8)
Mark-to-market derivative liabilities ^(b)	—	—	(975)	(975)
Total liabilities	<u>—</u>	<u>(8)</u>	<u>(975)</u>	<u>(983)</u>
Total net assets (liabilities)	<u>\$ 1</u>	<u>\$ 15</u>	<u>\$(971)</u>	<u>\$(955)</u>

- (a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.
- (b) The Level 3 balance includes a current and noncurrent liability of \$503 million and \$191 million at December 31, 2011, respectively, and \$450 million and \$525 million at December 31, 2010, respectively, related to the fair value of ComEd's financial swap contract with Generation which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
- (c) The Level 3 balance includes a current and noncurrent liability of \$9 million and \$97 million at December 31, 2011, respectively, and a noncurrent asset of \$4 million at December 31, 2010 related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

	Carried Carried Derivatives
For the Year Ended December 31, 2011	
Balance as of January 1, 2011	\$ (971)
Total realized / unrealized gains / (losses) included in regulatory assets ^{(a)(b)}	171
Balance as of December 31, 2011	<u>\$ (800)</u>

- (a) Includes decreases in fair value of \$170 million and realized gains due to settlements of \$451 million associated with ComEd's financial swap contract with Generation. All items eliminated upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes a decrease in fair value of \$110 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

	Carried Carried Derivatives
For the Year Ended December 31, 2010	
Balance as of January 1, 2010	\$ (971)
Total realized / unrealized gains / (losses) included in regulatory assets ^{(a)(b)}	—
Balance as of December 31, 2010	<u>\$ (971)</u>

- (a) Includes decreases in fair value of \$375 million and realized gains due to settlements of \$371 million associated with ComEd's financial swap contract with Generation. All items eliminated upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes an increase in fair value of \$4 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

PECO

The following table presents assets and liabilities measured and recorded at fair value on PECO's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2011 and 2010:

December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents ^(a)	\$ 175	\$ —	\$ —	\$175
Rabbi trust investments—mutual funds ^(b)	—	9	—	9
Total assets	<u>175</u>	<u>9</u>	<u>—</u>	<u>184</u>
Liabilities				
Deferred compensation obligation	—	(21)	—	(21)
Current mark-to-market derivative liabilities ^(c)	—	—	—	—
Total liabilities	<u>—</u>	<u>(21)</u>	<u>—</u>	<u>(21)</u>
Total net assets (liabilities)	<u>\$ 175</u>	<u>\$ (12)</u>	<u>\$ —</u>	<u>\$163</u>

As of December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents ^(a)	\$ 499	\$ —	\$ —	\$499
Rabbi trust investments—mutual funds ^(b)	—	7	—	7
Total assets	<u>499</u>	<u>7</u>	<u>—</u>	<u>506</u>
Liabilities				

Deferred compensation obligation	—	(23)	—	(23)
Noncurrent mark-to-market derivative liabilities ^(a)	—	—	(9)	(9)
Total liabilities	—	(23)	(9)	(32)
Total net assets (liabilities)	<u>\$ 499</u>	<u>\$ (16)</u>	<u>\$ (9)</u>	<u>\$474</u>

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) Excludes \$13 million of the cash surrender value of life insurance investments at December 31, 2011 and 2010.

(c) The Level 3 balances include a current liability of \$5 million at the December 31, 2010, related to the fair value of PECO's block contracts with Generation that eliminate upon consolidation in Exelon's Consolidated Financial Statements. Generation's block contracts with PECO expired on December 31, 2011.

The following tables present the fair value reconciliation of Level 3 assets measured at fair value on a recurring basis during the years ended December 31, 2011 and 2010:

	Derivative Assets
For the Year Ended December 31, 2011	
Balance as of January 1, 2011	\$ (9)
Total realized/unrealized gains included in regulatory assets ^(a)	9
Balance as of December 31, 2011	<u>\$ —</u>

(a) Includes an increase of \$5 million related to the settlement of PECO's block contracts with Generation, which eliminates upon consolidation in Exelon's Consolidated Financial Statements. Generation's block contracts with PECO expired on December 31, 2011.

	Derivative Assets	Servicing Liability	Total
For the Year Ended December 31, 2010			
Balance as of January 1, 2010	\$ (4)	\$ (2)	\$ (6)
Total realized/unrealized gains (losses):			
Included in net income	—	2 ^(a)	2
Included in regulatory assets	(5) ^(b)	—	(5)
Balance as of December 31, 2010	<u>\$ (9)</u>	<u>\$ —</u>	<u>\$ (9)</u>

(a) The servicing liability related to PECO's accounts receivable agreement was released in accordance with new authoritative guidance on accounting for transfers of financial assets that was adopted on January 1, 2010. See Note 10—Debt and Credit Agreements for additional information.

(b) Includes a decrease in fair value of \$3 million associated with PECO's block contract with Generation, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

Valuation Techniques Used to Determine Fair Value

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the tables above.

Cash Equivalents (Exelon, Generation, ComEd and PECO). The Registrants' cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value tables are comprised of investments in mutual and money market funds. The fair values of the shares of these funds are based on observable market prices and, therefore, have been categorized in Level 1 in the fair value hierarchy.

Nuclear Decommissioning Trust Fund Investments and Pledged Assets for Zion Station Decommissioning (Exelon and Generation). The trust fund investments have been established to satisfy Exelon's and Generation's nuclear decommissioning obligations as required by the NRC. The NDT funds hold debt and equity securities directly and indirectly through commingled funds. Generation's investment policies place limitations on the types and investment grade ratings of the securities that may be held by the trusts. These policies limit the trust funds' exposures to investments in highly illiquid markets and other alternative investments. Investments with maturities of three months or less when purchased, including certain short-term fixed income securities, are considered cash equivalents and included in the recurring fair value measurements hierarchy as Level 1.

With respect to individually held equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, which Generation is able to independently corroborate. The fair values of equity securities held directly by the trust funds are based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on the New York Stock Exchange and NASDAQ-Global Select Market, which contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

For fixed income securities, multiple prices from pricing services are obtained whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. The trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and the trustees determine that another price source is considered to be preferable. Generation has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, Generation selectively corroborates the fair values of securities by comparison to other market-based price sources. U.S. Treasury securities are categorized as Level 1 because they trade in a highly liquid and transparent market. The fair values of fixed income securities, excluding U.S. Treasury securities, are based on evaluated prices that reflect observable market information, such as actual trade information or similar securities, adjusted for observable differences and are categorized in Level 2.

Equity and fixed income commingled funds and fixed income mutual funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives. The fair values of fixed income commingled and mutual funds held within the trust funds, which generally hold short-term fixed income securities and are not subject to restrictions regarding the purchase or sale of shares, are derived from observable prices. The objectives of the remaining equity commingled funds in which Exelon and Generation invest primarily seek to track the performance of certain equity indices by purchasing equity securities to replicate the capitalization and characteristics of the indices. In general, equity commingled funds are redeemable on the 15th of the month and the last business day of the month; however, the fund manager may designate any day as a valuation date for the purpose of purchasing or redeeming units. Commingled and mutual funds are categorized in Level 2 because the fair value of the funds are based on NAVs per fund share (the unit of account), primarily derived from the quoted prices in active markets on the underlying equity securities. See Note 12—Nuclear Decommissioning for further discussion on the NDT fund investments.

Direct lending funds are investments in managed funds which invest in private companies for long-term capital appreciation. The fair value of these securities is determined using either an enterprise value model or a bond valuation model. Investments in direct lending funds are categorized as Level 3 because the fair value of these securities is based largely on inputs that are unobservable and utilize complex valuation models.

Rabbi Trust Investments (Exelon, Generation, ComEd and PECO). The Rabbi trusts were established to hold assets related to deferred compensation plans existing for certain active and retired members of Exelon's executive management and directors. The investments in the Rabbi trusts are included in investments in the Registrants' Consolidated Balance Sheets. The investments are in fixed-income commingled funds and mutual funds, including short-term investment funds. These funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of some of these funds are publicly quoted. For fixed-income commingled funds and mutual funds which are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2. Fixed-income commingled funds which are publicly quoted, such as money market funds, have been categorized as Level 1 given the clear observability of the prices.

Mark-to-Market Derivatives (Exelon, Generation, ComEd and PECO). Derivative contracts are traded in both exchange-based and non-exchange-based markets. Exchange-based derivatives that are

valued using unadjusted quoted prices in active markets are categorized in Level 1 in the fair value hierarchy. Certain non-exchange-based derivatives are valued using indicative price quotations available through brokers or over-the-counter, on-line exchanges and are categorized in Level 2. These price quotations reflect the average of the bid-ask, mid-point prices and are obtained from sources that the Registrants believe provide the most liquid market for the commodity. The price quotations are reviewed and corroborated to ensure the prices are observable and representative of an orderly transaction between market participants. This includes consideration of actual transaction volumes, market delivery points, bid-ask spreads and contract duration. The remainder of non-exchange-based derivative contracts is valued using the Black model, an industry standard option valuation model. The Black model takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the future prices of energy, interest rates, volatility, credit worthiness and credit spread. For non-exchange-based derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs are generally observable. Such instruments are categorized in Level 2. The Registrants' non-exchange-based derivatives are predominately at liquid trading points. For non-exchange-based derivatives that trade in less liquid markets with limited pricing information, such as the financial swap contract between Generation and ComEd, model inputs generally would include both observable and unobservable inputs. These valuations may include an estimated basis adjustment from an illiquid trading point to a liquid trading point for which active price quotations are available. For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations whose contract tenure extends into unobservable periods. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. The Registrants consider credit and nonperformance risk in the valuation of derivative contracts categorized in Level 2 and 3, including both historical and current market data in its assessment of credit and nonperformance risk by counterparty. The impacts of credit and nonperformance risk were not material to the financial statements. Transfers in and out of levels are recognized as of the beginning of the month 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 generally do not occur. Transfers into and out of Level 2 and Level 3, respectively, generally occur when the contract tenure becomes more observable.

Exelon may utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings. These interest rate derivatives are typically designated as cash flow hedges. These interest rate derivatives are typically designated as cash flow hedges. Exelon determines the current fair value by calculating the net present value of expected payments and receipts under the swap agreement, based on and discounted by the market's expectation of future interest rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk and other market parameters. As these inputs are based on observable data and valuations of similar instruments, the interest rate swaps are categorized in Level 2 in the fair value hierarchy. See Note 9—Derivative Financial Instruments for further discussion on mark-to-market derivatives.

Deferred Compensation Obligations (Exelon, Generation, ComEd and PECO). The Registrants' deferred compensation plans allow participants to defer certain cash compensation into a notional investment account. The Registrants include such plans in other current and noncurrent liabilities in their Consolidated Balance Sheets. The value of the Registrants' deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations themselves are not exchanged in an active market, they are categorized in Level 2 in the fair value hierarchy.

Servicing Liability (Exelon and PECO). PECO is party to an agreement with a financial institution under which it transferred an undivided interest, adjusted daily, in customer accounts receivables designated under the agreement in exchange for proceeds of \$225 million, which PECO accounted for as

a sale under previous guidance on accounting for transfers of financial assets. A servicing liability was recorded for the agreement in accordance with the applicable authoritative guidance for servicing of financial assets. The servicing liability was included in other current liabilities in Exelon's and PECO's Consolidated Balance Sheets. The fair value of the liability was determined using internal estimates based on provisions in the agreement, which were categorized as Level 3 inputs in the fair value hierarchy. The servicing liability was released in accordance with new guidance on accounting for transfers of financial assets that was adopted on January 1, 2010. See Note 10—Debt and Credit Agreements for additional information.

Derivative Financial Instruments (Exelon, Generation, ComEd and PECO)

The Registrants are exposed to certain risks related to ongoing business operations. The primary risks managed by using derivative financial instruments are commodity price risk and interest rate risk. To the extent the amount of energy Exelon generates differs from the amount of energy it has contracted to sell, the Registrants are exposed to market price fluctuations in the prices of electricity, fossil fuels and other commodities. The Registrants employ established policies and procedures to manage their risks associated with market fluctuations by entering into physical contracts as well as financial derivative contracts including swaps, futures, forwards, options and short-term and long-term commitments to purchase and sell energy and energy-related products. The Registrants believe these instruments, which are classified as either economic hedges or non-derivatives, mitigate exposure to fluctuations in commodity prices. Exposure to interest rate risk exists as a result of the issuance of variable and fixed-rate debt, commercial paper and lines of credit.

Derivative accounting guidance requires that derivative instruments be recognized as either assets or liabilities at fair value. Under these provisions, economic hedges are recognized on the balance sheet at their fair value unless they qualify for the normal purchases and normal sales exception. The Registrants have applied the normal purchases and normal sales scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements, and natural gas supply agreements. For economic hedges that qualify and are designated as cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in value of the underlying exposure is deferred in accumulated OCI and later reclassified into earnings when the underlying transaction occurs. For economic hedges that do not qualify or are not designated as cash flow hedges, changes in the fair value of the derivative are recognized in earnings each period and are classified as other derivatives in the following tables. Non-derivative contracts for access to additional generation and for sales to load-serving entities are accounted for primarily under the accrual method of accounting, which is further discussed in Note 18—Commitments and Contingencies. Additionally, Generation is exposed to certain market risks through its proprietary trading activities. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's overall energy marketing activities.

Commodity Price Risk (Exelon, Generation, ComEd and PECO)

Economic Hedging. The Registrants are exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels, and other commodities associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies, and other factors. Within Exelon, Generation has the most exposure to commodity price risk. Generation uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including power sales, fuel and energy purchases, and other energy-related products marketed and purchased. In order to manage these risks, Generation may enter into fixed-price derivative or non-derivative contracts to hedge the variability in future cash flows from forecasted sales of energy and purchases of fuel and energy. The objectives for entering into such hedges include fixing the price for a portion of anticipated future electricity sales at a level that provides an acceptable return on electric generation operations, fixing the price of a portion of anticipated fuel purchases for the operation of power plants, and fixing the price for a portion of anticipated energy purchases to supply load-serving customers. The portion of forecasted transactions hedged may vary based upon management's policies and hedging objectives, the market, weather conditions, operational and other factors. Generation is also

exposed to differences between the locational settlement prices of certain economic hedges and the hedged generating units. This price difference is actively managed through other instruments, which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights.

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions that have not been hedged. Generation hedges commodity risk on a ratable basis over three-year periods. As of December 31, 2011, the percentage of expected generation hedged was 88%-91%, 61%-64%, and 32%-35% for 2012, 2013 and 2014, respectively. The percentage of expected generation hedged is the amount of equivalent sales divided by the expected generation. Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted capacity. Equivalent sales represent all hedging products, which include cash flow hedges, other derivatives and certain non-derivative contracts, including sales to ComEd and PECO to serve their retail load.

ComEd has locked in a fixed price for a significant portion of its commodity price risk through the five-year financial swap contract with Generation that expires on May 31, 2013, which is discussed in more detail below. In addition, the contracts that Generation has entered into with ComEd and that ComEd has entered into with Generation and other suppliers as part of the ComEd power procurement process, which is further discussed in Note 2—Regulatory Matters, qualify for the normal purchases and normal sales scope exception. Based on the Illinois Settlement Legislation and ICC-approved procurement methodologies permitting ComEd to recover its electricity procurement costs from retail customers with no mark-up, ComEd's price risk related to power procurement is limited.

In order to fulfill a requirement of the Illinois Settlement Legislation, Generation and ComEd entered into a five-year financial swap contract effective August 28, 2007. The financial swap is designed to hedge spot market purchases, which, along with ComEd's remaining energy procurement contracts, meet its load service requirements. The remaining swap contract volume is 3,000 MWs through May 2013. The terms of the financial swap contract require Generation to pay the around-the-clock market price for a portion of ComEd's electricity supply requirement, while ComEd pays a fixed price. The contract is to be settled net, for the difference between the fixed and market pricing, and the financial terms only cover energy costs and do not cover capacity or ancillary services. The financial swap contract is a derivative financial instrument that has been designated by Generation as a cash flow hedge. Consequently, Generation records the fair value of the swap on its balance sheet and records changes in fair value to OCI. ComEd has not elected hedge accounting for this derivative financial instrument. Since the financial swap contract was deemed prudent by the Illinois Settlement Legislation, ComEd receives full cost recovery for the contract in rates, and therefore, the change in fair value each period is recorded as a regulatory asset or liability on ComEd's Consolidated Balance Sheets. See Note 2—Regulatory Matters for additional information regarding the Illinois Settlement Legislation. In Exelon's consolidated financial statements, all financial statement effects of the financial swap recorded by Generation and ComEd are eliminated.

On December 17, 2010, ComEd entered into several 20-year floating-to-fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. Delivery under the contracts begins in June 2012. These contracts are designed to lock in a portion of the long-term commodity price risk resulting from the renewable energy resource procurement requirements in the Illinois Settlement Legislation. ComEd has not elected hedge accounting for these derivative financial instruments. ComEd records the fair value of the swap contracts on its balance sheet. Because ComEd receives full cost recovery for energy procurement and related costs from retail customers, the change in fair value each period is recorded by ComEd as a regulatory asset or liability.

PECO has contracts to procure electric supply that were executed through the competitive procurement process outlined in its PAPUC-approved DSP Program, which is further discussed in Note 2—Regulatory Matters. Based on Pennsylvania legislation and the DSP Program permitting PECO to recover its electric supply procurement costs from retail customers with no mark-up, PECO's price risk related to electric supply procurement is limited. PECO locked in fixed prices for a significant portion of its commodity price risk through full requirements contracts and block contracts. PECO's full requirements

contracts and block contracts, which are considered derivatives, qualify for the normal purchases and normal sales scope exception under current derivative authoritative guidance. For block contracts designated as normal purchases after inception, the mark-to-market balances previously recorded on PECO's Consolidated Balance Sheets were amortized over the terms of the contracts, which ended on December 31, 2011.

PECO's natural gas procurement policy is designed to achieve a reasonable balance of long-term and short-term gas purchases under different pricing approaches in order to achieve system supply reliability at the least cost. PECO's reliability strategy is two-fold. First, PECO must assure that there is sufficient transportation capacity to satisfy delivery requirements. Second, PECO must ensure that a firm source of supply exists to utilize the capacity resources. All of PECO's natural gas supply and asset management agreements that are derivatives either qualify for the normal purchases and normal sales scope exception and have been designated as such, or have no mark-to-market balances because the derivatives are index priced. Additionally, in accordance with the 2011 PAPUC PGC settlement and to reduce the exposure of PECO and its customers to natural gas price volatility, PECO has continued its program to purchase natural gas for both winter and summer supplies using a layered approach of locking-in prices ahead of each season with long-term gas purchase agreements (those with primary terms of at least twelve months). Under the terms of the 2011 PGC settlement, PECO is required to lock in (i.e., economically hedge) the price of a minimum volume of its long-term gas commodity purchases. PECO's gas-hedging program covers 22% to 29% of planned natural gas purchases in support of projected firm sales. The hedging program for natural gas procurement has no direct impact on PECO's financial position or results of operations as natural gas costs are fully recovered from customers under the PGC.

Proprietary Trading. Generation also enters into certain energy-related derivatives for proprietary trading purposes. Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure and is subject to limits established by Exelon's RMC. The proprietary trading activities, which included physical volumes of 5,742 GWh, 3,625 GWh and 7,578 GWh for years ended December 31, 2011, 2010 and 2009, respectively, are a complement to Generation's energy marketing portfolio, but represent a small portion of Generation's revenue from energy marketing activities. Neither ComEd nor PECO enter into derivatives for proprietary trading purposes.

Interest Rate Risk (Exelon, Generation and ComEd)

The Registrants use a combination of fixed-rate and variable-rate debt to manage interest rate exposure. The Registrants may also utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to manage their interest rate exposure. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings, which are typically designated as cash flow hedges. These strategies are employed to manage interest rate risks. A hypothetical 10% increase in the interest rates associated with variable-rate debt would result in less than a \$1 million decrease in Exelon's, Generation's, and ComEd's pre-tax income for the year ended December 31, 2011.

Fair Value Hedges. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Exelon includes the gain or loss on the hedged items and the offsetting loss or gain on the related interest rate swaps in interest expense as follows:

Income Statement Classification	Gain (Loss) on Swaps December 31,			Gain (Loss) on Borrowings December 31,		
	2011	2010	2009	2011	2010	2009
Interest expense	\$ 1	\$ 4	\$ (7)	\$ (1)	\$ (4)	\$ 7

At December 31, 2011 and 2010, Exelon had \$100 million of notional amounts of fair value hedges outstanding related to interest rate swaps, with fair value assets of \$15 million and \$14 million, respectively. During the years ended December 31, 2011 and 2010, there was no impact on the results of operations as a result of ineffectiveness from fair value hedges.

Cash Flow Hedges. In connection with the DOE guaranteed loan for the Antelope Valley acquisition, as discussed in Note 10—Debt and Credit Agreements, Generation entered into a floating-to-fixed interest rate swap with a notional amount of \$485 million, which hedges approximately 75% of Generation's future interest rate exposure associated with the financing. The swap was designated as a cash flow hedge, as Generation has determined that the DOE loan remains probable to occur. As such, the effective portion of the hedge will be recorded in other comprehensive income within Generation's Consolidated Balance Sheets, with any ineffectiveness recorded in Generation's Consolidated Statements of Operations and Comprehensive Income. Net gains (or losses) from settlement of the hedges, to the extent effective, will be amortized as an adjustment to the interest expense over the term of the DOE guaranteed loan.

As Generation draws down on the loan, a portion of the cash flow hedge will be de-designated and the related gains or losses will be reflected in earnings through the remaining term of the hedge. In order to mitigate this earnings impact, a series of offsetting hedge transactions will be executed as Generation draws on the loan. At December 31, 2011, Generation had a \$19 million mark-to-market non-current derivative liability relating to the interest rate swap in connection with the loan agreement to fund Antelope Valley as discussed above.

On September 30, 2010, Generation issued and sold \$350 million of senior notes due October 1, 2041. In connection with this debt issuance, Generation entered into treasury rate locks in the aggregate notional amount of \$240 million. The treasury rate locks were settled on September 27, 2010. Treasury rate locks were derivative instruments used to lock in the interest rate prior to the issuance of debt. As a result of a decrease in interest rates during the period between the inception and settlement of the treasury rate locks, Generation recorded a pre-tax loss of approximately \$4 million. The loss was recorded to other comprehensive income within Generation's Consolidated Balance Sheets and is being amortized as an increase to interest expense over the life of the related debt as interest payments are made on the debt.

In connection with its August 2, 2010 issuance of First Mortgage Bonds, ComEd entered into treasury rate locks in the aggregate notional amount of \$350 million. The treasury rate locks were settled on July 27, 2010. As interest rates decreased since the inception of the treasury rate locks, ComEd recorded a pre-tax loss of approximately \$4 million. Under the authoritative accounting guidance for regulated operations, the loss was recorded as a regulatory asset within ComEd's Consolidated Balance Sheets at settlement and is being amortized as an increase to interest expense over the life of the related debt as interest payments are made on the debt.

Fair Value Measurement (Exelon, Generation, ComEd and PECO)

Fair value accounting guidance requires the fair value of derivative instruments to be shown in the Notes to the Consolidated Financial Statements on a gross basis, even when the derivative instruments are subject to master netting agreements and qualify for net presentation in the Consolidated Balance Sheet. In the table below, Generation's commodity cash flow hedges, other derivatives and proprietary trading derivatives are shown gross and the impact of the netting of fair value balances with the same counterparty, as well as netting of collateral, is aggregated in the collateral and netting column. Excluded from the tables below are economic hedges that qualify for the normal purchases and normal sales scope exception and other non-derivative contracts that are accounted for under the accrual method of accounting.

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of December 31, 2011:

	Generation					ComEd	PECO	Other		Exelon
	Cash Flow	Other	Proprietary	Collateral and	Subtotal	Other	Other	Other	Intercompany	Total
Derivative	Hedges	Derivatives	Trading	Netting	(c)	Derivatives	Derivatives	Derivatives	Eliminations	Derivatives
s	(a)	s	(b)	(d)		s (a)(d)	s	s	(e)	s
Mark-to-market derivative	\$ 438	\$ 1,195	\$ 217	\$ (1,418)	\$ 432	\$ —	\$ —	\$ —	\$ —	\$ 432

assets (current assets)										
Mark-to- market derivati ve assets with affiliate (current assets)	503	—	—	—	503	—	—	—	(503)	—
Mark-to- market derivati ve assets (noncur rent assets)	419	582	71	(437)	635	—	—	15	—	650
Mark-to- market derivati ve assets with affiliate (noncur rent assets)	191	—	—	—	191	—	—	—	(191)	—
Total mark- to- market derivati ve assets	\$ 1,551	\$ 1,777	\$ 288	\$ (1,855)	\$ 1,761	\$ —	\$ —	\$ 15	\$ (694)	\$ 1,082
Mark-to- market derivati ve liabilitie s (current liabilitie s)	\$ (9)	\$ (965)	\$ (194)	\$ 1,065	\$ (103)	\$ (9)	—	\$ —	—	\$ (112)
Mark-to- market derivati ve liabilitie s with affiliate (current liabilitie s)	—	—	—	—	—	(503)	—	—	503	—
Mark-to- market derivati ve liabilitie s (noncur rent liabilitie s)	(4)	(186)	(70)	250	(10)	(97)	—	—	—	(107)
Mark-to- market derivati ve	—	—	—	—	—	(191)	—	—	191	—

liabilities with affiliate (noncurrent liabilities)										
Total mark-to-market derivative liabilities	\$ (13)	\$ (1,151)	\$ (264)	\$ 1,315	\$ (113)	\$ (800)	\$ —	\$ —	\$ 694	\$ (219)
Total mark-to-market derivative net assets (liabilities)	\$ 1,538	\$ 626	\$ 24	\$ (540)	\$ 1,648	\$ (800)	\$ —	\$ 15	\$ —	\$ 863

- (a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$503 million and \$191 million, respectively, related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above. For Generation, excludes \$19 million noncurrent liability relating to an interest rate swap in connection with a loan agreement to fund Antelope Valley as discussed above.
- (b) Represents the netting of fair value balances with the same counterparty and the application of collateral.
- (c) Current and noncurrent assets are shown net of collateral of \$338 million and \$187 million, respectively, and current and noncurrent liabilities are shown inclusive of collateral of \$15 million and \$0 million, respectively. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was \$540 million at December 31, 2010.
- (d) Includes current and noncurrent liabilities relating to floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of December 31, 2010:

	Generation					ComEd	PECO	Other		Exelon
Derivatives	Cash Flow Swaps (a)	Other Derivatives	Proprietary Trading	Collateral and Netting (b)	Subtotal (c)	Other Derivatives (a)(e)	Other Derivatives (d)	Other Derivatives	Intercompany Eliminations (a)(d)	Total Derivatives
Mark-to-market derivative assets (current assets)	\$ 532	\$ 1,203	\$ 225	\$ (1,473)	\$ 487	\$ —	\$ —	\$ —	\$ —	\$ 487
Mark-to-market derivative assets with affiliate (current assets)	455	—	—	—	455	—	—	—	(455)	—
Mark-to-market derivative assets (noncurrent assets)	204	547	56	(416)	391	4	—	14	—	409

Mark-to-market derivative assets with affiliate (noncurrent assets)	525	—	—	—	525	—	—	—	(525)	—
Total mark-to-market derivative assets	\$ 1,716	\$ 1,750	\$ 281	\$ (1,889)	\$ 1,858	\$ 4	\$ —	\$ 14	\$ (980)	\$ 896
Mark-to-market derivative liabilities (current liabilities)	\$ (21)	\$ (551)	\$ (200)	\$ 738	\$ (34)	\$ —	\$ (4)	\$ —	\$ —	\$ (38)
Mark-to-market derivative liabilities with affiliate (current liabilities)	—	—	—	—	—	(450)	(5)	—	455	—
Mark-to-market derivative liabilities (noncurrent liabilities)	(24)	(143)	(54)	200	(21)	—	—	—	—	(21)
Mark-to-market derivative liabilities with affiliate (noncurrent liabilities)	—	—	—	—	—	(525)	—	—	525	—
Total mark-to-market derivative liabilities	\$ (45)	\$ (694)	\$ (254)	\$ 938	\$ (55)	\$ (975)	\$ (9)	\$ —	\$ 980	\$ (59)
Total mark-to-market derivative net	\$ 1,671	\$ 1,056	\$ 27	\$ (951)	\$ 1,803	\$ (971)	\$ (9)	\$ 14	\$ —	\$ 837

assets
(liabilities)

- (a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$450 million and \$525 million, respectively, related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above.
- (b) Represents the netting of fair value balances with the same counterparty and the application of collateral.
- (c) Current and noncurrent assets are shown net of collateral of \$725 million and \$199 million, respectively, and current and noncurrent liabilities are shown inclusive of collateral of \$10 million and \$17 million, respectively. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was \$951 million at December 31, 2010.
- (d) Includes current assets for Generation and current liabilities for PECO of \$5 million related to the fair value of PECO's block contracts with Generation. There were no netting adjustments or collateral received as of December 31, 2010. The PECO block contracts were designated as normal purchases in May 2010. As such, no additional changes in the fair value of PECO's block contracts were recorded and the mark-to-market balances previously recorded were amortized over the terms of the contracts, which ended December 31, 2011.
- (e) Includes noncurrent assets related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

Cash Flow Hedges (Exelon, Generation and ComEd). Economic hedges that qualify as cash flow hedges primarily consist of forward power sales and power swaps on base load generation. At December 31, 2011, Generation had net unrealized pre-tax gains on effective cash flow hedges of \$1,529 million being deferred within accumulated OCI, including \$694 million related to the financial swap with ComEd. Amounts recorded in accumulated OCI related to changes in energy commodity cash flow hedges are reclassified to results of operations when the forecasted purchase or sale of the energy commodity occurs. Reclassifications from OCI are included in operating revenues, purchased power and fuel in Exelon's and Generation's Consolidated Statements of Operations, depending on the commodities involved in the hedged transaction. Based on market prices at December 31, 2011, approximately \$925 million of these net pre-tax unrealized gains within accumulated OCI are expected to be reclassified from accumulated OCI during the next twelve months by Generation, including approximately \$503 million related to the financial swap with ComEd. However, the actual amount reclassified from accumulated OCI could vary due to future changes in market prices. Generation expects the settlement of the majority of its cash flow hedges, including the ComEd financial swap contract, will occur during 2012 through 2014.

Exelon discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item or when it is no longer probable that the forecasted transaction will occur. For the years ended December 31, 2011 and 2010, amounts reclassified into earnings as a result of the discontinuance of cash flow hedges were immaterial.

The table below provides the activity of accumulated OCI related to cash flow hedges for the years ended December 31, 2011 and 2010, containing information about the changes in the fair value of cash flow hedges and the reclassification from accumulated OCI into results of operations. The amounts reclassified from accumulated OCI, when combined with the impacts of the actual physical power sales, result in the ultimate recognition of net revenues at the contracted price.

	Income Statement Location	Total Cash Flow Hedge OCI Activity Net of Income Tax	
		Generation Energy Related Hedges	Exelon Total Cash Flow Hedges
Accumulated OCI derivative gain at January 1, 2010		\$ 1,152 ^{(a)(d)}	\$ 551
Effective portion of changes in fair value		541 ^(b)	304 ^(c)
Reclassifications from accumulated OCI to net income	Operating Revenues	(681) ^(c)	(454) ^(c)
Ineffective portion recognized in income	Purchased Power	(1)	(1)
Accumulated OCI derivative gain at December 31, 2010		1,011 ^{(a)(d)}	400
Effective portion of changes in		504 ^(b)	402 ^(c)

fair value			
Reclassifications from			
accumulated OCI to net			
income	Operating Revenues	(585) ^(e)	(309)
Ineffective portion recognized in			
income	Operating Revenues	(5)	(5)
Accumulated OCI derivative			
gain at			
December 31, 2011		\$ 925 ^{(a)(d)}	\$ 488

- (a) Includes \$420 million, \$589 million and \$585 million of gains, net of taxes, related to the fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2011, 2010 and 2009, respectively, and \$3 million of gains, net of taxes, related to the fair value of the block contracts with PECO for the year ended December 31, 2010.
- (b) Includes \$104 million and \$228 million of gains, net of taxes, related to the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2011 and 2010, respectively, and \$2 million of gains, net of taxes, of the effective portion of changes in fair value of the block contracts with PECO for the year ended December 31, 2010. The PECO block contracts were designated as normal sales as of May 31, 2010. As such, there were no effective changes in fair value of the block contracts with PECO in 2011 or for the remainder of 2010 as the mark-to-market balances previously recorded were amortized over the terms of the contracts.
- (c) Includes \$273 million and \$224 million of losses, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to settlements of the five-year financial swap contract with ComEd for the years ended December 31, 2011 and 2010, respectively, and \$3 million of losses, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to settlements of the block contracts with PECO for the year ended December 31, 2011.
- (d) Excludes \$10 million of losses and \$2 million of gains, net of taxes, related to interest rate swaps and treasury rate locks for the years ended December 31, 2011 and 2010, respectively. Excludes \$5 million of gains, net of taxes, related to interest rate swaps for the year ended December 31, 2009. See Note 10—Debt and Credit Agreements for further information.
- (e) Includes \$12 million of losses, net of taxes, related to the effective portion of changes in fair value of interest rate swaps and treasury rate locks at Generation for the year ended December 31, 2011. Includes \$6 million of losses, net of taxes, related to the effective portion of changes in fair value of treasury rate locks at Generation and ComEd for the year ended December 31, 2010.
- (f) Reflects the reclassifications of \$4 million to regulatory assets and \$1 million to deferred income tax liabilities within Exelon's and ComEd's Consolidated Balance Sheets associated with settled treasury rate locks at ComEd.

During the years ended December 31, 2011, 2010 and 2009, Generation's cash flow hedge activity impact to pre-tax earnings, based on the reclassification adjustment from accumulated OCI to earnings, was a pre-tax gain of \$968 million, \$1,125 million and \$1,559 million, respectively. Given that the cash flow hedges primarily consist of forward power sales and power swaps and do not include gas options or sales, the ineffectiveness of Generation's cash flow hedges is primarily the result of differences between the locational settlement prices of the cash flow hedges and the hedged generating units. This price difference is actively managed through other instruments, which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were increases of \$9 million and \$1 million, and a decrease of \$15 million for the years ended December 31, 2011, 2010 and 2009, respectively, none of which was related to Generation's financial swap contract with ComEd or Generation's block contracts with PECO. Cash flow hedge ineffectiveness resulted in an decrease of \$10 million and \$1 million related to accumulated OCI on the balance sheet in order to reflect the effective portion of derivative gains or losses at December 31, 2011 and 2010, respectively.

Exelon's energy related cash flow hedge activity impact to pre-tax earnings, based on the reclassification adjustment from accumulated OCI to earnings, was a pre-tax gain of \$512 million, \$754 million and \$1,292 million for the years ended December 31, 2011, 2010 and 2009, respectively. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were increases of \$9 million, \$1 million, and a decrease of \$15 million for the years ended December 31, 2011, 2010 and 2009, respectively. Cash flow hedge ineffectiveness resulted in an decrease of \$10 million and \$1 million to accumulated OCI on the balance sheet in order to reflect the effective portion of derivative gains or losses at December 31, 2011 and 2010, respectively.

Other Derivatives (Exelon and Generation). Other derivative contracts are those that do not qualify or are not designated for hedge accounting. These instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices and include financial options, futures, swaps and forward sales. For the years ended December 31, 2011, 2010 and 2009, the following net pre-tax mark-to-market gains (losses) of certain sale and purchase contracts were reported in operating revenues and fuel and

purchased power expense at Exelon and Generation in the Consolidated Statements of Operations and Comprehensive Income and are included in "Net fair value changes related to derivatives" in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Exelon and Generation			
	Operating Revenues	Purchased Power	Fuel	Total
For the Year Ended December 31, 2011				
Change in fair value	\$ 87	\$ 17	\$ 114	\$ 218
Reclassification to realized at settlement	(296)	(31)	(188)	(515)
Net mark-to-market gains (losses) ^(a)	<u>\$ (209)</u>	<u>\$ (14)</u>	<u>\$ (74)</u>	<u>\$ (297)</u>

	Exelon and Generation			
	Operating Revenues	Purchased Power	Fuel	Total
For the Year Ended December 31, 2010				
Change in fair value	\$ —	\$ 288	\$ 101	\$ 389
Reclassification to realized at settlement	—	(292)	(12)	(304)
Net mark-to-market gains (losses)	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ 89</u>	<u>\$ 85</u>

	Exelon and Generation			
	Operating Revenues	Purchased Power	Fuel	Total
For the Year Ended December 31, 2009				
Change in fair value	\$ —	\$ 206	\$ (72)	\$ 134
Reclassification to realized at settlement	—	(97)	159	62
Net mark-to-market gains	<u>\$ —</u>	<u>\$ 109</u>	<u>\$ 87</u>	<u>\$ 196</u>

(a) Exelon and Generation have historically presented mark-to-market gains and losses within purchased power expense for all non-trading, power-related derivatives that were not accounted for as cash flow hedges. In 2011, Exelon and Generation classified the mark-to-market gains and losses for contracts, where the underlying hedged transaction was an expected sale, to operating revenues. In prior years, this treatment was not material to reported operating revenues and purchased power expense. As a result, prior year amounts have not been reclassified.

Proprietary Trading Activities (Exelon and Generation). For the years ended December 31, 2011, 2010 and 2009, Exelon and Generation recognized the following net unrealized mark-to-market gains (losses), net realized mark-to-market gains (losses) and total net mark-to-market gains (losses) (before income taxes) relating to mark-to-market activity on derivative instruments entered into for proprietary trading purposes. Gains and losses associated with proprietary trading are reported as operating revenue in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and are included in "Net fair value changes related to derivatives" in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Location on Income Statement	For the Years Ended December 31,		
		2011	2010	2009
Change in fair value	Operating Revenues	\$ 23	\$ 26	\$ 3
Reclassification to realized at settlement	Operating Revenues	(26)	(24)	(86)
Net mark-to-market gains (losses)	Operating Revenues	<u>\$ (3)</u>	<u>\$ 2</u>	<u>\$ (83)</u>

Credit Risk (Exelon, Generation, ComEd and PECO)

The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties that enter into derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. For energy-related derivative instruments, Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allow for cross product netting. In addition to payment netting language in the enabling agreement, Generation's credit department establishes credit limits, margining thresholds and collateral requirements for each counterparty, which are defined in the derivative contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

The following tables provide information on Generation's credit exposure for all derivative instruments, normal purchase and normal sales, and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of December 31, 2011. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties and an indication of the maturity of a company's credit risk by credit rating of the counterparties. The figures in the tables below do not include credit risk exposure from uranium procurement contracts or exposure through RTOs, ISOs, NYMEX and ICE commodity exchanges, further discussed in ITEM 3—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. Additionally, the figures in the tables below do not include exposures with affiliates, including net receivables with ComEd and PECO of \$70 million and \$39 million, respectively. See Note 21—Related Party Transactions for further information.

<u>Dating as of December 31, 2011</u>	<u>Total Exposure Before Credit Collateral</u>	<u>Credit Collateral</u>	<u>Net Exposure</u>	<u>Number of Counterparties Greater than 1% of Net Exposure</u>	<u>Net Exposure of Counterparties Greater than 1% of Net Exposure</u>
Investment grade	\$ 1,581	\$ 351	\$ 1,230	1	\$ 179
Non-investment grade	5	2	3	—	—
No external ratings					
Internally rated—investment grade	63	14	49	—	—
Internally rated—non-investment grade	1	—	1	—	—
Total	\$ 1,650	\$ 367	\$ 1,283	1	\$ 179

<u>Net Credit Exposure by Type of Counterparty</u>	<u>December 31, 2011</u>
Financial Institutions	\$ 391
Investor-owned utilities marketers and power producers	552
Energy cooperatives and municipalities	282
Other	58
Total	\$ 1,283

ComEd's power procurement contracts provide suppliers with a certain amount of unsecured credit. The credit position is based on forward market prices compared to the benchmark prices. The benchmark prices are the forward prices of energy projected through the contract term and are set at the point of supplier bid submittals. If the forward market price of energy exceeds the benchmark price, the suppliers

are required to post collateral for the secured credit portion after adjusting for any unpaid deliveries and unsecured credit allowed under the contract. The unsecured credit used by the suppliers represents ComEd's net credit exposure. As of December 31, 2011, ComEd's credit exposure to suppliers was immaterial.

ComEd is permitted to recover its costs of procuring energy through the Illinois Settlement Legislation as well as the ICC-approved procurement tariffs. ComEd's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 2—Regulatory Matters for further information.

PECO's supplier master agreements that govern the terms of its electric supply procurement contracts, which define a supplier's performance assurance requirements, allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from the major credit rating agencies and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of December 31, 2011, PECO had no net credit exposure to suppliers.

PECO is permitted to recover its costs of procuring electric supply through its PAPUC-approved DSP Program. PECO's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 2—Regulatory Matters for further information.

PECO's natural gas procurement plan is reviewed and approved annually on a prospective basis by the PAPUC. PECO's counterparty credit risk under its natural gas supply and asset management agreements is mitigated by its ability to recover its natural gas costs through the PGC, which allows PECO to adjust rates quarterly to reflect realized natural gas prices. PECO does not obtain cash collateral from suppliers under its natural gas supply and asset management agreements; however, the natural gas asset managers have provided \$14 million in parental guarantees related to these agreements. As of December 31, 2011, PECO had credit exposure of \$11 million under its natural gas supply and asset management agreements with investment grade suppliers.

Collateral and Contingent-Related Features (Exelon, Generation, ComEd, and PECO)

As part of the normal course of business, Generation routinely enters into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuels and emissions allowances. Certain of Generation's derivative instruments contain provisions that require Generation to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Generation's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit-risk-related contingent features stipulate that if Generation were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. This incremental collateral requirement allows for the offsetting of derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master netting agreements. Generation also enters into commodity transactions on NYMEX and ICE. The NYMEX and ICE clearing houses act as the counterparty to each trade. Transactions on NYMEX and ICE must adhere to comprehensive collateral and margining requirements.

Generation's interest rate swap contains provisions that, in the event of a merger, require that Exelon's debt maintain an investment grade credit rating from Moody's or S&P. If Exelon's debt were to fall below investment grade, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features in a liability position that are not fully collateralized (excluding transactions on NYMEX and ICE that are fully collateralized) was \$1,014 million and \$742 million as of December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, Generation had the contractual right of offset of \$928 million and \$717

million, respectively, related to derivative instruments that are assets with the same counterparty under master netting agreements, resulting in a net liability position of \$86 million and \$25 million, respectively. If Generation had been downgraded to the investment grade rating of BBB- and Baa3, or lost its investment grade credit rating, it would have had additional collateral obligations of approximately \$307 million or \$1,612 million, respectively, as of December 31, 2011 and approximately \$57 million or \$944 million, respectively, as of December 31, 2010 related to its financial instruments, including derivatives, non-derivatives, normal purchase normal and sales contracts and applicable payables and receivables, net of the contractual right of offset under master netting agreements and the application of collateral. See Note 18—Commitments and Contingencies for information regarding the letters of credit supporting the cash collateral.

Generation entered into SFCs with certain utilities, including PECO, with one-sided collateral postings only from Generation. If market prices fall below the benchmark price levels in these contracts, the utilities are not required to post collateral. However, when market prices rise above the benchmark price levels, counterparty suppliers, including Generation, are required to post collateral once certain unsecured credit limits are exceeded. Under the terms of the financial swap contract between Generation and ComEd, if a party is downgraded below investment grade by Moody's or S&P, collateral postings would be required by that party depending on how market prices compare to the benchmark price levels. Under the terms of the financial swap contract, collateral postings will never exceed \$200 million from either ComEd or Generation. Under the terms of ComEd's standard block energy contracts, collateral postings are one-sided from suppliers, including Generation, should exposures between market prices and benchmark prices exceed established unsecured credit limits outlined in the contracts. As of December 31, 2011, ComEd held both cash and letters of credit for the purpose of collateral from suppliers in association with energy procurement contracts. These amounts were not material. Beginning in June 2010, under the terms of ComEd's annual renewable energy contracts, collateral postings are required to cover a fixed value for RECs only. In addition, beginning in December 2010, under the terms of ComEd's long-term renewable energy contracts, collateral postings are required from suppliers for both RECs and energy. The REC portion is a fixed value and the energy portion is one-sided from suppliers should the forward market prices exceed contract prices. As of December 31, 2011, ComEd held approximately \$19 million in the form of cash and letters of credit as margin for both the annual and long-term REC obligations. See Note 2—Regulatory Matters for further information.

PECO's natural gas procurement contracts contain provisions that could require PECO to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PECO's credit rating from the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. As of December 31, 2011, PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of December 31, 2011, PECO could have been required to post approximately \$54 million of collateral to its counterparties.

PECO's supplier master agreements that govern the terms of its DSP Program contracts do not contain provisions that would require PECO to post collateral.

Exelon's interest rate swaps contain provisions that, in the event of a merger, require that Exelon's debt maintain an investment grade credit rating from Moody's or S&P. If Exelon's debt were to fall below investment grade, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity. Collateralization would not be required under any circumstance. Termination of the agreement could result in a settlement payment by Exelon or the counterparty on any interest rate swap in a net liability position. The settlement amount would be equal to the fair value of the swap on the termination date. As of December 31, 2011, Exelon's interest rate swap was in an asset position, with a fair value of \$15 million.

Accounting for the Offsetting of Amounts Related to Certain Contracts (Exelon and Generation)

As of December 31, 2011 and 2010, \$2 million and \$1 million, respectively, of cash collateral received was not offset against net derivative positions, because it was not associated with energy-related derivatives.

1. Debt and Credit Agreements (Exelon, Generation, ComEd and PECO)

Short-Term Borrowings

Exelon and ComEd meet their short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool.

Exelon, Generation, ComEd and PECO had the following amounts of commercial paper borrowings at December 31, 2011 and 2010:

Commercial Paper Issuer	Maximum Program Size at December 31,		Outstanding Commercial Paper at December 31,		Average Interest Rate on Commercial Paper Borrowings for the Year Ended December 31,	
	2011 ^(a)	2010 ^(a)	2011	2010	2011	2010
Exelon Corporate	\$ 500	\$ 957	\$161	\$—	0.42%	—
Generation	5,600	4,834	—	—	0.48%	—
ComEd	1,000	1,000	—	—	0.71%	0.74%
PECO	600	574	—	—	—	—
Total	\$7,700	\$7,365	\$161	\$—		

(a) Equals aggregate bank commitments under revolving and bilateral credit agreements. See discussion below and Credit Agreements table below for items affecting effective program size.

In order to maintain their respective commercial paper programs in the amounts indicated above, each Registrant must have revolving credit facilities in place, at least equal to the amount of its commercial paper program. While the amount of its commercial paper outstanding does not reduce available capacity under a Registrant's credit agreement, a Registrant does not issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

At December 31, 2011, the Registrants had the following aggregate bank commitments, credit facility borrowings and available capacity under the credit agreements:

Borrower	Aggregate Bank Commitment ^(a)	Facility Draws	Outstanding Letters of Credit	Available Capacity at December 31, 2011		Average Interest Rate on Facility Borrowings for the Year ended December 31, 2011
				Actual	To Support Additional Commercial Paper	
Exelon						
Corporate	\$ 500	\$ —	\$ 7	\$ 493	\$ 332	n.a.
Generation	5,600	—	876	4,724	4,724	n.a.
ComEd	1,000	—	1	999	999	n.a.
PECO	600	—	1	599	599	n.a.
Total	\$ 7,700	\$ —	\$ 885	\$6,815	\$ 6,654	

(a) Excludes additional credit facility agreements for Generation, ComEd and PECO with aggregate commitments of \$50 million, \$34 million and \$34 million, respectively, arranged with minority and community banks located primarily within ComEd's and PECO's service territories. These facilities expire on October 19, 2012 and are solely for issuing letters of credit. As of December 31, 2011, letters of credit issued under these agreements totaled \$25 million, \$21 million and \$20 million for Generation, ComEd and PECO, respectively.
n.a. Not applicable.

The following tables present the short-term borrowings activity for Exelon, Generation, ComEd and PECO during 2011, 2010 and 2009:

Exelon

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average borrowings	\$ 218	\$ 125	\$ 132
Maximum borrowings outstanding	600	346	523
Average interest rates, computed on a daily basis	0.50%	0.72%	0.73%
Average interest rates, at December 31	0.44%	n.a.	0.69%

Generation

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average borrowings	\$ 51	\$ —	\$ —
Maximum borrowings outstanding	304	—	—
Average interest rates, computed on a daily basis	0.48%	n.a.	n.a.
Average interest rates, at December 31	n.a.	n.a.	n.a.

ComEd

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average borrowings	\$ 36	\$ 125	\$ 82
Maximum borrowings outstanding	407	346	265
Average interest rates, computed on a daily basis	0.71%	0.72%	0.79%
Average interest rates, at December 31	n.a.	n.a.	0.69%

PECO

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average borrowings	\$ —	\$ —	\$ 11
Maximum borrowings outstanding	—	—	290
Average interest rates, computed on a daily basis	n.a.	n.a.	0.67%
Average interest rates, computed at December 31	n.a.	n.a.	n.a.

n.a. Not applicable.

Credit Agreements

On March 23, 2011, Exelon Corporate, Generation and PECO replaced their unsecured revolving credit facilities with new facilities with aggregate bank commitments of \$500 million, \$5.3 billion and \$600 million, respectively. Under these facilities, Exelon, Generation and PECO may issue letters of credit in the aggregate amount of up to \$200 million, \$3.5 billion and \$300 million, respectively. The credit facilities expire on March 23, 2016, unless extended in accordance with the terms of the agreements. Each credit facility permits the applicable borrower to request two one-year extensions. Each credit facility also allows Exelon, Generation and PECO to request increases in the aggregate commitments up to an additional \$250 million, in the case of each of Exelon and PECO, and up to an additional \$1 billion in the case of Generation. Any such extensions or increases are subject to the approval of the lenders party to the credit facilities in their sole discretion. Exelon Corporate, Generation and PECO incurred \$3 million, \$37 million and \$4 million, respectively, in costs related to the replacement of their credit facilities. These costs included upfront and arranger fees, as well as other costs such as external legal fees and filing costs. These costs will be amortized to interest expense over the terms of the credit facilities.

As of December 31, 2011, ComEd had access to an unsecured revolving credit facility with aggregate bank commitments of \$1 billion that expires on March 25, 2013, unless extended in accordance with its terms. Under this facility, ComEd may issue letters of credit in the aggregate amount of up to \$1 billion. ComEd may request two additional one-year extensions. In addition, ComEd may request increases in the aggregate bank commitments under its credit facility up to an additional \$500 million. Any such extensions or increases are subject to the approval of the lenders party to the credit facility in their sole discretion. ComEd expects to refinance their unsecured revolving credit facility in the first half of 2012.

An event of default under any of the Registrants' credit facilities would not constitute an event of default under any of the other Registrants' credit facilities, except that a bankruptcy or other event of default in the payment of principal, premium or indebtedness in principal amount in excess of \$100 million in the aggregate by Generation under its credit facility would constitute an event of default under the Exelon corporate credit facility.

Borrowings under each credit agreement bear interest at a rate selected by the borrower based upon either the prime rate or at a fixed rate for a specified period based upon a LIBOR-based rate. The Exelon, Generation and PECO agreements provide for adders of up to 85 basis points for prime-based borrowings and up to 185 basis points for the LIBOR-based borrowings based upon the credit rating of the borrower. At December 31, 2011, Exelon, Generation and PECO adders were 30, 30 and 10 basis points, respectively, for prime based borrowings and 130, 130 and 110 basis points, respectively, for LIBOR-based borrowings. The ComEd agreement provides adders of up to 137.5 basis points for prime-based borrowings and up to 237.5 basis points for LIBOR-based borrowings to be added, based upon ComEd's credit rating. At December 31, 2011, ComEd's adder was 87.5 basis points for prime based borrowings and 187.5 basis points for LIBOR-based borrowings.

Additionally, on November 4, 2010, Generation entered into a bilateral credit facility, which provides for an aggregate commitment of up to \$500 million. The effectiveness and full availability of the credit facility were subject to various conditions. On February 22, 2011, Generation satisfied all conditions to the effectiveness and availability of credit under the credit facility for loans and letters of credit in the aggregate maximum amount of \$300 million, which is the limit currently authorized by the board of directors of Exelon for this credit facility. Availability under the bilateral credit facility extends through December 2015 for \$150 million of the \$300 million commitment and March 2016 for the remaining \$150 million. The bilateral credit facility will be used by Generation primarily to meet requirements for letters of credit, but also permits cash borrowings at a rate of LIBOR or a base rate, plus an adder of 200 basis points. No cash borrowings are anticipated under the credit facility. In addition, Generation will pay a facility fee, payable on the first day of each calendar quarter at a rate per annum equal to a specified facility fee rate on the total amount of the credit facility regardless of usage.

Each credit agreement requires the affected borrower to maintain a minimum cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratios exclude revenues and interest expenses attributable to securitization debt, certain changes in working capital, distributions on preferred securities of subsidiaries and, in the case of Exelon and Generation, interest on the debt of its project subsidiaries. The following table summarizes the minimum thresholds reflected in the credit agreements for the year ended December 31, 2011:

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Credit agreement threshold	2.50 to 1	3.00 to 1	2.00 to 1	2.00 to 1

At December 31, 2011 the interest coverage ratios at the Registrants were as follows:

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Interest coverage ratio	15.60	27.98	6.39	8.21

Accounts Receivable Agreement

PECO is party to an agreement with a financial institution under which it transferred an undivided interest, adjusted daily, in its customer accounts receivable designated under the agreement in exchange for proceeds of \$225 million, which is classified as a short-term note payable on Exelon's and PECO's Consolidated Balance Sheets. As of December 31, 2011 and 2010, the financial institution's undivided interest in Exelon's and PECO's customer accounts receivable was equivalent to \$329 million and \$346 million, respectively, which is calculated under the terms of the agreement. Upon termination or liquidation of this agreement, the financial institution is entitled to recover up to \$225 million plus the accrued yield payable from its undivided interest in PECO's receivables. On September 2, 2011, PECO extended this agreement, which now terminates on August 31, 2012. As of December 31, 2011, PECO

was in compliance with the requirements of the agreement. In the event the agreement is not further extended, PECO has sufficient short-term liquidity and may seek alternate financing.

Long-Term Debt

The following tables present the outstanding long-term debt at Exelon, Generation, ComEd and PECO as of December 31, 2011 and 2010:

Exelon

	<u>Rates</u>	<u>Maturity Date</u>	<u>December 31,</u>	
			<u>2011</u>	<u>2010</u>
Long-term debt				
First Mortgage Bonds ^{(a) (b)} :				
Fixed rates	1.65% — 7.65%	2012-2038	\$ 7,522	\$ 6,917
Floating rates	0.24% — 0.27%	2017-2021	—	191
Senior unsecured notes	4.90% — 6.25%	2014-2041	4,902	4,902
Notes payable and other ^(c)	6.95% — 7.83%	2012-2020	174	176
Pollution control notes:				
Fixed rates	5.00%	2042	46	46
Sinking fund debentures	4.75%	2011	—	2
Total long-term debt			<u>12,644</u>	<u>12,234</u>
Unamortized debt discount and premium, net			(32)	(34)
Unamortized settled fair value hedge, net			—	(1)
Fair value hedge carrying value adjustment, net			15	14
Long-term debt due within one year			(828)	(599)
Long-term debt			<u>\$11,799</u>	<u>\$11,614</u>
Long-term debt to financing trusts ^(d)				
Subordinated debentures to ComEd				
Financing III	6.35%	2033	\$ 206	\$ 206
Subordinated debentures to PECO Trust				
III	7.38%	2028	81	81
Subordinated debentures to PECO Trust				
IV	5.75%	2033	103	103
Total long-term debt to financing trusts			<u>\$ 390</u>	<u>\$ 390</u>

- (a) Substantially all of ComEd's assets other than expressly excepted property and substantially all of PECO's assets are subject to the liens of their respective mortgage indentures.
- (b) Includes First Mortgage Bonds issued under the ComEd and PECO mortgage indentures securing pollution control bonds and notes.
- (c) Includes capital lease obligations of \$34 million and \$36 million at December 31, 2011 and 2010, respectively. Lease payments of \$3 million, \$3 million, \$3 million, \$3 million, \$4 million and \$18 million will be made in 2012, 2013, 2014, 2015, 2016 and thereafter, respectively.
- (d) Amounts owed to these financing trusts are recorded as debt to financing trusts within Exelon's Consolidated Balance Sheets.

Generation

	<u>Rates</u>	<u>Maturity Date</u>	<u>December 31,</u>	
			<u>2011</u>	<u>2010</u>
Long-term debt				
Senior unsecured notes	5.20% — 6.25%	2014-2041	\$3,602	\$3,602
Pollution control notes:				
Fixed rates	5.00%	2042	46	46
Notes payable and other ^(a)	7.83%	2012-2020	34	36

Total long-term debt	3,682	3,684
Unamortized debt discount and premium, net	(5)	(5)
Long-term debt due within one year	(3)	(3)
Long-term debt	<u>\$3,674</u>	<u>\$3,676</u>

(a) Includes Generation's capital lease obligations of \$34 million and \$36 million at December 31, 2011 and 2010, respectively. Generation will make lease payments of \$3 million, \$3 million, \$3 million, \$3 million, \$4 million and \$18 million in 2012, 2013, 2014, 2015, 2016 and thereafter, respectively.

ComEd

	Interest Rates	Maturity Date	December 31,	
			2011	2010
Long-term debt				
First Mortgage Bonds (a) (b):				
Fixed rates	1.65% — 7.65%	2012-2038	\$5,547	\$4,692
Floating rates	0.24% — 0.27%	2017-2021	—	191
Notes payable	6.95%	2018	140	140
Sinking fund debentures	4.75%	2011	—	2
Total long-term debt			<u>5,687</u>	<u>5,025</u>
Unamortized debt discount and premium, net			(22)	(24)
Long-term debt due within one year			(450)	(347)
Long-term debt			<u>\$5,215</u>	<u>\$4,654</u>
Long-term debt to financing trust (c)				
Subordinated debentures to ComEd Financing III	6.35%	2033	<u>\$ 206</u>	<u>\$ 206</u>

(a) Substantially all of ComEd's assets other than expressly excepted property are subject to the lien of its mortgage indenture.

(b) Includes First Mortgage Bonds issued under the ComEd mortgage indenture securing pollution control bonds and notes.

(c) Amount owed to this financing trust is recorded as debt to financing trust within ComEd's Consolidated Balance Sheets.

PECO

	Interest Rates	Maturity Date	December 31,	
			2011	2010
Long-term debt				
First Mortgage Bonds (a) (b):				
Fixed rates	4.00% — 5.95%	2012-2037	\$1,975	\$2,225
Total long-term debt			<u>1,975</u>	<u>2,225</u>
Unamortized debt discount and premium, net			(3)	(3)
Long-term debt due within one year			(375)	(250)
Long-term debt			<u>\$1,597</u>	<u>\$1,972</u>
Long-term debt to financing trusts (c)				
Subordinated debentures to PECO Trust III	7.38%	2028	\$ 81	\$ 81
Subordinated debentures to PECO Trust IV	5.75%	2033	103	103
Long-term debt to financing trusts			<u>\$ 184</u>	<u>\$ 184</u>

(a) Substantially all of PECO's assets are subject to the lien of its mortgage indenture.

(b) Includes First Mortgage Bonds issued under the PECO mortgage indenture securing pollution control bonds and notes.

(c) Amount owed to this financing trust is recorded as debt to financing trust within PECO's Consolidated Balance Sheets.

Long-term debt maturities at Exelon, Generation, ComEd and PECO in the periods 2012 through 2016 and thereafter are as follows:

Year	Exelon	Generation	ComEd	PECO
2012	\$ 828	\$ 3	\$ 450	\$ 375
2013	555	3	252	300
2014	1,370	503	617	250
2015	1,063	3	260	—
2016	669	4	665	—
Thereafter	8,549 ^(a)	3,166	3,649 ^(b)	1,234 ^(c)
Total	<u>\$13,034</u>	<u>\$ 3,682</u>	<u>\$5,893</u>	<u>\$2,159</u>

(a) Includes \$390 million due to ComEd and PECO financing trusts.

(b) Includes \$206 million due to ComEd financing trust.

(c) Includes \$184 million due to PECO financing trusts.

Antelope Valley Project Development Debt Agreement

The DOE Loan Programs Office issued a guarantee for up to \$646 million for a non-recourse loan from the Federal Financing Bank to support the financing of the construction of the Antelope Valley facility. The project is expected to be completed at the end of 2013. The loan will mature on January 5, 2037. Interest rates on the loan will be fixed upon each advance at a spread of 37.5 basis points above U.S. Treasuries of comparable maturity. As of December 31, 2011, no draws had been made on the loan.

In addition, Generation has issued letters of credit to support its equity investment in the project. As of December 31, 2011, Generation had \$690 million in letters of credit outstanding related to the project, which included approximately \$635 million letters of credit issued by Generation on December 21, 2011 to support its equity investment in the project prior to the initial loan advance to Antelope Valley. Due to a delay in the initial loan funding, Generation has reduced the outstanding letters of credit. As of February 8, 2012, Generation had \$5 million in letters of credit outstanding related to the project. See Note 3—Merger and Acquisitions for additional information on Antelope Valley.

In connection with this agreement, Generation entered into a floating-for-fixed interest rate swap with a notional amount of \$485 million to mitigate interest rate risk associated with the financing. See Note 6—Derivative Financial Instruments for additional information on the interest rate swap.

11. Income Taxes (Exelon, Generation, ComEd and PECO)

Income tax expense (benefit) from continuing operations is comprised of the following components:

For the Year Ended December 31, 2011	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	\$ 1	\$ 431	\$(329)	\$ (71)
Deferred	1,200	435	544	223
Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	(3)	74	(123)	(37)
Deferred	271	123	161	33
Total	<u>\$1,457</u>	<u>\$ 1,056</u>	<u>\$ 250</u>	<u>\$ 146</u>
For the Year Ended December 31, 2010	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	\$ 506	\$ 372	\$(203)	\$ 464
Deferred	972	635	496	(276)

Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	171	65	(22)	87
Deferred	21	113	89	(121)
Total	<u>\$1,658</u>	<u>\$ 1,178</u>	<u>\$ 357</u>	<u>\$ 152</u>
For the Year Ended December 31, 2011	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Included in operations:				
Federal				
Current	\$ 803	\$ 631	\$ (39)	\$ 329
Deferred	775	648	228	(143)
Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	154	131	4	26
Deferred	(8)	30	39	(64)
Total	<u>\$1,712</u>	<u>\$ 1,433</u>	<u>\$ 229</u>	<u>\$ 146</u>

The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

For the Year Ended December 31, 2011	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	4.4	4.5	3.6	(0.5)
Qualified nuclear decommissioning trust fund income	0.5	0.7	—	—
Domestic production activities deduction	(0.3)	(0.4)	—	—
Tax exempt income	(0.2)	(0.2)	—	—
Health care reform legislation	(0.2)	—	(1.0)	—
Amortization of investment tax credit	(0.3)	(0.3)	(0.4)	(0.3)
Production tax credits	(0.9)	(1.2)	—	—
Plant basis differences	(1.0)	—	(0.3)	(6.9)
Other	(0.1)	(0.7)	0.6	—
Effective income tax rate	<u>36.9%</u>	<u>37.4%</u>	<u>37.5%</u>	<u>27.3%</u>

For the Year Ended December 31, 2010	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	3.0	3.7	6.3	(4.7)
Qualified nuclear decommissioning trust fund income	1.7	2.3	—	—
Domestic production activities deduction	(1.2)	(1.5)	—	—
Tax exempt income	(0.1)	(0.2)	—	—
Health care reform legislation	1.4	0.7	1.4	1.6
Amortization of investment tax credit	(0.3)	(0.2)	(0.4)	(0.4)
Plant basis differences	—	—	(0.1)	0.2
Uncertain tax position remeasurement	—	(2.0)	9.0	—
Other	(0.2)	(0.4)	0.2	0.2
Effective income tax rate	<u>39.3%</u>	<u>37.4%</u>	<u>51.4%</u>	<u>31.9%</u>

For the Year Ended December 31, 2009	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%

Increase (decrease) due to:

State income taxes, net of Federal income tax benefit	2.1	3.0	4.7	(5.0)
Qualified nuclear decommissioning trust fund losses	3.1	3.8	—	—
Domestic production activities deduction	(0.9)	(1.1)	—	—
Tax exempt income	(0.1)	(0.2)	—	—
Nontaxable postretirement benefits	(0.2)	(0.2)	(0.5)	(0.3)
Amortization of investment tax credit	(0.2)	(0.1)	(0.5)	(0.4)
Plant basis differences	—	—	(0.3)	(0.1)
Other	(0.1)	0.1	(0.4)	0.1
Effective income tax rate	<u>38.7%</u>	<u>40.3%</u>	<u>38.0%</u>	<u>29.3%</u>

The tax effects of temporary differences, which give rise to significant portions of the deferred tax assets (liabilities), as of December 31, 2011 and 2010 are presented below:

For the Year Ended December 31, 2011	Exelon	Generation	ComEd	PECO
Plant basis differences	\$ (7,803)	\$ (2,670)	\$ (3,264)	\$ (2,238)
Unrealized gains on derivative financial instruments	(468)	(737)	(4)	—
Deferred pension and post-retirement obligation	665	(520)	(623)	(31)
Nuclear decommissioning activities	(452)	(452)	—	—
Deferred debt refinancing costs	(37)	—	(31)	(6)
Other, net	41	338	16	135
Deferred income tax liabilities (net)	<u>\$ (8,054)</u>	<u>\$ (4,041)</u>	<u>\$ (3,906)</u>	<u>\$ (2,140)</u>
Unamortized investment tax credits	<u>(200)</u>	<u>(169)</u>	<u>(26)</u>	<u>(5)</u>
Total deferred income tax liabilities (net) and unamortized investment tax credits	<u>\$ (8,254)</u>	<u>\$ (4,210)</u>	<u>\$ (3,932)</u>	<u>\$ (2,145)</u>
For the Year Ended December 31, 2010	Exelon	Generation	ComEd	PECO
Plant basis differences	\$ (5,931)	\$ (1,961)	\$ (2,552)	\$ (1,811)
Unrealized gains on derivative financial instruments	(523)	(908)	(4)	(1)
Deferred pension and post-retirement obligation	485	(550)	(635)	(37)
Nuclear decommissioning activities	(444)	(444)	—	—
Deferred debt refinancing costs	(46)	—	(38)	(7)
Goodwill	4	(1)	—	—
Other, net	(39)	295	65	81
Deferred income tax liabilities (net)	<u>\$ (6,494)</u>	<u>\$ (3,569)</u>	<u>\$ (3,164)</u>	<u>\$ (1,775)</u>
Unamortized investment tax credits	<u>(212)</u>	<u>(176)</u>	<u>(29)</u>	<u>(7)</u>
Total deferred income tax liabilities (net) and unamortized investment tax credits	<u>\$ (6,706)</u>	<u>\$ (3,745)</u>	<u>\$ (3,193)</u>	<u>\$ (1,782)</u>

The following table provides the Registrants' carryforwards and any corresponding valuation allowances as of December 31, 2011. Generation and ComEd do not have any carryforwards as of December 31, 2011.

As of December 31, 2011	Exelon	PECO
State net operating loss carryforward	\$ 679 ^(a)	\$ 164
Deferred taxes	31	11
Valuation allowance	10	—

(a) Exelon's state net operating loss carryforwards will expire beginning in 2019.

Tabular reconciliation of unrecognized tax benefits

The following table provides a reconciliation of the Registrants' unrecognized tax benefits as of December 31, 2011, 2010 and 2009:

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Unrecognized tax benefits at January 1, 2011	\$ 787	\$ 664	\$ 72	\$ 44
Increases based on tax positions related to 2011	5	1	—	4
Change to positions that only affect timing	21	24	(2)	—
Decreases based on tax positions prior to 2011	(3)	(3)	—	—
Decreases from expiration of statute of limitations	(3)	(3)	—	—
Unrecognized tax benefits at December 31, 2011	<u>\$ 807</u>	<u>\$ 683</u>	<u>\$ 70</u>	<u>\$ 48</u>
	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Unrecognized tax benefits at January 1, 2010	\$1,498	\$ 633	\$ 471	\$ 372
Increases based on tax positions related to 2010	1	—	—	—
Decreases based on tax positions related to 2010	(2)	(2)	—	—
Change to positions that only affect timing	(262)	55	(3)	(328)
Increases based on tax positions prior to 2010	8	8	—	—
Decreases based on tax positions prior to 2010	(3)	(3)	—	—
Decreases related to settlements with taxing authorities	(452)	(26)	(396)	—
Decrease from expiration of statute of limitations	(1)	(1)	—	—
Unrecognized tax benefits at December 31, 2010	<u>\$ 787</u>	<u>\$ 664</u>	<u>\$ 72</u>	<u>\$ 44</u>
	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Unrecognized tax benefits at January 1, 2009	\$1,495	\$ 468	\$ 635	\$ 365
Decreases based on tax positions related to 2009	(2)	(2)	—	—
Change to positions that only affect timing	19	172	(154)	7
Increases based on tax positions prior to 2009	4	3	—	—
Decreases related to settlements with taxing authorities	(18)	(8)	(10)	—
Unrecognized tax benefits at December 31, 2009	<u>\$1,498</u>	<u>\$ 633</u>	<u>\$ 471</u>	<u>\$ 372</u>

Included in Exelon's unrecognized tax benefits balance at December 31, 2011 and 2010 are approximately \$804 million and \$783 million, respectively, of tax positions for which the ultimate tax benefit is highly certain, but for which there is uncertainty about the timing of such benefits. The disallowance of such positions would not materially affect the annual effective tax rate but would accelerate the payment of cash to or defer the receipt of the cash tax benefit from the taxing authority to an earlier or later period respectively.

Unrecognized tax benefits that if recognized would affect the effective tax rate

Exelon and Generation have \$3 million and \$3 million, respectively, of unrecognized tax benefits at December 31, 2011 that, if recognized, would decrease the effective tax rate. Exelon and Generation had \$4 million and \$4 million, respectively, of unrecognized tax benefits at December 31, 2010 that, if recognized, would decrease the effective tax rate.

Total amounts of interest and penalties recognized

The following table represents the net interest receivable (payable), including interest related to uncertain tax positions reflected in the Registrants' Consolidated Balance Sheets.

<u>Net interest receivable (payable) as of</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
December 31, 2011	\$ 74	\$ 33	\$ 23	\$ 28
December 31, 2010	21	(22)	14	22

The following table sets forth the net interest expense, including interest related to uncertain tax positions, recognized in interest expense (income) in other income and deductions in the Registrants' Consolidated Statements of Operations. The Registrants have not accrued any penalties with respect to uncertain tax positions.

Net interest expense (income) for the Years ended	Exelon	Generation	ComEd	PECO
December 31, 2011	\$ (56)	\$ (40)	\$ (14)	\$ (1)
December 31, 2010	110	6	57	35
December 31, 2009	(42)	9	(62)	(5)

Reasonably possible that total amount of unrecognized tax benefits could significantly increase or decrease within 12 months after the reporting date

Nuclear Decommissioning Liabilities (Exelon and Generation)

AmerGen filed income tax refund claims taking the position that nuclear decommissioning liabilities assumed as part of its acquisition of nuclear power plants are taken into account in determining the tax basis in the assets it acquired. The additional basis results primarily in reduced capital gains or increased capital losses on the sale of assets in nonqualified decommissioning funds and increased tax depreciation and amortization deductions. The IRS disagrees with this position and has disallowed the claims. In November 2008, Generation received a final determination from the Appeals division of the IRS (IRS Appeals) disallowing AmerGen's refund claims. On February 20, 2009, Generation filed a complaint in the United States Court of Federal Claims to contest this determination. In August 2009, the United States Department of Justice (DOJ) filed its answer denying the allegations made by Generation in its complaint. No trial date has yet been assigned, but trial could occur sometime in 2012.

The trial judge assigned to the case has noted the availability of the court's Alternative Dispute Resolution (ADR) program as an alternative to a trial, but the parties have not yet met with the ADR judge. The ADR program is a non-binding process that utilizes a variety of techniques such as mediation, neutral evaluation, and non-binding arbitration that allow the parties to understand better their differences and their prospects for settlement. The DOJ presently refuses to commit to participate in ADR. As a result, it is unclear whether ADR will occur and if so, when.

In addition, in the second quarter of 2010, Entergy Corporation concluded its trial in the United States Tax Court of a similar dispute involving the assumption of decommissioning liabilities in connection with the purchase of a nuclear power plant. It is possible that a decision will be reached in that case in the next twelve months. While the decision in that case would not serve as binding precedent for AmerGen's litigation in the United States Court of Federal Claims, the reasoning of the decision may cause Generation to reevaluate the total amount of unrecognized tax benefits. Due to the possibility of quicker resolution through the ADR program and the possibility of a decision being entered in the Entergy trial, Generation believes that it is reasonably possible that the total amount of unrecognized tax benefits may significantly decrease in the next twelve months.

Tax Method of Accounting for Repairs

In 2009, Exelon received approval from the IRS to change its method of accounting for repair costs associated with Generation's power plants. The new tax method of accounting resulted in net positive cash flow for of approximately \$210 million and approximately \$160 million for 2011 and 2010, respectively. Although the IRS granted Exelon approval to change its method of accounting, the approval did not affirm the methodology used to calculate the deduction. Exelon had requested and received approval from the IRS to review its methodology through its Pre-Filing Agreement program. However, in the second quarter of 2010, Exelon was informed that the IRS suspended the Pre-Filing agreement process and instead intends to issue broad industry guidance with respect to electric generation power plants. If that broader guidance is issued, it is reasonably possible that the total amount of unrecognized tax benefits could increase or decrease within the next 12 months.

See 1999 Sale of Fossil Generating Assets in Other Tax Matters – IRS Appeals 1999-2001 section below for information regarding the amount of unrecognized tax benefits associated with this matter that could change significantly within the next 12 months.

See Competitive Transition Charges in Other Tax Matters – IRS Appeals 1999-2001 section below for information regarding the amount of unrecognized tax benefits associated with this matter that could change significantly within the next 12 months.

Description of tax years that remain subject to examination by major jurisdiction

<u> taxpayer</u>	<u>Open Years</u>
Exelon (and predecessors) and subsidiaries consolidated Federal income tax returns	1999 - 2010
Exelon and subsidiaries Illinois unitary income tax returns	2007 - 2010
Exelon Pennsylvania corporate net income tax returns	2006 - 2010
PECO Pennsylvania corporate net income tax returns	2008 - 2010

Other Tax Matters

IRS Appeals 1999-2001 (Exelon, ComEd and PECO)

1999 Sale of Fossil Generating Assets (Exelon and ComEd). Exelon, through its ComEd subsidiary, took two positions on its 1999 income tax return to defer approximately \$2.8 billion of tax gain on the 1999 sale of ComEd's fossil generating assets. Exelon deferred approximately \$1.6 billion of the gain under the involuntary conversion provisions of the IRC. Exelon believes that it was economically compelled to dispose of ComEd's fossil generating plants as a result of the Illinois Act and that the proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that the gain could be deferred over the lives of the replacement property under the involuntary conversion provisions. The remaining approximately \$1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the IRC. The like-kind exchange replacement property purchased by Exelon included interests in three municipal-owned electric generation facilities which were properly leased back to the municipalities.

Exelon received the IRS audit report for 1999 through 2001, which reflected the full disallowance of the deferral of gain associated with both the involuntary conversion position and the like-kind exchange transaction. Specifically, the IRS asserted that ComEd was not forced to sell the fossil generating plants and the sales proceeds were therefore not received in connection with an involuntary conversion of certain ComEd property rights. Accordingly, the IRS asserted that the gain on the sale of the assets was fully subject to tax. The IRS also asserted that the Exelon purchase and leaseback transaction is substantially similar to a leasing transaction, known as a SILO, which the IRS does not respect as the acquisition of an ownership interest in property. A SILO is a "listed transaction" that the IRS has identified as a potentially abusive tax shelter under guidance issued in 2005. Accordingly, the IRS has asserted that the sale of the fossil plants followed by the purchase and leaseback of the municipal owned generation facilities does not qualify as a like-kind exchange and the gain on the sale is fully subject to tax.

Competitive Transition Charges (Exelon, ComEd, and PECO). Exelon contended that the Illinois Act and the Competition Act resulted in the taking of certain of ComEd's and PECO's assets used in their respective businesses of providing electricity services in their defined service areas. Exelon has filed refund claims with the IRS taking the position that CTCs collected during ComEd's and PECO's transition periods represent compensation for that taking and, accordingly, are excludible from taxable income as proceeds from an involuntary conversion. The tax basis of property acquired with the funds provided by the CTCs would be reduced such that the benefits of the position are temporary in nature. The IRS disallowed the refund claims for the 1999-2001 tax years.

Under the Illinois Act, ComEd was required to allow competitors the use of its distribution system resulting in the taking of ComEd's assets and lost asset value (stranded costs). As compensation for the taking, ComEd was permitted to collect a portion of the stranded costs through the collection of CTCs from those customers electing to purchase electricity from providers other than ComEd. ComEd collected approximately \$1.2 billion in CTCs for the years 1999-2006.

Similarly, under the Competition Act, PECO was required to allow others the use of its distribution system resulting in the taking of PECO's assets and the stranded costs. Pennsylvania permitted PECO to collect CTCs as compensation for its stranded costs. The PAPUC determined the total amount of stranded costs that PECO was permitted to collect through the CTCs to be \$5.3 billion.

2009 Status of Tax Positions. During 2009, Exelon held discussions with IRS Appeals in an attempt to reach a settlement on both the involuntary conversion and like-kind exchange positions, in a manner commensurate with Exelon's and the IRS' respective hazards of litigation with respect to each issue. During the second quarter of 2009, Exelon determined that a settlement with IRS Appeals was unlikely and that Exelon would be required to initiate litigation in order to resolve the issues. Accordingly, Exelon concluded that it had sufficient new information that a remeasurement of these two positions was required in accordance with applicable accounting standards. As a result, Exelon recorded a \$31 million (after-tax) interest benefit of which \$40 million (after-tax) was recorded at ComEd. The difference in amounts recorded at Exelon and ComEd is due to the method of allocating interest to the Registrants.

Due to the fact that tax litigation often results in a negotiated settlement, as of December 31, 2009, Exelon believed that an eventual settlement on the involuntary conversion position remained a likely outcome. Therefore, Exelon and ComEd established a liability for an unrecognized tax benefit consistent with their view as to a likely settlement.

With regard to the like-kind exchange transaction, as of December 31, 2009, Exelon believed it was likely that the issue would be fully litigated. Exelon assessed in accordance with accounting standards whether it would prevail in litigation. While Exelon recognized the complexity and hazards of this litigation, it believed that it was more likely than not that it would prevail in such litigation and therefore eliminated any liability for unrecognized tax benefits.

In addition to attempting to impose tax on the transactions, the IRS had asserted penalties of approximately \$196 million for a substantial understatement of tax. Because Exelon believed it was unlikely that the penalty assertion would ultimately be sustained, Exelon and ComEd had not recorded a liability for penalties as of December 31, 2009.

2010 Status of Tax Positions. In connection with Exelon's discussions with IRS Appeals during the second quarter of 2010, IRS Appeals proposed a settlement offer for the like-kind exchange transaction and involuntary conversion and CTC positions.

Based on the status of these settlement discussions, Exelon concluded that it had sufficient new information that a remeasurement of the involuntary conversion and CTC positions was required in accordance with applicable accounting standards. As a result of the required re-measurement in the second quarter of 2010, Exelon recorded \$65 million (after-tax) of interest expense, of which \$36 million (after-tax) and \$22 million (after-tax) were recorded at ComEd and PECO, respectively. ComEd also recorded a current tax expense of \$70 million offset with a tax benefit recorded at Generation of \$70 million. In the third quarter of 2010, Exelon and IRS Appeals reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and CTC positions. The agreement is consistent with IRS Appeals' second quarter 2010 offer to settle the involuntary conversion and CTC positions and also includes IRS Appeals' agreement to withdraw its assertion of the \$110 million substantial understatement penalty with respect to Exelon's involuntary conversion position. Final resolution of the involuntary conversion and CTC disputes remains subject to finalizing terms and calculations and executing definitive agreements satisfactory to both parties. As a result of the preliminary agreement, Exelon and ComEd eliminated any liability for unrecognized tax benefits and established a current tax payable to the IRS.

2011 Status of Tax Positions. Under the terms of the preliminary agreement, Exelon estimates that the IRS will assess tax and interest of approximately \$300 million in 2012 for the years for which there is a resulting tax deficiency, of which \$405 million would be paid by ComEd, \$135 million would be received by PECO, \$10 million would be paid by Generation and the remainder received by Exelon. These amounts are net of approximately \$300 million of refunds due from the settlement of the 2001 tax method of accounting change for certain overhead costs under the SSCM as well as other agreed upon audit adjustments. In order to stop additional interest from accruing on the expected assessment, Exelon made

a payment in December 2010 to the IRS of \$302 million. During 2011, ComEd reimbursed Exelon for this amount. Further, Exelon expects to receive additional tax refunds of approximately \$365 million between 2012 and 2014, of which \$55 million and \$335 million would be received by Generation and ComEd, respectively, and the remainder paid by Exelon.

Exelon and IRS Appeals to date have failed to reach a settlement with respect to the like-kind exchange position. Exelon continues to believe that its like-kind exchange transaction is not the same as or substantially similar to a SILO and does not believe that the concession demanded by the IRS in its settlement offer reflects the strength of Exelon's position. IRS Appeals also continues to assert an \$86 million penalty for a substantial understatement of tax with respect to the like-kind exchange position.

While Exelon has been and remains willing to settle the issue in a manner generally commensurate with its hazards of litigation, the IRS has thus far been unwilling to settle the issue without requiring a nearly complete concession of the issue by Exelon. Accordingly, to continue to contest the IRS's disallowance of the like-kind exchange position and its assertion of the \$86 million substantial understatement penalty, Exelon expects to initiate litigation in 2012 after the final resolution of the involuntary conversion and CTC settlement. Given that Exelon has determined settlement is not a realistic outcome, it has assessed in accordance with applicable accounting standards whether it will prevail in litigation. While Exelon recognizes the complexity and hazards of this litigation, it believes that it is more likely than not that it will prevail in such litigation and therefore eliminated any liability for unrecognized tax benefits. Further, Exelon believes it is unlikely that the penalty assertion will ultimately be sustained, Exelon and ComEd have not recorded a liability for penalties. However, should the IRS prevail in asserting the penalty it would result in an after-tax charge of \$86 million to Exelon's and ComEd's results of operations.

As of December 31, 2011, assuming Exelon's preliminary settlement of the involuntary conversion position is finalized, the potential tax and interest, exclusive of penalties, that could become currently payable in the event of a fully successful IRS challenge to Exelon's like-kind exchange position could be as much as \$860 million, of which \$550 million would be paid by ComEd and the remainder by Exelon. If the IRS were to prevail in litigation on the like-kind exchange position, Exelon's results of operations could be negatively affected due to increased interest expense, as of December 31, 2011, by as much as \$260 million (after-tax), of which \$200 million would be recorded at ComEd and the remainder by Exelon. Litigation could take several years such that the estimated cash and interest impacts would likely change by a material amount.

Based on Exelon management's expectations as to the potential of a settlement and litigation outcome, it is reasonably possible that the unrecognized tax benefits related to these issues may significantly change within the next 12 months. It is not possible at this time to predict the amount, if any, of such a change.

Nuclear Decommissioning Trust Fund Special Transfer Tax Deduction (Exelon and Generation)

During 2008, Generation benefited from a provision in the Energy Policy Act of 2005 which allowed companies an income tax deduction for a "special transfer" of funds from a non-tax qualified NDT fund to a qualified NDT fund. As a result of temporary guidance published by the U.S. Department of Treasury, Generation completed a special transfer in the first quarter of 2008 for tax year 2008. In December 2010, the U.S. Department of Treasury issued final regulations under IRC Section 468A. The final regulations included a transitional relief provision that allowed taxpayers to request permission from the IRS to designate a taxable year, as far back as 2006, during which the special transfer will be deemed to have occurred. Exelon determined, and confirmed with the IRS through the ruling process, that this provision allows a majority of Generation's 2008 special transfer deduction to be claimed in the 2006 tax year and the remaining portions claimed ratably in taxable years 2007 and 2008. On February 18, 2011, in order to preserve both the ability to designate the special transfer from 2008 to an earlier taxable year and the ability to complete future additional special transfers, Exelon filed ruling requests with the IRS. During 2011, Exelon received favorable rulings from the IRS on all of its ruling requests. As a result, Exelon

recorded an interest and tax benefit of \$46 million, net of tax including the impact on the manufacturer's deduction, in 2011 related to the special transfers completed in 2008 and 2011.

2011 Illinois State Tax Rate Legislation (Exelon, Generation and ComEd)

The Taxpayer Accountability and Budget Stabilization Act, (SB 2505), enacted into law in Illinois on January 13, 2011, increases the corporate tax rate in Illinois from 7.3% to 9.5% for tax years 2011 – 2014, provides for a reduction in the rate from 9.5% to 7.75% for tax years 2015 – 2024 and further reduces the rate from 7.75% to 7.3% for tax years 2025 and thereafter. Pursuant to the rate change, Exelon reevaluated its deferred state income taxes during the first quarter of 2011. Illinois' corporate income tax rate changes resulted in a charge to state deferred taxes (net of Federal taxes) during the first quarter of 2011 of \$7 million, \$11 million and \$4 million for Exelon, Generation and ComEd, respectively. Exelon's and ComEd's charge is net of a regulatory asset of \$15 million.

In 2011, the income tax rate change increased Exelon's Illinois income tax provision (net of Federal taxes) by approximately \$7 million, of which \$12 million and \$5 million of additional tax relates to Exelon Corporate and Generation, respectively, and a \$10 million benefit for ComEd. The 2011 tax benefit at ComEd reflects the impact of a 2011 tax net operating loss generated primarily by the bonus depreciation deduction allowed under the Tax Relief Act of 2010 and the electric transmission and distribution property repairs deduction discussed below.

Long-Term State Tax Apportionment (Exelon and Generation)

Exelon and Generation periodically review events that may significantly impact how income is apportioned among the states and, therefore, the calculation of Exelon's and Generation's deferred state income taxes. On April 16, 2009, the PAPUC approved PECO's electricity procurement proposal that has an impact on Exelon's and Generation's apportionment of income among the states. Accordingly, Exelon and Generation re-evaluated the impacts to deferred state taxes in the second quarter of 2009. The effect of such evaluations resulted in the recording of a non-cash deferred state tax benefit in the amount of \$35 million, net of taxes. In 2010, the Registrants performed a review of the long-term state tax rates and noted no significant events that would materially impact state apportionment. As such, there was no update to the long-term state apportionment rates in 2010. In 2011 as a result of the 2011 Illinois State Tax Rate Legislation discussed above, Exelon and Generation re-evaluated their long-term state tax apportionment for Illinois and all other states where they have state income tax obligations. The effect of revising the long-term state tax apportionment resulted in the recording of a deferred state tax expense during the first quarter of 2011 of \$22 million and \$11 million (net of Federal taxes) for Exelon and Generation, respectively. The long-term state tax apportionment also was revised in the fourth quarter of 2011 pursuant to long-term state tax apportionment policy, resulting in recording an additional deferred state tax expense of \$1 million and a deferred state tax benefit of \$8 million (net of Federal taxes) for Exelon and Generation, respectively.

Illinois Replacement Investment Tax Credits (Exelon, Generation and ComEd)

On February 20, 2009, the Illinois Supreme Court ruled in Exelon's favor in a case involving refund claims for Illinois investment tax credits. Responding to the Illinois Attorney General's petition for rehearing, on July 15, 2009, the Illinois Supreme Court modified its opinion to indicate that it was to be applied only prospectively, beginning in 2009. In the third quarter of 2009, Exelon, Generation and ComEd decreased their unrecognized tax benefits related to this position. On December 22, 2009, Exelon filed a Petition of Writ for Certiorari with the United States Supreme Court appealing the Illinois Supreme Court's July 15, 2009 modified opinion. On March 1, 2010, the United States Supreme Court announced that it would not review the Illinois Supreme Court's decision. As a result of the United States Supreme Court decision, Exelon, Generation and ComEd ceased reporting their unrecognized tax benefits as of March 31, 2010.

Pennsylvania Bonus Depreciation (Exelon, Generation and PECO)

Pursuant to authoritative guidance issued by the Pennsylvania Department of Revenue on February 24, 2011, Exelon is permitted to deduct 100% bonus depreciation in Pennsylvania in the year

that such depreciation is claimed and allowable for Federal purposes. For Federal purposes, qualifying property placed into service after September 8, 2010, and before January 1, 2012, is eligible for 100% bonus depreciation. During 2011, the bonus depreciation deduction resulted in a benefit of approximately \$7 million, \$1 million and \$6 million associated with property placed in service in 2010 at Exelon, Generation and PECO, respectively.

Accounting for Electric Transmission and Distribution Property Repairs (Exelon, Generation, ComEd and PECO)

On August 19, 2011, the IRS issued Revenue Procedure 2011-43 providing a safe harbor method of tax accounting for repair costs associated with electric transmission and distribution property. ComEd intends to adopt the safe harbor in the Revenue Procedure for the 2011 tax year. PECO adopted the safe harbor for the 2010 tax year. For the year ended December 31, 2011, the adoption of the safe harbor resulted in a \$35 million reduction to income tax expense at PECO, while Generation incurred additional income tax expense in the amount of \$28 million due to a decrease in its manufacturer's deduction, which are reflected in the effective income tax rate reconciliation above in the plant basis differences and domestic production activities deduction lines, respectively. For Exelon, the adoption had a minimal effect on consolidated earnings. In addition, the adoption of the safe harbor will result in a cash tax benefit at Exelon, ComEd and PECO in the amount of approximately \$300 million, \$250 million and \$95 million, respectively, partially offset by a cash tax detriment at Generation in the amount of \$28 million.

See Note 2 – Regulatory Matters for discussion of the regulatory treatment prescribed in the 2010 electric distribution rate case settlement for PECO's cash tax benefit resulting from the application of the method change to years prior to 2010.

Allocation of Tax Benefits (Exelon, Generation, ComEd and PECO)

Generation, ComEd and PECO are all party to an agreement with Exelon and other subsidiaries of Exelon that provides for the allocation of consolidated tax liabilities and benefits (Tax Sharing Agreement). The Tax Sharing Agreement provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. In addition, any net benefit attributable to Exelon is reallocated to the other Registrants. That allocation is treated as a contribution to the capital of the party receiving the benefit. During 2011, Generation and PECO recorded an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement of \$30 million and \$18 million, respectively. During 2011, ComEd did not record an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement as a result of ComEd's 2011 tax net operating loss generated primarily by the bonus depreciation deduction allowed under the Tax Relief Act of 2010 and the electric transmission and distribution property repairs deduction discussed above. During 2010, Generation, ComEd and PECO recorded an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement of \$60 million, \$2 million and \$43 million, respectively. During 2009, Generation, ComEd and PECO recorded an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement of \$57 million, \$8 million and \$27 million, respectively.

In addition, ComEd received a non-cash contribution to equity from Exelon of \$11 million related to tax benefits associated with capital projects constructed by ComEd on behalf of Exelon and Generation.

1 ☐ Asset Retirement Obligations (Exelon, Generation, ComEd and PECO)

Nuclear Decommissioning Asset Retirement Obligations

Generation has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. To estimate its decommissioning obligation related to its nuclear generating stations, Generation uses a probability-weighted, discounted cash flow model which, on a unit-by-unit basis, considers multiple outcome scenarios that include significant estimates and assumptions, and are based on decommissioning cost studies, cost escalation rates, probabilistic cash flow models and discount rates. The following table provides a rollforward of the nuclear decommissioning ARO reflected on Exelon's and Generation's Consolidated Balance Sheets, from January 1, 2010 to December 31, 2011:

	<u>Exelon and Generation</u>
Nuclear decommissioning ARO at January 1, 2010	\$ 3,260
Accretion expense	191
Net increase due to changes in estimated future cash flows	624
Extinguishment of Zion Station ARO	(768)
Costs incurred to decommission retired plants	(31)
Nuclear decommissioning ARO at December 31, 2010 ^(a)	3,276
Accretion expense	209
Net increase due to changes in estimated future cash flows	198
Costs incurred to decommission retired plants	(3)
Nuclear decommissioning ARO at December 31, 2011 ^(a)	<u>\$ 3,680</u>

(a) Includes \$5 million as the current portion of the ARO at December 31, 2011 and 2010, which is included in other current liabilities on Exelon's and Generation's Consolidated Balance Sheets.

During 2011, Generation recorded a net increase in the ARO of \$404 million primarily due to increases for accretion and an increase in the estimated costs to decommission the Oyster Creek and Zion nuclear units resulting from the completion of updated decommissioning cost studies received in 2011 and an increase in the expected long-term escalation rates for energy, partially offset by decreases in long-term escalation rates for labor and other costs as compared to prior study periods. The increase in the Zion nuclear unit ARO resulted in \$28 million of expense, which is included in Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income, as the Zion nuclear unit is retired, and as such, is unable to record increases to the ARO through an ARC. Additionally, the Zion nuclear unit is not subject to a regulatory agreement that would provide for offset of the expense.

During 2010, Generation recorded a net increase in the ARO of \$16 million, primarily reflecting ZionSolutions' assumption of decommissioning and other liabilities for Zion Station (see discussion below); and increases for accretion and for updates to estimated future cash flows across all of Generation's units. Changes in estimated future cash flows increased the ARO by \$624 million, including approximately \$200 million associated with the accelerated timing of the Zion Station decommissioning. The remainder of the increase is the result of cost study estimate updates and the change in timing of general decommissioning activities at select sites in Generation's nuclear fleet, including revisions to the timing and amount of SNF disposal; partially offset by the impacts of lower escalation rates. This change in the ARO resulted in an immaterial impact to Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Zion Station Decommissioning

On September 1, 2010, Generation completed an Asset Sale Agreement (ASA) with EnergySolutions Inc. and its wholly owned subsidiaries, EnergySolutions, LLC. (EnergySolutions) and ZionSolutions under which ZionSolutions has assumed responsibility for decommissioning Zion Station, which is located in Zion, Illinois and ceased operation in 1998. Specifically, Generation transferred to ZionSolutions substantially all of the assets (other than land) associated with Zion Station, including assets held in related NDT funds. In consideration for Generation's transfer of those assets, ZionSolutions assumed decommissioning and other liabilities associated with Zion Station. Pursuant to the ASA, ZionSolutions can periodically request reimbursement from the Zion Station-related NDT funds for costs incurred related to the decommissioning efforts at Zion Station. On July 14, 2011, three people filed a purported class action lawsuit in the United States District Court for the Northern District of Illinois naming ZionSolutions and Bank of New York Mellon as defendants and seeking, among other things, an accounting for use of NDT funds, an injunction against the use of NDT funds, the appointment of a trustee for the NDT funds, and the return of NDT funds to customers of ComEd to the extent legally entitled thereto. ZionSolutions and Bank of New York Mellon filed a motion to dismiss the complaint on September 13, 2011.

ZionSolutions is subject to certain restrictions on its ability to request reimbursements from the Zion Station NDT funds as defined within the ASA. Therefore, the transfer of the Zion Station assets did not qualify for asset sale accounting treatment and, as a result, the related NDT funds were reclassified to pledged assets for Zion Station decommissioning within Generation and Exelon's Consolidated Balance Sheets and will continue to be measured in the same manner as prior to the completion of the transaction. Additionally, the transferred ARO for decommissioning was replaced with a payable to ZionSolutions in Generation and Exelon's Consolidated Balance Sheets. Changes in the value of the Zion Station NDT assets, net of applicable taxes, will be recorded as a change in the payable to ZionSolutions. At no point will the payable to ZionSolutions exceed the project budget of the costs remaining to decommission Zion Station. Any Zion Station NDT funds remaining after the completion of all decommissioning activities will be returned to ComEd customers. Generation has retained its obligation to transfer the SNF at Zion Station to the DOE for ultimate disposal and has a liability of approximately \$65 million and \$34 million at December 31, 2011 and 2010, respectively, which is included within the nuclear decommissioning ARO. Generation also has retained NDT assets to fund its obligation to maintain and transfer the SNF at Zion Station. As of December 31, 2011 and 2010, the carrying value of the Zion Station pledged assets was approximately \$734 million and \$824 million, respectively, and the payable to Zion Solutions was approximately \$691 million and \$786 million, respectively. The payable excludes a liability recorded within Generation's Consolidated Balance Sheets related to the tax obligation on the unrealized activity associated with the Zion Station NDT funds. The NDT funds will be utilized to satisfy the tax obligations as gains and losses are realized. The current portion of the payable to ZionSolutions, included in other current liabilities within Generation's Consolidated Balance Sheets at December 31, 2011 and 2010 was \$128 million and \$127 million, respectively. ZionSolutions withdrew approximately \$143 million and \$5 million for Zion Station decommissioning costs during the years ended December 31, 2011 and 2010, respectively.

ZionSolutions leased the land associated with Zion Station from Generation pursuant to a Lease Agreement. Under the Lease Agreement, ZionSolutions has committed to complete the required decommissioning work according to an established schedule and will construct a dry cask storage facility on the land for the SNF currently held in SNF pools at Zion Station. Rent payable under the Lease Agreement is \$1.00 per year, although the Lease Agreement requires ZionSolutions to pay property taxes associated with Zion Station and penalty rents may accrue if there are unexcused delays in the progress of decommissioning work at Zion Station or the construction of the dry cask SNF storage facility. To reduce the risk of default by EnergySolutions or ZionSolutions, EnergySolutions provided a \$200 million letter of credit to be used to fund decommissioning costs in the event the NDT assets are insufficient. EnergySolutions has also provided a performance guarantee and entered into other agreements that will provide rights and remedies for Generation and the NRC in the case of other specified events of default, including a special purpose easement for disposal capacity at the EnergySolutions site in Clive, Utah, for all LLRW volume of Zion Station.

Nuclear Decommissioning Trust Fund Investments

NDT funds have been established for each generating station unit to satisfy Generation's nuclear decommissioning obligations. NDT funds established for a particular unit may not be used to fund the decommissioning obligations of any other unit.

The NDT funds associated with the former ComEd, former PECO and former AmerGen units have been funded with amounts collected from ComEd customers, PECO customers and the previous owners of the former AmerGen plants, respectively. Based on an ICC order, ComEd ceased collecting amounts from its customers to pay for decommissioning costs. PECO currently collects funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections are expected to continue through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the NDT funds. Every five years, PECO files a rate adjustment with the PAPUC reflecting updated fund balances and estimated decommissioning costs. The most recent rate adjustment occurred on January 1, 2008 and the effective rates currently yield annual collections of \$29 million. The next five-year adjustment is expected to be reflected in rates charged to PECO customers effective January 1, 2013. With respect to the former AmerGen units, Generation does not collect any amounts, nor is there any mechanism by which Generation can seek to

collect additional amounts, from customers. Apart from the contributions made to the NDT funds from amounts collected from ComEd and PECO customers, Generation has not made contributions to the NDT funds.

Any shortfall of funds necessary for decommissioning, determined for each generating station unit, is ultimately required to be funded by Generation. Generation has recourse to collect additional amounts from PECO customers related to a shortfall of NDT funds for the former PECO units, subject to certain limitations and thresholds, as prescribed by an order from the PAPUC. Generally, PECO will not be allowed to collect amounts associated with the first \$50 million of any shortfall of trust funds, on an aggregate basis for all former PECO units, compared to decommissioning obligations, as well as 5% of any additional shortfalls. This initial \$50 million and up to 5% of any additional shortfalls would be borne by Generation. No recourse exists to collect additional amounts from ComEd customers for the former ComEd units or from the previous owners of the former AmerGen units. With respect to the former ComEd and PECO units, any funds remaining in the NDTs after decommissioning has been completed are required to be refunded to ComEd's or PECO's customers, subject to certain limitations that allow sharing of excess funds with Generation related to the former PECO units. With respect to the former AmerGen units, Generation retains any funds remaining in the NDTs after decommissioning.

At December 31, 2011 and 2010, Exelon and Generation had NDT fund investments totaling \$6,507 million and \$6,408 million, respectively.

During 2011, the NDT fixed income strategy shifted from solely core fixed income investments to a blend of Treasury Inflation Protected Securities (TIPS), investment-grade corporate credit and short-term corporate lending. There was no change in the equity investment strategy. At December 31, 2011, approximately 48% of the funds were invested in equity securities and 52% were invested in fixed income securities. At December 31, 2010, approximately 57% of the funds were invested in equity securities and 43% were invested in fixed income securities.

Securities Lending Program. Generation's NDT funds currently participate in a securities lending program with the funds' trustees. Under the program, securities loaned by the trustees are required to be collateralized by cash, U.S. Government securities or irrevocable bank letters of credit. Initial collateral levels are no less than 102% and 105% of the market value of the borrowed securities for collateral denominated in U.S. and foreign currency, respectively. Subsequent collateral levels must be maintained at a level no less than 100% of the market value of borrowed securities. Cash collateral received may not be sold or re-pledged by the trustees unless the borrower defaults.

In the fourth quarter of 2008, Exelon decided to end its participation in this securities lending program and initiated a gradual withdrawal of the trusts' investments in order to minimize potential losses due to liquidity constraints in the market. Currently, the weighted average maturity of the securities within the collateral pools is approximately 13 months. The fair value of securities on loan was approximately \$20 million and \$51 million at December 31, 2011 and 2010, respectively. The fair value of cash and non-cash collateral received for these loaned securities was \$19 million and \$51 million at December 31, 2011 and 2010, respectively. A portion of the income generated through the investment of cash collateral is remitted to the borrowers, and the remainder is allocated between the trusts and the trustees in their capacity as security agents.

NRC Minimum Funding Requirements. NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in specified minimum amounts to decommission the facility at the end of its life. The estimated decommissioning obligations as calculated using the NRC methodology differ from the ARO recorded on Generation's and Exelon's Consolidated Balance Sheets primarily due to differences in the types of costs included in the estimates, the basis for estimating such costs, and assumptions regarding the decommissioning alternatives to be used, potential license renewals, decommissioning cost escalation, and the growth rate in the NDT funds. Under NRC regulations, if the minimum funding requirements calculated under the NRC methodology are less than the future value of the NDT funds, also calculated under the NRC methodology, then the NRC requires either further funding or other financial guarantees.

Key assumptions used in the minimum funding calculation using the NRC methodology at December 31, 2011 include: (1) consideration of costs only for the removal of radiological contamination at each unit; (2) the option on a unit-by-unit basis to use generic, non-site specific cost estimates; (3) consideration of only one decommissioning scenario for each unit; (4) the plants cease operation at the end of their current license lives (with no assumed license renewals for those units that have not already received renewals and with an assumed end-of-operations date of 2019 for Oyster Creek); (5) the assumption of current nominal dollar cost estimates that are neither escalated through the anticipated period of decommissioning, nor discounted using the CARFR; and (6) assumed annual after-tax returns on the NDT funds of 2% (3% for the former PECO units, as specified by the PAPUC).

In contrast, the key criteria and assumptions used by Generation to determine the ARO and to forecast the target growth in the NDT funds at December 31, 2011 include: (1) the use of site specific cost estimates that are updated at least once every five years; (2) the inclusion in the ARO estimate of all legally unavoidable costs required to decommission the unit (e.g., radiological decommissioning and full site restoration for certain units, on-site spent fuel maintenance and storage subsequent to ceasing operations and until DOE acceptance, and disposal of certain low-level radioactive waste); (3) the consideration of multiple scenarios where decommissioning activities are completed under three possible scenarios ranging from 10 to 70 years after the cessation of plant operations; (4) the assumption plants cease operating at the end of an extended license life (assuming 20-year license renewal extensions, except Oyster Creek with an assumed end-of-operations date of 2019); (5) the measurement of the obligation at the present value of the future estimated costs and an annual average accretion of the ARO of approximately 6.1% through a period of approximately 30 years after the end of the extended lives of the units; and (6) an estimated targeted annual pre-tax return on the NDT funds of 5.6% to 6.7% (as compared to a historical 5-year annual average pre-tax return of approximately 3.6%).

Generation is required to provide to the NRC a biennial report by unit (annually for units that have been retired or are within five years of the current approved license life), based on values as of December 31, addressing Generation's ability to meet the NRC minimum funding levels. Depending on the value of the trust funds, Generation may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or make additional contributions to the trusts, which could be significant, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met. As a result, Exelon's and Generation's cash flows and financial position may be significantly adversely affected.

On March 10, 2010, Generation notified the NRC that it had provided additional decommissioning funding assurance for its Byron Unit 2 and Braidwood Units 1 and 2 NDT funds with the establishment of approximately \$44 million in parent guarantees in accordance with a plan submitted by Generation to the NRC on July 29, 2009. On May 26, 2010, the NRC notified Generation that additional parent guarantees may be required to meet the future value of the underfunded position. During the third quarter of 2010, Generation established approximately \$175 million in additional parent guarantees.

On March 31, 2011, Generation, in its NRC-required biennial decommissioning funding status report, notified the NRC that adequate decommissioning funding assurance existed as of December 31, 2010 for Byron Unit 2 and Braidwood Units 1 and 2, without taking credit for any additional funding assurance provided by the parent guarantees, and Generation provided notice of its intention to cancel the parent guarantees following expiration of the NRC required notice period. Accordingly, Generation cancelled these parent guarantees on August 6, 2011. Additionally, in the March 31, 2011 report, Generation provided data from which the NRC concluded that the amount of decommissioning funding as of December 31, 2010 for Limerick Unit 1 was less than the amount required by the NRC's regulations. As Generation noted in its March 31, 2011 report, the funding mechanism used as the source of revenues for the Limerick Unit 1 NDT funds is a non-bypassable charge approved by the PAPUC authorizing PECO to continue to collect decommissioning funds from ratepayers for Generation. Generation is currently evaluating several options for addressing NRC funding assurance requirements. These options will not result in an increase to the non-bypassable charge and may include other financial guarantees, such as a parent company guarantee. Every five years, PECO files a cost adjustment with the PAPUC reflecting updated fund balances and estimated decommissioning costs. The next cost adjustment filing will be made in March 2012 and will be effective January 1, 2013.

As the future values of trust funds change due to market conditions, the NRC minimum funding status of Generation's units will change. In addition, if changes occur to the regulatory agreement with the PAPUC that currently allows amounts to be collected from PECO customers for decommissioning the former PECO nuclear plants, the NRC minimum funding status of those plants could change at subsequent NRC filing dates.

Accounting Implications of the Regulatory Agreements with ComEd and PECO. Based on the regulatory agreement with the ICC that dictates Generation's obligations related to the shortfall or excess of NDT funds necessary for decommissioning the former ComEd units on a unit-by-unit basis, as long as funds held in the NDT funds exceed the total estimated decommissioning obligation, decommissioning-related activities, including realized and unrealized gains and losses on the NDT funds and accretion of the decommissioning obligation, are generally offset within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. The offset of decommissioning-related activities within the Consolidated Statement of Operations and Comprehensive Income results in an equal adjustment to the noncurrent payables to affiliates at Generation and an adjustment to the regulatory liabilities at Exelon. Likewise, ComEd has recorded an equal noncurrent affiliate receivable from Generation and corresponding regulatory liability. Should the value of the NDT fund for any former ComEd unit fall below the amount of the estimated decommissioning obligation for that unit, the accounting to offset decommissioning-related activities in the Consolidated Statement of Operations and Comprehensive Income for that unit would be discontinued, the decommissioning-related activities would be recognized in the Consolidated Statements of Operations and Comprehensive Income and the adverse impact to Exelon's and Generation's results of operations and financial position could be material. At December 31, 2011, the NDT funds of each of the former ComEd units exceeded the related decommissioning obligation for each of the units. For the purposes of making this determination, the decommissioning obligation referred to is the ARO reflected on Generation's Consolidated Balance Sheet at December 31, 2011 and is different, as described above, from the calculation used in the NRC minimum funding obligation filings based on NRC guidelines.

Based on the regulatory agreement supported by the PAPUC that dictates Generation's rights and obligations related to the shortfall or excess of trust funds necessary for decommissioning the seven former PECO nuclear units, regardless of whether the funds held in the NDT funds exceed or fall short of the total estimated decommissioning obligation, decommissioning-related activities are generally offset within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. The offset of decommissioning-related activities within the Consolidated Statement of Operations and Comprehensive Income results in an equal adjustment to the noncurrent payables to affiliates at Generation and an adjustment to the regulatory liabilities at Exelon. Likewise, PECO has recorded an equal noncurrent affiliate receivable from Generation and a corresponding regulatory liability. Any changes to the PECO regulatory agreements could impact Exelon's and Generation's ability to offset decommissioning-related activities within the Consolidated Statement of Operations and Comprehensive Income, and the impact to Exelon's and Generation's results of operations and financial position could be material.

The decommissioning-related activities related to the Clinton, Oyster Creek and Three Mile Island nuclear plants (the former AmerGen units) and the portions of the Peach Bottom nuclear plants that are not subject to regulatory agreements with respect to the NDT funds are reflected in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income, as there are no regulatory agreements associated with these units.

Refer to Note 19—Supplemental Financial Information and Note 21—Related Party Transactions for information regarding regulatory liabilities at ComEd and PECO and intercompany balances between Generation, ComEd and PECO reflecting the obligation to refund to customers any decommissioning-related assets in excess of the related decommissioning obligations.

The following table provides unrealized gains (losses) on NDT funds for 2011, 2010 and 2009:

Exelon and

	Generation For the Years Ended December 31,		
	2011	2010	2009
Net unrealized gains (losses) on decommissioning trust funds—Regulatory Agreement Units ^{(a) (b)}	\$(74)	\$294	\$799
Net unrealized gains (losses) on decommissioning trust funds—Non-Regulatory Agreement Units ^(c)	(4)	104	227

- (a) Gains related to Generation's NDT funds associated with Regulatory Agreement Units are included in regulatory liabilities on Exelon's Consolidated Balance Sheets and noncurrent payables to affiliates on Generation's Consolidated Balance Sheets.
- (b) Excludes \$48 million and \$20 million of gains related to the Zion Station pledged assets in 2011 and 2010. Gains related to Zion Station pledged assets are included in the payable for Zion Station decommissioning on Exelon's and Generation's Consolidated Balance Sheets.
- (c) Gains related to Generation's NDT funds associated with Non-Regulatory Agreement Units are included within Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Interest and dividends on NDT fund investments are recognized when earned and are included in Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. Interest and dividends earned on the NDT fund investments for the Regulatory Agreement Units, which are subject to regulatory accounting, are eliminated within Other, net in Exelon's and Generation's Consolidated Statement of Operations and Comprehensive Income.

Non-Nuclear Asset Retirement Obligations (Exelon, Generation, ComEd, and PECO)

Generation has AROs for plant closure costs associated with its fossil, hydroelectric and renewable generating stations, including asbestos abatement, removal of certain storage tanks, restoring leased land to the condition it was in prior to construction of renewable generating stations and other decommissioning-related activities. ComEd and PECO have AROs primarily associated with the abatement and disposal of equipment and buildings contaminated with asbestos and PCBs. See Note 1—Significant Accounting Policies for additional information on the Registrants' accounting policy for AROs.

The following table provides a rollforward of the non-nuclear AROs reflected on the Registrants' Consolidated Balance Sheets from January 1, 2010 to December 31, 2011:

	Exelon	Generation	ComEd	PECO
Non-nuclear AROs at January 1, 2010	\$ 191	\$ 73	\$ 95	\$ 24
Net increase (decrease) resulting from updates to estimated future cash flows ^(a)	13	(3)	8	8
Accretion expense ^(b)	9	3	4	1
Acquisition of Exelon Wind ^(c)	13	13	—	—
Payments	(3)	—	(2)	(1)
Non-nuclear AROs at December 31, 2010	223	86	105	32
Net increase (decrease) resulting from updates to estimated future cash flows ^(a)	(19)	2	(17)	(4)
New development projects	2	2	—	—
Accretion expense ^(b)	8	4	3	1
Payments	(5)	(2)	(2)	(1)
Non-nuclear AROs at December 31, 2011	\$ 209	\$ 92	\$ 89	\$ 28

- (a) ComEd and PECO recorded reductions in operating and maintenance expense of \$10 million and \$1 million, respectively, during the year ended December 31, 2010 and PECO recorded a reduction in operating and maintenance expense of \$3 million during the year ended December 31, 2011 relating to updates to estimated future cash flows.
- (b) For ComEd and PECO, the majority of the accretion is recorded as an increase to a regulatory asset due to the associated regulatory treatment.
- (c) Refer to Note 3—Acquisition for additional information regarding Exelon Wind.

1 Retirement Benefits (Exelon, Generation, ComEd and PECO)

As of December 31, 2011, Exelon sponsored five qualified defined benefit pension plans, two non-qualified defined benefit pension plans and three other postretirement benefit plans for essentially all Generation, ComEd, PECO and BSC employees. The table below shows the pension and postretirement benefit plans in which each operating company participated at December 31, 2011.

Name of Plan	Operating Company			
	Generation	ComEd	PECO	BSC
Qualified Pension Plans:				
Exelon Corporation Retirement Program	X	X	X	X
Exelon Corporation Cash Balance Pension Plan	X	X	X	X
Exelon Corporation Pension Plan for Bargaining Unit Employees	X	X		X
Exelon New England Union Employees Pension Plan	X			
Exelon Employee Pension Plan for Clinton, TMI and Oyster Creek	X		X	X
Non-Qualified Pension Plans:				
Exelon Corporation Supplemental Pension Benefit Plan and 2000 Excess Benefit Plan			X	X
Exelon Corporation Supplemental Management Retirement Plan	X	X	X	X
Other Postretirement Benefit Plans:				
PECO Energy Company Retiree Medical Plan	X		X	X
Exelon Corporation Health Care Program	X	X		X
AmerGen Energy Company Postretirement Welfare Plan	X		X	X

Exelon's traditional and cash balance pension plans are intended to be tax-qualified defined benefit plans. Substantially all non-union employees and electing union employees hired on or after January 1, 2001 participate in cash balance pension plans. Effective January 1, 2009, substantially all newly-hired union-represented employees participate in cash balance pension plans. Exelon has elected that the trusts underlying these plans be treated under the IRC as qualified trusts. If certain conditions are met, Exelon can deduct payments made to the qualified trusts, subject to certain IRC limitations.

Benefit Obligations, Plan Assets and Funded Status

Exelon recognizes the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans as an asset or liability on its balance sheet, with offsetting entries to Accumulated Other Comprehensive Income (AOCI) and regulatory assets, in accordance with the applicable authoritative guidance. The impact of changes in assumptions used to measure pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the plan participants. The measurement date for the plans is December 31. The following table provides a rollforward of the changes in the benefit obligations and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation:				
Net benefit obligation at beginning of year	\$12,524	\$11,482	\$ 3,874	\$ 3,658
Service cost	212	190	142	124
Interest cost	649	660	207	214
Plan participants' contributions	—	—	25	16
Actuarial loss	807	831	4	49
Special termination benefits	—	—	—	1

Gross benefits paid	(654)	(639)	(201)	(198)
Federal subsidy on benefits paid	—	—	11	10
Net benefit obligation at end of year	<u>\$13,538</u>	<u>\$12,524</u>	<u>\$ 4,062</u>	<u>\$ 3,874</u>
Change in plan assets:				
Fair value of net plan assets at beginning of year	\$ 8,859	\$ 7,839	\$ 1,655	\$ 1,476
Actual return on plan assets	1,003	893	29	158
Employer contributions	2,094	766	277	203
Plan participants' contributions	—	—	25	16
Benefits paid ^(a)	(654)	(639)	(189)	(198)
Fair value of net plan assets at end of year	<u>\$11,302</u>	<u>\$ 8,859</u>	<u>\$ 1,797</u>	<u>\$ 1,655</u>

(a) Exelon's other postretirement benefits paid for the year ended December 31, 2011 are net of \$12 million of reinsurance proceeds received from the Department of Health and Human Services as part of the Early Retiree Reinsurance Program pursuant to the Affordable Care Act of 2010.

Exelon presents its benefit obligations and plan assets net on its balance sheet within the following line items:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Other current liabilities	\$ 42	\$ 7	\$ 2	\$ 1
Pension obligations	2,194	3,658	—	—
Non-pension postretirement benefit obligations	—	—	2,263	2,218
Unfunded status (net benefit obligation less net plan assets)	<u>\$2,236</u>	<u>\$3,665</u>	<u>\$ 2,265</u>	<u>\$ 2,219</u>

The funded status of the pension and other postretirement benefit obligations refers to the difference between plan assets and estimated obligations of the plan. The funded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following tables provide the projected benefit obligations (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for all pension plans with an ABO in excess of plan assets and a PBO in excess of plan assets.

	PBO and ABO in excess of plan assets	
	2011	2010
Projected benefit obligation	\$13,538	\$12,524
Accumulated benefit obligation	12,616	11,697
Fair value of net plan assets	11,302	8,859

On an ABO basis, the plans were funded at 90% at December 31, 2011 compared to 76% at December 31, 2010. On a PBO basis, the plans were funded at 83% at December 31, 2011 compared to 71% at December 31, 2010. The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2011, 2010 and 2009 for all plans combined. The table reflects a reduction in 2011, 2010 and 2009 of net periodic postretirement benefit costs of approximately \$28 million, \$38 million and \$38 million, respectively, related to a Federal subsidy provided under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Modernization Act), discussed further below.

Pension Benefits	Other

				Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Components of net periodic benefit cost						
Service cost	\$ 212	\$ 190	\$ 178	\$ 142	\$ 124	\$113
Interest cost	649	660	651	207	214	205
Expected return on assets	(939)	(799)	(778)	(111)	(109)	(94)
Amortization of:						
Transition obligation	—	—	—	9	9	9
Prior service cost (credit)	14	14	14	(38)	(56)	(56)
Actuarial loss	331	254	197	66	74	87
Curtailment/settlement charges	—	5	6	—	—	—
Special termination benefits	—	—	—	—	1	4
Net periodic benefit cost	\$ 267	\$ 324	\$ 268	\$ 275	\$ 257	\$268

Through Exelon's postretirement benefit plans, the Registrants provide retirees with prescription drug coverage. The Medicare Modernization Act, enacted on December 8, 2003, introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. Management believes the prescription drug benefit provided under Exelon's postretirement benefit plans meets the requirements for the subsidy. See the *Health Care Reform Legislation* section below for further discussion regarding the income tax treatment of Federal subsidies of prescription drug benefits.

The effect of the subsidy on the components of net periodic postretirement benefit cost for the years ended December 31, 2011, 2010 and 2009 included in the consolidated financial statements was as follows:

	2011	2010	2009
Amortization of the actuarial experience loss	\$ 3	\$ 9	\$11
Reduction in current period service cost	9	10	9
Reduction in interest cost on the APBO	16	19	18
Total effect of subsidy on net periodic postretirement benefit cost	\$28	\$38	\$38

Components of AOCI and Regulatory Assets

Under the authoritative guidance for regulatory accounting, a portion of current year actuarial gains and losses and prior service costs (credits) is capitalized within Exelon's Consolidated Balance Sheets to reflect the expected regulatory recovery of these amounts, which would otherwise be recorded to AOCI. The following tables provide the components of AOCI and regulatory assets for the years ended December 31, 2011, 2010 and 2009 for all plans combined.

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Changes in plan assets and benefit obligations recognized in AOCI and regulatory assets						
Current year actuarial (gain) loss	\$ 744	\$ 737	\$ (94)	\$ 74	\$ —	\$ (154)
Amortization of actuarial loss	(331)	(254)	(197)	(66)	(74)	(87)
Current year prior service cost	—	—	2	—	—	—
Amortization of prior service cost (credit)	(14)	(14)	(14)	38	56	56
Amortization of transition obligation	—	—	—	(9)	(9)	(9)
Settlements	—	(5)	(6)	—	—	—
Total recognized in AOCI and regulatory assets ^(a)	\$ 399	\$ 464	\$ (309)	\$ 37	\$ (27)	\$ (194)

(a) Of the \$399 million related to pension benefits, \$181 million and \$218 million were recognized in AOCI and regulatory assets, respectively, during 2011. Of the \$37 million related to other postretirement benefits, \$13 million and \$24 million were recognized in AOCI and regulatory assets, respectively, during 2011. Of the \$464 million related to pension benefits, \$310 million and \$154 million were recognized in AOCI and regulatory assets, respectively, during 2010. Of the \$(27) million related to other postretirement benefits, \$(9) million and \$(18) million were recognized in AOCI and regulatory assets, respectively, during 2010. Of the \$(309) million related to pension benefits, \$(204) million and \$(105) million were recognized in AOCI and regulatory assets, respectively, during 2009. Of the \$(194) million related to other postretirement benefits, \$(85) million and \$(109) million were recognized in AOCI and regulatory assets, respectively, during 2009.

The following table provides the components of Exelon's gross accumulated other comprehensive loss and regulatory assets that have not been recognized as components of periodic benefit cost at December 31, 2011 and 2010, respectively, for all plans combined:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Transition obligation	\$ —	\$ —	\$ 11	\$ 20
Prior service cost (credit)	90	104	(16)	(54)
Actuarial loss	6,729	6,316	963	955
Total ^(a)	<u>\$6,819</u>	<u>\$6,420</u>	<u>\$ 958</u>	<u>\$ 921</u>

(a) Of the \$6,819 million related to pension benefits, \$4,311 million and \$2,508 million are included in AOCI and regulatory assets, respectively, at December 31, 2011. Of the \$958 million related to other postretirement benefits, \$475 million and \$483 million are included in AOCI and regulatory assets, respectively, at December 31, 2011. Of the \$6,420 million related to pension benefits, \$4,129 million and \$2,291 million are included in AOCI and regulatory assets, respectively, at December 31, 2010. Of the \$921 million related to other postretirement benefits, \$462 million and \$459 million are included in AOCI and regulatory assets, respectively, at December 31, 2010.

The following table provides the components of Exelon's AOCI and regulatory assets at December 31, 2011 (included in the table above) that are expected to be amortized as components of periodic benefit cost in 2012. These estimates are subject to the completion of an actuarial valuation of Exelon's pension and other postretirement benefit obligations, which will reflect actual census data as of January 1, 2012 and actual claims activity as of December 31, 2011. The valuation is expected to be completed in the first quarter of 2012.

	Pension Benefits	Other Postretirement Benefits
Transition obligation	\$ —	\$ 10
Prior service cost (credit)	14	(12)
Actuarial loss	407	69
Total ^(a)	<u>\$ 421</u>	<u>\$ 67</u>

(a) Of the \$421 million related to pension benefits at December 31, 2011, \$252 million and \$169 million are expected to be amortized from AOCI and regulatory assets in 2012, respectively. Of the \$67 million related to other postretirement benefits at December 31, 2011, \$32 million and \$35 million are expected to be amortized from AOCI and regulatory assets in 2012, respectively.

Assumptions

The measurement of the plan obligations and costs of providing benefits under Exelon's defined benefit and other postretirement plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, Exelon considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Exelon's expected level of contributions to the plans, the long-term expected investment rate credited to employees of certain plans and the anticipated rate of increase of health care costs. Additionally, assumptions related to plan participants include the incidence of mortality, the expected remaining service period, the level of compensation and rate of compensation increases, employee age and length of service, among other factors. The impact of changes in assumptions used to measure pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the plan participants.

Expected Rate of Return. In selecting the expected rate of return on plan assets, Exelon considers historical economic indicators (including inflation and GDP growth) that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by Exelon's target asset class allocations.

The following assumptions were used to determine the benefit obligations for all of the plans at December 31, 2011, 2010 and 2009. Assumptions used to determine year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Discount rate	4.74%	5.26%	5.83%	4.80%	5.30%	5.83%
Rate of compensation increase	3.75%	3.75%	4.00%	3.75%	3.75%	4.00%
Mortality table	IRS required mortality table for 2012 funding valuation	IRS required mortality table for 2011 funding valuation	IRS required mortality table for 2010 funding valuation	IRS required mortality table for 2012 funding valuation	IRS required mortality table for 2011 funding valuation	IRS required mortality table for 2010 funding valuation
Health care cost trend on covered charges	N/A	N/A	N/A	6.50% decreasing to ultimate trend of 5.00% in 2017	7.00% decreasing to ultimate trend of 5.00% in 2015	7.50% decreasing to ultimate trend of 5.00% in 2015

The following assumptions were used to determine the net periodic benefit costs for all the plans for the years ended December 31, 2011, 2010 and 2009:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Discount rate	5.26%	5.83%	6.09%	5.30%	5.83%	6.09%
Expected return on plan assets	8.00% ^(a)	8.50% ^(a)	8.50% ^(a)	7.08% ^(a)	7.83% ^(a)	8.10% ^(a)
Rate of compensation increase	3.75%	4.00%	4.00%	3.75%	4.00%	4.00%
Mortality table	IRS required mortality table for 2011 funding valuation	IRS required mortality table for 2010 funding valuation	IRS required mortality table for 2009 funding valuation	IRS required mortality table for 2011 funding valuation	IRS required mortality table for 2010 funding valuation	IRS required mortality table for 2009 funding valuation
Health care cost trend on covered charges	N/A	N/A	N/A	7.00% decreasing to ultimate trend of	7.50% decreasing to ultimate trend of	7.50% decreasing to ultimate trend of

ultimate trend of 5.00% in 2015	5.00% in 2015	5.00% in 2014

(a) Not applicable to pension and other postretirement benefit plans that do not have any plan assets.

Assumed health care cost trend rates have a significant effect on the costs reported for the other postretirement benefit plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

Effect of a one percentage point increase in assumed health care cost trend:	
on 2011 total service and interest cost components	\$ 75
on postretirement benefit obligation at December 31, 2011	686
Effect of a one percentage point decrease in assumed health care cost trend:	
on 2011 total service and interest cost components	(57)
on postretirement benefit obligation at December 31, 2011	(521)

Health Care Reform Legislation

In March 2010, the Health Care Reform Acts were signed into law, which contain a number of provisions that impact retiree health care plans provided by employers. One such provision reduces the deductibility, for Federal income tax purposes, of retiree health care costs to the extent an employer's postretirement health care plan receives Federal subsidies that provide retiree prescription drug benefits at least equivalent to those offered by Medicare. Although this change did not take effect immediately, the Registrants were required to recognize the full accounting impact in their financial statements in the period in which the legislation was enacted. As a result, in the first quarter of 2010, Exelon recorded total after-tax charges of approximately \$65 million to income tax expense to reverse deferred tax assets previously established. Of this total, Generation, ComEd and PECO recorded charges of \$24 million, \$11 million and \$9 million, respectively. Additionally, as a result of this deductibility change for employers and other Health Care Reform provisions that impact the federal prescription drug subsidy options provided to employers, Exelon intends to make a change in the manner in which it receives prescription drug subsidies in 2013.

The Health Care Reform Acts also include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. Although the excise tax does not go into effect until 2018, accounting guidance requires Exelon to incorporate the estimated impact of the excise tax in its annual actuarial valuation. The application of the legislation is still unclear and Exelon continues to monitor the Department of Labor and IRS for additional guidance. Certain key assumptions are required to estimate the impact of the excise tax on Exelon's other postretirement benefit obligation, including projected inflation rates (based on the CPI) and whether pre- and post-65 retiree populations can be aggregated in determining the premium values of health care benefits. Exelon reflected its best estimate of the expected impact in its annual actuarial valuation.

Contributions

Exelon allocates pension and other postretirement benefit contributions to its subsidiaries in proportion to active service costs recognized and total costs recognized, respectively. The following table provides contributions made by Generation, ComEd, PECO and BSC to the pension and other postretirement benefit plans:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011 ^(a)	2010 ^(a)	2009 ^(a)
Generation	\$ 954	\$356	\$201	\$ 121	\$ 94	\$ 69
ComEd	873	260	164	108	60	53
PECO	110	73	31	28	35	22

BSC	157	77	45	20	14	13
Exelon	<u>\$2,094</u>	<u>\$766</u>	<u>\$441</u>	<u>\$277</u>	<u>\$203</u>	<u>\$157</u>

(a) The Registrants present the cash contributions above net of Federal subsidy payments received on each of their respective Consolidated Statements of Cash Flows. Exelon, Generation, ComEd and PECO received Federal subsidy payments of \$11 million, \$5 million, \$4 million and \$1 million, respectively, in 2011, \$10 million, \$5 million, \$3 million and \$2 million, respectively, in 2010, and \$10 million, \$5 million, \$3 million and \$1 million, respectively, in 2009.

Exelon plans to contribute approximately \$96 million to its qualified pension plans in 2012, of which Generation, ComEd and PECO will contribute \$57 million, \$11 million and \$16 million, respectively. Exelon plans to make non-qualified pension plan benefit payments of approximately \$42 million in 2012, of which Generation, ComEd and PECO will pay \$3 million, \$11 million and \$1 million, respectively. Management considers various factors when making pension funding decisions, including actuarially determined minimum contribution requirements under ERISA, contributions required to avoid benefit restrictions and at-risk status as defined by the Pension Protection Act of 2006 (the Act), management of the pension obligation and regulatory implications. The Act requires the attainment of certain funding levels to avoid benefit restrictions (such as an inability to pay lump sums or to accrue benefits prospectively), and at-risk status (which triggers higher minimum contribution requirements and participant notification).

Unlike the qualified pension plans, Exelon's other postretirement plans are not subject to regulatory minimum contribution requirements. Management considers several factors in determining the level of contributions to Exelon's other postretirement benefit plans, including levels of benefit claims paid and regulatory implications (amounts deemed prudent to meet regulatory expectations and best assure continued rate recovery). Exelon expects to contribute approximately \$302 million to the other postretirement benefit plans in 2012, of which Generation, ComEd and PECO expect to contribute \$132 million, \$114 million and \$34 million, respectively.

During the first quarter of 2012, Exelon will receive an updated valuation of its pension and other postretirement benefit obligations to reflect actual census data as of January 1, 2012 and will adjust the benefit obligations as necessary.

Estimated Future Benefit Payments

Estimated future benefit payments to participants in all of the pension plans and postretirement benefit plans at December 31, 2011 were:

	Pension Benefits	Other Postretirement Benefits (a)
2012	\$ 786	\$ 186
2013	680	178
2014	692	186
2015	723	194
2016	750	204
2017 through 2021	<u>4,335</u>	<u>1,206</u>
Total estimated future benefit payments through 2021	<u>\$ 7,966</u>	<u>\$ 2,154</u>

(a) 2012 includes \$9 million of Federal subsidy receipts provided through the Medicare Modernization Act.

Allocation to Exelon Subsidiaries

Generation, ComEd and PECO account for their participation in Exelon's pension and other postretirement benefit plans by applying multiemployer accounting. Employee-related assets and liabilities, including both pension and postretirement liabilities, were allocated by Exelon to its subsidiaries based on the number of active employees as of January 1, 2001 as part of Exelon's corporate restructuring. Exelon allocates the components of pension and other postretirement costs to the

participating employers based upon several factors, including the measures of active employee participation in each participating unit. The obligation for Generation, ComEd and PECO reflects the initial allocation and the cumulative costs incurred and contributions made since January 1, 2001.

The following approximate amounts were included in capital and operating and maintenance expense for the years ended December 31, 2011, 2010 and 2009, respectively, for Generation's, ComEd's, PECO's and BSC's allocated portion of the Exelon-sponsored pension and other postretirement benefit plans:

For the Year Ended December 31, _____	Generation	ComEd	PECO	BSC ^(a)	Exelon
2011	\$ 249	\$ 213	\$ 32	\$ 48	\$ 542
2010	268	215	46	52	581
2009	240	192	47	57	536

(a) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations.

Plan Assets

Investment Strategy. On a regular basis, Exelon evaluates its investment strategy to ensure that plan assets will be sufficient to pay plan benefits when due. As part of this ongoing evaluation, Exelon may make changes to its targeted asset allocation and investment strategy.

In the second quarter of 2010, Exelon modified its pension investment strategy in order to reduce the volatility of its pension assets relative to its pension liabilities. As a result of this modification, Exelon decreased investments in equity securities and increased investments in fixed income securities and alternative investments in order to achieve a balanced portfolio of liability hedging and return-generating assets. The overall objective is to achieve attractive risk-adjusted returns that will balance the liquidity requirements of the plans' liabilities while striving to minimize the risk of significant losses.

The change in the overall investment strategy would tend to lower the expected rate of return on plan assets in future years as compared to the previous strategy. Exelon used an EROA of 7.50% and 6.68% to estimate its 2012 pension and other postretirement benefit costs, respectively.

Exelon's pension and other postretirement benefit plan target asset allocations and December 31, 2011 and 2010 weighted average asset allocations were as follows:

Pension Plans

Asset Category	Target Allocation	Percentage of Plan Assets at December 31, _____	
		2011	2010
Equity securities	30 - 40%	32%	45%
Fixed income securities	35 - 55%	47	41
Alternative investments ^(a)	20 - 30%	21	14
Total		<u>100%</u>	<u>100%</u>

Other Postretirement Benefit Plans

Asset Category	Target Allocation	Percentage of Plan Assets at December 31, _____	
		2011	2010
Equity securities	40 - 50%	37%	54%
Fixed income securities	35 - 45%	53	45
Alternative investments ^(a)	10 - 20%	10	1
Total		<u>100%</u>	<u>100%</u>

(a) Alternative investments include private equity, hedge funds and real estate.

Securities Lending Programs. The majority of the benefit plans currently participate in a securities lending program with the trustees of the plans' investment trusts. Under the program, securities loaned to the trustees are required to be collateralized by cash, U.S. Government securities or irrevocable bank letters of credit. Initial collateral levels are no less than 102% and 105% of the market value of the borrowed securities for collateral denominated in U.S. and foreign currency, respectively. Subsequent collateral levels must be maintained at a level no less than 100% of the market value of borrowed securities. Cash collateral received may not be sold or re-pledged by the trustees unless the borrower defaults.

In the fourth quarter of 2008, Exelon decided to end its participation in this securities lending program and initiated a gradual withdrawal of the trusts' investments in order to minimize potential losses due to liquidity constraints in the market. Currently, the weighted average maturity of the securities within the collateral funds is approximately 7 months. The fair value of securities on loan was approximately \$17 million and \$46 million at December 31, 2011 and 2010, respectively. The fair value of cash and non-cash collateral received for these loaned securities was \$17 million at December 31, 2011 and \$47 million at December 31, 2010. A portion of the income generated through the investment of cash collateral is remitted to the borrowers, and the remainder is allocated between the trusts and the trustees in their capacity as security agents.

Concentrations of Credit Risk. Exelon evaluated its pension and other postretirement benefit plans' asset portfolios for the existence of significant concentrations of credit risk as of December 31, 2011. Types of concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, and individual fund. As of December 31, 2011, there were no significant concentrations (defined as greater than 10 percent of plan assets) of risk in Exelon's pension and other postretirement benefit plan assets.

Fair Value Measurements

The following table presents Exelon's pension and other postretirement benefit plan assets measured and recorded at fair value on Exelon's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy at December 31, 2011 and 2010:

At December 31, 2011 ^{(a)(b)}	Dec 31	Dec 31	Dec 31	Total
Pension plan assets				
Cash equivalents	\$ 8	\$ —	\$ —	\$ 8
Equity securities:				
Individually held	1,985	—	—	1,985
Commingled funds	—	858	—	858
Mutual funds	—	389	—	389
Equity securities subtotal	1,985	1,247	—	3,232
Fixed income securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,616	48	—	1,664
Debt securities issued by states of the United States and by political subdivisions of the states	—	88	—	88
Foreign debt securities	—	224	—	224
Corporate debt securities	—	2,561	—	2,561
Federal agency mortgage-backed securities	—	156	—	156
Non-Federal agency mortgage-backed securities	—	28	—	28
Commingled funds	—	202	—	202
Mutual funds	—	277	—	277
Fixed income securities subtotal	1,616	3,584	—	5,200
Private equity	—	—	672	672

Hedge funds	—	—	1,525	1,525
Real estate	207	125	229	561
Pension plan assets subtotal	3,816	4,956	2,426	11,198
Other postretirement benefit plan assets				
Cash equivalents	73	—	—	73
Equity securities:				
Individually held	110	—	—	110
Commingled funds	—	415	—	415
Mutual funds	—	171	—	171
Equity securities subtotal	110	586	—	696

At December 31, 2011 (a) (b)	CeCel 1	CeCel 2	CeCel 3	Total
Fixed income securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	26	3	—	29
Debt securities issued by states of the United States and by political subdivisions of the states	—	93	—	93
Foreign debt securities	—	4	—	4
Corporate debt securities	—	41	—	41
Federal agency mortgage-backed securities	—	34	—	34
Non-Federal agency mortgage-backed securities	—	7	—	7
Commingled funds	—	385	—	385
Mutual funds	—	256	—	256
Fixed income securities subtotal	26	823	—	849
Private equity	—	—	1	1
Hedge funds	—	—	157	157
Real estate	4	1	7	12
Other postretirement benefit plan assets subtotal	213	1,410	165	1,788
Total pension and other postretirement benefit plan assets	\$4,029	\$6,366	\$2,591	\$12,986

At December 31, 2010 (a) (b)	CeCel 1	CeCel 2	CeCel 3	Total
Pension plan assets				
Cash equivalents	\$ 2	\$ —	\$ —	\$ 2
Equity securities:				
Individually held	1,528	—	—	1,528
Commingled funds	—	2,161	—	2,161
Mutual funds	—	326	—	326
Equity securities subtotal	1,528	2,487	—	4,015
Fixed income securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,144	20	—	1,164
Debt securities issued by states of the United States and by political subdivisions of the states	—	15	—	15
Foreign debt securities	—	73	—	73
Corporate debt securities	—	312	—	312
Federal agency mortgage-backed securities	—	226	—	226
Non-Federal agency mortgage-backed securities	—	82	—	82
Commingled funds	—	1,036	—	1,036
Mutual funds	—	666	—	666
Fixed income securities subtotal	1,144	2,430	—	3,574
Private equity	—	—	536	536
Hedge funds	—	—	329	329
Real estate	178	—	179	357

Pension plan assets subtotal	<u>2,852</u>	<u>4,917</u>	<u>1,044</u>	<u>8,813</u>

At December 31, 2010 ^{(a) (b)}

	Level 1	Level 2	Level 3	Total
Other postretirement benefit plan assets				
Cash equivalents	—	—	—	—
Equity securities:				
Individually held	225	—	—	225
Commingled funds	—	447	—	447
Mutual funds	—	218	—	218
Equity securities subtotal	<u>225</u>	<u>665</u>	<u>—</u>	<u>890</u>
Fixed income securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	25	1	—	26
Debt securities issued by states of the United States and by political subdivisions of the states	—	100	—	100
Foreign debt securities	—	1	—	1
Corporate debt securities	—	13	—	13
Federal agency mortgage-backed securities	—	41	—	41
Non-Federal agency mortgage-backed securities	—	7	—	7
Commingled funds	—	225	—	225
Mutual funds	—	331	—	331
Fixed income securities subtotal	<u>25</u>	<u>719</u>	<u>—</u>	<u>744</u>
Hedge funds	—	—	5	5
Real estate	8	—	8	16
Other postretirement benefit plan assets subtotal	<u>258</u>	<u>1,384</u>	<u>13</u>	<u>1,655</u>
Total pension and other postretirement benefit plan assets	<u>\$3,110</u>	<u>\$6,301</u>	<u>\$1,057</u>	<u>\$10,468</u>

(a) See Note 8—Fair Value of Assets and Liabilities for a description of levels within the fair value hierarchy.

(b) The total fair value of pension and other postretirement benefit plan assets excludes \$55 million and \$21 million of interest and dividends receivable and \$57 million and \$25 million related to pending sales transactions at December 31, 2011 and 2010, respectively. Additionally, the table excludes collateral fund assets of \$17 million and \$47 million and collateral liabilities of \$17 million and \$47 million at December 31, 2011 and 2010, respectively, in connection with the benefit plans' participation in securities lending programs.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value for pension and other postretirement benefit plans for the years ended December 31, 2011 and 2010:

	Hedge funds	Private Equity	Real estate	Total
Pension Assets				
Balance as of January 1, 2011	\$ 329	\$ 536	\$ 179	\$1,044
Actual return on plan assets:				
Relating to assets still held at the reporting date	(26)	50	46	70
Purchases, sales and settlements:				
Purchases	1,222	121	13	1,356
Sales	—	(1)	(9)	(10)
Settlements	—	(34)	—	(34)
Balance as of December 31, 2011	<u>\$ 1,525</u>	<u>\$ 672</u>	<u>\$ 229</u>	<u>\$2,426</u>

	Hedge funds	Private Equity	Real estate	Total
Other Postretirement Benefits				
Balance as of January 1, 2011	\$ 5	\$ —	\$ 8	\$ 13
Actual return on plan assets:				
Relating to assets still held at the reporting date	(3)	—	(1)	(4)

reporting date				
Purchases, sales and settlements:				
Purchases	155	1	—	156
Sales	—	—	—	—
Settlements	—	—	—	—
Balance as of December 31, 2011	<u>\$ 157</u>	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 165</u>
	<u> Hedge funds</u>	<u> Private equity</u>	<u> Real estate</u>	<u> Total</u>
Pension Assets				
Balance as of January 1, 2010	\$ —	\$ 450	\$ 156	\$ 606
Actual return on plan assets:				
Relating to assets still held at the reporting date	14	37	13	64
Purchases, sales and settlements:				
Purchases	315	67	14	396
Sales	—	—	(4)	(4)
Settlements	—	(18)	—	(18)
Transfers into (out of) Level 3	—	—	—	—
Balance as of December 31, 2010	<u>\$ 329</u>	<u>\$ 536</u>	<u>\$ 179</u>	<u>\$1,044</u>
Other Postretirement Benefits				
Balance as of January 1, 2010	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets:				
Relating to assets still held at the reporting date	—	—	2	2
Purchases, sales and settlements:				
Purchases	5	—	2	7
Sales	—	—	—	—
Settlements	—	—	—	—
Transfers into (out of) Level 3 ^(a)	—	—	4	4
Balance as of December 31, 2010	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 13</u>

(a) Commingled fund investments determined to be illiquid during the year were transferred into Level 3.

Valuation Techniques Used to Determine Fair Value

Cash equivalents. Investments with maturities of three months or less when purchased, including certain short-term fixed income securities and money market funds are considered cash equivalents and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities. With respect to individually held equity securities, including investments in U.S. and international securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, which Exelon is able to independently corroborate. Equity securities held individually are primarily traded on exchanges that contain only actively traded securities, due to the volume trading requirements imposed by these exchanges. Equity securities are valued based on quoted prices in active markets and are categorized as Level 1.

Equity commingled funds and mutual funds are maintained by investment companies that hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of some of these funds are publicly quoted. For equity commingled funds and mutual funds which are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2.

Fixed income. For fixed income securities, the trustees obtain multiple prices from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. The

trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and the trustees determine that another price source is considered to be preferable. Exelon has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, Exelon selectively corroborates the fair values of securities by comparison to other market-based price sources. Investments in U.S. Treasury securities have been categorized as Level 1 because they trade in highly-liquid and transparent markets. The fair values of fixed income securities, excluding U.S. Treasury securities, are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized as Level 2. To draw parallels from the trading and quoting of fixed income securities with similar features, pricing services consider various characteristics including the issuer, maturity, purpose of loan, collateral attributes, prepayment speeds, interest rates and credit ratings in order to properly value these securities.

Fixed income commingled funds and mutual funds, including short-term investment funds, are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of some of these funds are publicly quoted. For fixed income commingled funds and mutual funds which are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2.

Private equity. Private equity investments include those in limited partnerships that invest in operating companies that are not publicly traded on a stock exchange such as leveraged buyouts, growth capital, venture capital, distressed investments and investments in natural resources. Private equity valuations are reported by the fund manager and are based on the valuation of the underlying investments, which include inputs such as cost, operating results, discounted future cash flows and market based comparable data. Since these valuation inputs are not highly observable, private equity investments have been categorized as Level 3.

Hedge funds. Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. The fair value of hedge funds is determined using net asset value per share (NAV) or ownership interest of the investments. Exelon has the ability to redeem these investments at NAV or its equivalent subject to certain restrictions which may include a lock-up period and a fund level gate. Since these restrictions may limit Exelon's ability to redeem the investments at the measurement date, the hedge fund investments are classified as Level 3.

Real estate. Real estate investment trusts valued daily based on quoted prices in active markets are categorized as Level 1. Real estate commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. Since these funds are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2. Other real estate funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. Since these valuation inputs are not highly observable, real estate funds have been categorized as Level 3.

Defined Contribution Savings Plan (Exelon, Generation, ComEd and PECO)

Exelon, Generation, ComEd and PECO participate in a 401(k) defined contribution savings plan sponsored by Exelon. The plan is qualified under applicable sections of the IRC and allows employees to contribute a portion of their pre-tax income in accordance with specified guidelines. Exelon, Generation, ComEd and PECO match a percentage of the employee contribution up to certain limits. The following table presents matching contributions to the savings plan for the years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,	Exelon	Generation	ComEd	PECO
2011	\$ 78	\$ 40	\$ 22	\$ 9
2010	81	42	22	9
2009	70	36	20	8

1 Corporate Restructuring and Plant Retirements (Exelon, Generation, ComEd and PECO)

The Registrants provide severance and health and welfare benefits to terminated employees primarily based upon each individual employee's years of service and compensation level. The Registrants accrue amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

The following tables present severance benefits expenses, recorded as operating and maintenance expense in relation to the announced job reductions, for the years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,	Generation	ComEd	PECO	Other	Exelon
2011 - Plant retirements	\$ 4	\$ —	\$ —	\$ —	\$ 4
2010 - Plant retirements	4	—	—	—	4
2009 - Plant retirements	7	—	—	—	7
2009 - Corporate restructuring ^{(a)(b)}	11	19	3	1	34

(a) The amounts above include \$7 million, \$4 million, and \$2 million at Generation, ComEd and PECO, respectively, for amounts billed through intercompany allocations for the year ended December 31, 2009.

(b) The severance benefits costs include \$1 million of stock compensation expense collectively at Generation and ComEd for which the obligation is recorded in equity for the year ended December 31, 2009. Severance benefits also include \$4 million and \$2 million at Exelon and ComEd, respectively, of contractual termination benefits expense for which the obligation is recorded in other postretirement benefits.

Corporate restructuring (Exelon, Generation, ComEd and PECO). In June 2009, Exelon announced a restructured senior executive team and major spending cuts, including the elimination of approximately 500 employee positions. Exelon eliminated approximately 400 corporate support positions, mostly located at corporate headquarters, and 100 management level positions at ComEd, the majority of which was completed by September 30, 2009. These actions were in response to the continuing economic challenges confronting all parts of Exelon's business and industry especially in light of the commodity-driven nature of Generation's markets, necessitating continued focus on cost management through enhanced efficiency and productivity.

Exelon recorded a pre-tax charge for estimated salary continuance and health and welfare severance benefits of \$40 million in June 2009 as a result of the planned job reductions. Subsequent to June 2009, Exelon recorded a net pre-tax credit of approximately \$6 million, which included a \$10 million reduction in estimated salary continuance and health and welfare severance benefits, offset by \$4 million of expense for contractual termination benefits. Cash payments under the plan began in July 2009 and were completed as of December 31, 2011.

The following table presents the activity of severance obligations for the corporate restructuring from January 1, 2010 through December 31, 2011, excluding obligations recorded in equity:

Severance Benefits Obligation	Generation	ComEd	PECO	Other	Exelon
Balance at January 1, 2010	\$ 3	\$ 7	\$ 1	\$ 8	\$ 19
Cash payments	(3)	(7)	(1)	(7)	(18)
Balance at December 31, 2010	—	—	—	1	1
Cash payments	—	—	—	(1)	(1)
Balance at December 31, 2011	\$ —	\$ —	\$ —	\$ —	\$ —

Plant Retirements (Exelon and Generation). On December 8, 2010, in connection with the executed Administrative Consent Order (ACO) with the NJDEP, Exelon announced that Generation will permanently cease generation operations at Oyster Creek by December 31, 2019. See Note 18 for additional information regarding the closure of Oyster Creek.

In 2009, Exelon announced its intention to permanently retire three coal-fired generating units and one oil/gas-fired generating unit, effective May 31, 2011, in response to the economic outlook related to the continued operation of these four units. However, PJM determined that transmission reliability upgrades would be necessary to alleviate reliability impacts and that those upgrades would be completed in a manner that will permit Generation's retirement of two of the units on that date and two of the units subsequent to May 31, 2011. On May 31, 2011, Cromby Generating Station (Cromby) Unit 1 and Eddystone Generating Station (Eddystone) Unit 1 were retired; Cromby Unit 2 retired on December 31, 2011 and Eddystone Unit 2 will retire on May 31, 2012. On May 27, 2011, the FERC approved a settlement providing for a reliability-must-run rate schedule, which defines compensation to be paid to Generation for continuing to operate these units. The monthly fixed-cost recovery during the reliability-must-run period for Eddystone Unit 2 is approximately \$6 million. Such revenue is intended to recover total expected operating costs, plus a return on net assets, of the two units during the reliability-must-run period. In addition, Generation is reimbursed for variable costs, including fuel, emissions costs, chemicals, auxiliary power and for project investment costs during the reliability-must-run period. Eddystone Unit 2 and Cromby Unit 2 began operating under the reliability-must-run agreement effective June 1, 2011.

In connection with the retirement of all four units, Exelon is eliminating 253 employee positions, the majority of which are located at the units to be retired. Total expected costs for Generation related to the announced retirements is \$37 million, which includes \$14 million for estimated salary continuance and health and welfare severance benefits, a \$17 million write down of inventory and \$6 million of shut down costs. Cash payments under this plan began in January 2010 and will continue through 2013.

Since the announced retirements in December 2009, Generation recorded pre-tax expense of \$32 million, which included a \$13 million charge for estimated salary continuance and health and welfare severance benefits, \$17 million of expense for the write down of inventory and \$2 million of shut down costs recorded within operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations.

During the year ended December 31, 2011, Generation recorded pre-tax expense of \$4 million for estimated salary continuance and health and welfare severance benefits and \$2 million of shut down costs. During the year ended December 31, 2010, Generation recorded a net \$3 million charge which is primarily due to an increase in estimated salary continuance and health and welfare severance benefits.

The following table presents the activity of severance obligations for the announced Cromby and Eddystone retirements from January 1, 2010 through December 31, 2011:

<u>Severance Benefits Obligation</u>	<u>Exelon and Generation</u>
Balance at January 1, 2010	\$ 7
Severance charges recorded	4
Cash payments	(1)
Other adjustments	(3)
Balance at December 31, 2010	7
Severance charges recorded	4
Cash payments	(4)
Balance at December 31, 2011	<u>\$ 7</u>

1 Preferred Securities (Exelon, ComEd and PECO)

At December 31, 2011 and 2010, Exelon was authorized to issue up to 100,000,000 shares of preferred securities, none of which were outstanding.

Preferred and Preference Securities of Subsidiaries

At December 31, 2011 and 2010, ComEd prior preferred securities and ComEd cumulative preference securities consisted of 850,000 shares and 6,810,451 shares authorized, respectively, none of which were outstanding.

At December 31, 2011 and 2010, PECO cumulative preferred securities, no par value, consisted of 15,000,000 shares authorized and the outstanding amounts set forth below. Shares of preferred securities have full voting rights, including the right to cumulate votes in the election of directors.

	Redemption Price ^(a)	December 31,			
		2011	2010	2011	2010
		Shares Outstanding		Dollar Amount	
Series (without mandatory redemption)					
\$4.68 (Series D)	\$ 104.00	150,000	150,000	\$ 15	\$ 15
\$4.40 (Series C)	112.50	274,720	274,720	27	27
\$4.30 (Series B)	102.00	150,000	150,000	15	15
\$3.80 (Series A)	106.00	300,000	300,000	30	30
Total preferred securities		<u>874,720</u>	<u>874,720</u>	<u>\$ 87</u>	<u>\$ 87</u>

(a) Redeemable, at the option of PECO, at the indicated dollar amounts per share, plus accrued dividends.

1 Common Stock (Exelon, Generation, ComEd and PECO)

At December 31, 2011 and 2010, Exelon's common stock without par value consisted of 2,000,000,000 shares authorized and 663,368,958 shares and 661,845,411, shares outstanding, respectively. At December 31, 2011 and 2010, ComEd's common stock with a \$12.50 par value consisted of 250,000,000 shares authorized and 127,016,529 shares and 127,016,519 shares outstanding, respectively. At December 31, 2011 and 2010, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding.

ComEd had 75,096 and 75,139 warrants outstanding to purchase ComEd common stock at December 31, 2011 and 2010, respectively. The warrants entitle the holders to convert such warrants into common stock of ComEd at a conversion rate of one share of common stock for three warrants. At December 31, 2011 and 2010, 25,032 and 25,046 shares of common stock, respectively, were reserved for the conversion of warrants.

Share Repurchases

Share Repurchase Programs. In April 2004, Exelon's Board of Directors approved a discretionary share repurchase program that allowed Exelon to repurchase shares of its common stock on a periodic basis in the open market. The share repurchase program was intended to mitigate, in part, the dilutive effect of shares issued under Exelon's employee stock option plan and Exelon's ESPP. The aggregate value of the shares of common stock repurchased pursuant to the program cannot exceed the economic benefit received after January 1, 2004 due to stock option exercises and share purchases pursuant to Exelon's ESPP. The economic benefit consists of the direct cash proceeds from purchases of stock and the tax benefits associated with exercises of stock options. The 2004 share repurchase program had no specified limit on the number of shares that could be repurchased and no specified termination date. Any shares repurchased are held as treasury shares, at cost, unless cancelled or reissued at the discretion of Exelon's management.

In the third quarter of 2008, Exelon's Board of Directors approved a share repurchase program for \$1.5 billion of its common stock. Subsequently, Exelon's management determined to defer indefinitely any share repurchases. This decision was made in light of a variety of factors, including: developments affecting the world economy and commodity markets, including those for electricity and gas; the continued uncertainty in capital and credit markets and the potential impact of those events on Exelon's

future cash needs; projected cash needs to support investment in the business, including maintenance capital and nuclear uprates; and value-added growth opportunities.

Under the share repurchase programs dating back to 2004, 34.7 million shares of common stock are held as treasury stock with a cost of \$2.3 billion at December 31, 2011. During 2011, 2010 and 2009, Exelon had no common stock repurchases.

Stock-Based Compensation Plans

Exelon grants stock-based awards through its LTIP, which primarily includes performance share awards, stock options and restricted stock units. At December 31, 2011, there were approximately 24 million shares authorized for issuance under the LTIP. For the years ended December 31, 2011, 2010 and 2009, exercised and distributed stock-based awards were primarily issued from authorized but unissued common stock shares.

As the LTIP sponsor, Exelon is the sole issuer of all stock-based compensation awards. All awards are recorded as equity or a liability in Exelon's Consolidated Balance Sheets. The stock-based compensation expense specifically attributable to the employees of Generation, ComEd and PECO is directly recorded to operating and maintenance expense within each of their respective Consolidated Statements of Operations. Stock-based compensation expense attributable to BSC employees is allocated to the Registrants using a cost-causative allocation method.

The following table presents the stock-based compensation expense included in Exelon's Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009:

Components of Stock-Based Compensation Expense	Year Ended December 31,		
	2011	2010	2009
Performance share awards	\$ 26	\$ 6	\$ 31
Stock options	8	10	20
Restricted stock units	31	21	26
Other stock-based awards	4	4	4
Total stock-based compensation expense included in operating and maintenance expense	69	41	81
Income tax benefit	(27)	(16)	(32)
Total after-tax stock-based compensation expense	<u>\$ 42</u>	<u>\$ 25</u>	<u>\$ 49</u>

The following table presents stock-based compensation expense (pre-tax) for the years ended December 31, 2011, 2010 and 2009:

Subsidiaries	Year Ended December 31,		
	2011	2010	2009
Generation	\$31	\$21	\$38
ComEd	5	3	4
PECO	5	3	6
BSC ^(a)	28	14	33
Total	<u>\$69</u>	<u>\$41</u>	<u>\$81</u>

(a) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations.

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2011, 2010 and 2009.

Exelon receives a tax deduction based on the intrinsic value of the award on the exercise date for stock options and distribution date for performance share awards and restricted stock units. For each award, throughout the requisite service period, Exelon recognizes the tax benefit related to compensation costs. The tax deductions in excess of the benefits recorded throughout the requisite service period are

recorded to common stock and are included in other financing activities within Exelon's Consolidated Statements of Cash Flows. The following table presents information regarding Exelon's tax benefits for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Realized tax benefit when exercised/distributed:			
Stock options	\$ 2	\$ 5	\$ 6
Restricted stock units	8	9	7
Performance share awards	7	13	19
Stock deferral plan	1	1	1
Excess tax benefits included in other financing activities of Exelon's Consolidated Statements of Cash Flows:			
Stock options	\$ 1	\$ 3	\$ 4

Stock Options

Non-qualified stock options to purchase shares of Exelon's common stock are granted under the LTIP. The exercise price of the stock options is equal to the fair market value of the underlying stock on the date of option grant. Stock options granted under the LTIP generally become exercisable upon a specified vesting date. The vesting period of stock options is generally four years. All stock options expire ten years from the date of grant.

The value of stock options at the date of grant is expensed over the requisite service period using the straight-line method. The requisite service period for stock options is generally four years. However, certain stock options become fully vested upon the employee reaching retirement-eligibility. The value of the stock options granted to retirement-eligible employees is either recognized immediately upon the date of grant or through the date at which the employee reaches retirement eligibility.

Exelon grants most of its stock options in the first quarter of each year. Stock options granted during the remaining quarters of 2011, 2010 and 2009 were not significant.

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The following table presents the weighted average assumptions used in the pricing model for grants and the resulting weighted average grant date fair value of stock options granted for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Dividend yield	4.84%	4.56%	3.72%
Expected volatility	24.40%	27.10%	36.70%
Risk-free interest rate	2.65%	2.96%	2.01%
Expected life (years)	6.25	6.25	6.25
Weighted average grant date fair value (per share)	\$ 6.22	\$ 8.08	\$14.43

The dividend yield is based on several factors, including Exelon's most recent dividend payment at the grant date and the average stock price over the previous year. Expected volatility is based on implied volatilities of traded stock options in Exelon's common stock and historical volatility over the estimated expected life of the stock options. The risk-free interest rate for a security with a term equal to the expected life is based on a yield curve constructed from U.S. Treasury strips at the time of grant. For each year presented, the expected life represents the period of time the stock options are expected to be outstanding and is based on the simplified method. Exelon believes that the simplified method is appropriate due to several factors that result in historical exercise data not being sufficient to determine a reasonable estimate of expected term. Exelon uses historical data to estimate employee forfeitures, which are compared to actual forfeitures on a quarterly basis and adjusted as necessary.

The following table presents information with respect to stock option activity for the year ended December 31, 2011:

	Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance of shares outstanding at December 31, 2010	11,209,003	\$ 48.39		
Options granted	1,017,000	43.40		
Options exercised	(424,228)	30.25		
Options forfeited	(68,175)	49.82		
Options expired	(179,839)	55.68		
Balance of shares outstanding at December 31, 2011	11,553,761	\$ 48.49	4.64	\$ 30
Exercisable at December 31, 2011 ^(a)	10,676,711	\$ 48.48	4.34	\$ 30

(a) Includes stock options issued to retirement eligible employees.

The following table summarizes additional information regarding stock options exercised for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Intrinsic value ^(a)	\$ 5	\$ 13	\$ 15
Cash received for exercise price	13	24	20

(a) The difference between the market value on the date of exercise and the option exercise price.

The following table summarizes Exelon's nonvested stock option activity for the year ended December 31, 2011:

	Shares	Weighted Average Exercise Price (per share)
Nonvested at December 31, 2010 ^(a)	942,525	\$ 54.35
Granted ^(b)	1,017,000	43.40
Vested ^(b)	(902,636)	47.27
Forfeited	(179,839)	55.68
Nonvested at December 31, 2011 ^(a)	877,050	\$ 48.66

(a) Excludes 1,348,000 and 1,209,225 of stock options issued to retirement-eligible employees as of December 31, 2011 and December 31, 2010, respectively, as they are fully vested.

(b) Includes 620,800 of stock options issued to retirement-eligible employees in 2011 that vested immediately upon the employee reaching retirement eligibility.

At December 31, 2011, \$3 million of total unrecognized compensation costs related to nonvested stock options are expected to be recognized over the remaining weighted-average period of 2.09 years.

Restricted Stock Units

Exelon grants restricted stock units under the LTIP. The majority of Exelon's restricted stock units will be settled in common stock. In accordance with the authoritative guidance for share-based payments, the cost of services received from employees in exchange for the issuance of restricted stock units to be settled in stock is required to be measured based on the grant date fair value of the restricted stock unit issued. On a very limited basis, Exelon has granted restricted stock units to certain ComEd executives that will be settled in cash. The obligations related to these restricted stock units have been classified as liabilities on Exelon's Consolidated Balance Sheets and are remeasured each reporting period throughout the requisite service period.

The value of the restricted stock units is expensed over the requisite service period using the straight-line method. The requisite service period for restricted stock units is generally three to five years. However, certain restricted stock unit awards become fully vested upon the employee reaching retirement-eligibility. The value of the restricted stock units granted to retirement-eligible employees is either recognized immediately upon the date of grant or through the date at which the employee reaches retirement eligibility. Exelon uses historical data to estimate employee forfeitures, which are compared to actual forfeitures on a quarterly basis and adjusted as necessary.

The following table summarizes Exelon's nonvested restricted stock unit activity for the year ended December 31, 2011:

	Shares	Weighted Average Grant Date Fair Value (per share)
Nonvested at December 31, 2010 ^(a)	791,820	\$ 57.95
Granted	1,015,706	43.33
Vested	(337,970)	60.22
Forfeited	(53,099)	53.16
Undistributed vested awards ^(b)	(341,973)	44.03
Nonvested at December 31, 2011 ^(a)	<u>1,074,484</u>	\$ 48.08

(a) Excludes 448,827 and 233,794 of restricted stock units issued to retirement-eligible employees as of December 31, 2011 and December 31, 2010, respectively, as they are fully vested.

(b) Represents restricted stock units that vested but were not distributed to retirement-eligible employees during 2011.

The weighted average grant date fair value (per share) of restricted stock units granted for the years ended December 31, 2011, 2010 and 2009 was \$43.33, \$44.23 and \$56.08, respectively. At December 31, 2011 and 2010, Exelon had obligations related to outstanding restricted stock units not yet settled of \$46 million and \$38 million, respectively, which are included in common stock in Exelon's Consolidated Balance Sheets. In addition, Exelon had obligations related to outstanding restricted stock units that will be settled in cash of \$1 million at December 31, 2011 and 2010, which are included in deferred credits and other liabilities in Exelon's Consolidated Balance Sheets. For the years ended December 31, 2011, 2010 and 2009, Exelon settled restricted stock units with fair value totaling \$19 million, \$22 million and \$17 million, respectively. At December 31, 2011, \$26 million of total unrecognized compensation costs related to nonvested restricted stock units are expected to be recognized over the remaining weighted-average period of 2.12 years.

Performance Share Awards

Exelon grants performance share awards under the LTIP. In 2011, the number of performance shares granted was determined based on the measurement of Exelon's operating performance against a set of pre-defined strategic goals through the end of the year of grant. The 2011 performance share awards will be settled entirely in stock over the three year vesting term. These performance share awards are recorded as common stock within the Consolidated Balance Sheets and are recorded at fair value at the date of grant. The grant date fair value of these equity classified performance share awards was estimated based on the expected payout of the award, which may range from 75% to 125% of the payout target. The portion of the award pertaining to the 75% payout floor is valued based on Exelon's stock price on the grant date. The expected payout in excess of the 75% floor is remeasured each reporting period based on Exelon's current stock price and changes in the expected payout of the award; therefore this portion of the award is subject to volatility until the payout is established.

In 2010 and 2009, the number of performance shares granted was determined based on the performance of Exelon's common stock relative to certain stock market indices during the three-year period through the end of the year of grant. These performance share awards generally vest and settle over a three-year period. The holders of these performance share awards receive shares of common

stock and/or cash annually during the vesting period. Participants are eligible for partial or full distributions in cash if they meet certain stock ownership requirements.

The 2010 and 2009 performance share awards that were settled in stock were recorded as common stock within the Consolidated Balance Sheets and recorded at fair value at the date of grant. The grant date fair value of equity classified performance share awards granted during the years ended December 31, 2010 and 2009 was estimated using historical data for the previous two plan years and a Monte Carlo simulation model for the current plan year. This model requires assumptions regarding Exelon's total shareholder return relative to certain stock market indices and the stock beta and volatility of Exelon's common stock and all stocks represented in these indices. Volatility for Exelon and all comparable companies is based on historical volatility over one year using daily stock price observation. The 2010 and 2009 performance share awards that were settled in cash were recorded as liabilities within the Consolidated Balance Sheets. The grant date fair value of liability classified performance share awards granted during the years ended December 31, 2010 and 2009 was based on historical data for the previous two plan years and actual results for the current plan year. The liabilities were remeasured each reporting period throughout the requisite service period and as a result, the compensation costs for cash-settled awards were subject to volatility.

For non retirement-eligible employees, stock-based compensation costs are recognized over the vesting period of three years using the graded-vesting method, a method in which the compensation cost is recognized over the requisite service period for each separately vesting tranche of the award as though the award were multiple awards. For performance shares granted to retirement-eligible employees, the value of the performance shares is recognized ratably over the vesting period which is the year of grant.

The following table summarizes Exelon's nonvested performance share awards activity for the year ended December 31, 2011:

	Shares	Weighted Average Grant Date Fair Value (per share)
Nonvested at December 31, 2010 ^(a)	214,823	\$ 63.51
Granted	689,997	43.52
Vested	(155,132)	66.47
Forfeited	(14,914)	46.01
Undistributed vested awards ^(b)	(387,926)	43.66
Nonvested at December 31, 2011 ^(a)	<u>346,848</u>	<u>\$ 45.37</u>

(a) Excludes 455,418 and 234,419 of performance share awards issued to retirement-eligible employees as of December 31, 2011 and December 31, 2010, respectively, as they are fully vested.

(b) Represents performance share awards that vested but were not distributed to retirement-eligible employees during 2011.

The weighted average grant date fair value (per share) of performance share awards granted during the years ended December 31, 2011, 2010 and 2009 was \$43.52, \$60.82 and \$57.34, respectively. During the years ended December 31, 2011, 2010 and 2009, Exelon settled performance shares with a fair value totaling \$22 million, \$32 million and \$47 million, respectively, of which \$10 million, \$20 million and \$30 million was paid in cash, respectively. As of December 31, 2011, \$5 million of total unrecognized compensation costs related to nonvested performance shares are expected to be recognized over the remaining weighted-average period of 2 years.

The following table presents the balance sheet classification of obligations related to outstanding performance share awards not yet settled:

	December 31,	
	2011	2010
Current liabilities ^(a)	\$ 33	\$ 9
Deferred credits and other liabilities ^(b)	—	4
Common stock	<u>30</u>	<u>16</u>
Total	<u>\$ 33</u>	<u>\$ 29</u>

- (a) Represents the current liability related to performance share awards expected to be settled in cash.
(b) Represents the long-term liability related to performance share awards expected to be settled in cash.

1 **Earnings Per Share and Earnings** (Exelon)

Earnings per Share

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, including shares to be issued upon exercise of stock options, performance share awards and restricted stock outstanding under Exelon's LTIPs considered to be common stock equivalents. The following table sets forth the components of basic and diluted earnings per share and shows the effect of these stock options, performance share awards and restricted stock on the weighted average number of shares outstanding used in calculating diluted earnings per share:

	Year Ended December 31,		
	2011	2010	2009
Net income	\$2,495	\$2,563	\$2,707
Weighted average common shares outstanding—basic	663	661	659
Assumed exercise and/or distributions of stock-based awards	2	2	3
Weighted average common shares outstanding—diluted	665	663	662

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 9 million in 2011, 8 million in 2010 and 5 million in 2009.

1 **Commitments and Contingencies** (Exelon, Generation, ComEd and PECO)

Nuclear Insurance

The Price-Anderson Act was enacted to ensure the availability of funds for public liability claims arising from an incident at any of the U.S. licensed nuclear facilities and also to limit the liability of nuclear reactor owners for such claims from any single incident. As of December 31, 2011, the current liability limit per incident was \$12.6 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. An inflation adjustment must be made at least once every 5 years and the last inflation adjustment was made effective October 29, 2008. In accordance with the Price-Anderson Act, Generation maintains financial protection at levels equal to the amount of liability insurance available from private sources through the purchase of private nuclear energy liability insurance for public liability claims that could arise in the event of an incident. As of January 1, 2012, the amount of nuclear energy liability insurance purchased is \$375 million for each operating site. Additionally, the Price-Anderson Act requires a second layer of protection through the mandatory participation in a retrospective rating plan for power reactors (currently 104 reactors) resulting in an additional \$12.2 billion in funds available for public liability claims. Participation in this secondary financial protection pool requires the operator of each reactor to fund its proportionate share of costs for any single incident that exceeds the primary layer of financial protection. Under the Price-Anderson Act, the maximum assessment in the event of an incident for each nuclear operator, per reactor, per incident (including a 5% surcharge), is \$117.5 million, payable at no more than \$17.5 million per reactor per incident per year. Exelon's maximum liability per incident is approximately \$2.0 billion. In addition, the U.S. Congress could impose revenue-raising measures on the nuclear industry to pay public liability claims exceeding the \$12.6 billion limit for a single incident.

Generation is required each year to report to the NRC the current levels and sources of insurance that demonstrates Generation possesses sufficient financial resources to stabilize and decontaminate a reactor and reactor station site in the event of an accident. The insurance maintained for each facility is currently provided through insurance policies purchased from NEIL, an industry mutual insurance company of which Generation is a member.

NEIL may declare distributions to its members as a result of favorable operating experience. In recent years NEIL has made distributions to its members, but Generation cannot predict the level of future distributions or if they will continue at all. No distributions were declared in 2011. Premiums paid to NEIL by its members are subject to assessment (the retrospective premium obligation) for adverse loss experience. NEIL has never exercised this assessment since its formation in 1973, and while Generation cannot predict the level of future assessments, or if they will be imposed at all, the current maximum aggregate annual retrospective premium obligation for Generation is approximately \$219 million.

NEIL provides property damage, decontamination and premature decommissioning insurance for each station for losses resulting from damage to its nuclear plants, either due to accidents or acts of terrorism. Generation's current limit for this coverage is \$2.1 billion. For property limits in excess of the first \$1.25 billion of that limit, Generation participates in an \$850 million single limit blanket policy shared by all the Generation operating nuclear sites and the Salem and Hope Creek nuclear sites. This blanket limit is not subject to automatic reinstatement in the event of a loss. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. If the decision is made to decommission the facility, a portion of the insurance proceeds will be allocated to a fund, which Generation is required by the NRC to maintain, to provide for decommissioning the facility. In the event of an insured loss, Generation is unable to predict the timing of the availability of insurance proceeds to Generation and the amount of such proceeds that would be available. Under the terms of the various insurance agreements, Generation could be assessed up to \$175 million per year for losses incurred at any plant insured by the insurance company (the retrospective premium obligation). In the event that one or more acts of terrorism cause accidental property damage within a twelve-month period from the first accidental property damage under one or more policies for all insured plants, the maximum recovery for all losses by all insureds will be an aggregate of \$3.2 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity and any other source, applicable to such losses. The \$3.2 billion maximum recovery limit is not applicable, however, in the event of a "certified act of terrorism" as defined in the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007. The Terrorism Risk Insurance Act expires on December 31, 2014.

Additionally, NEIL provides replacement power cost insurance in the event of a major accidental outage at an insured nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. Generation's maximum share of any assessment is \$44 million per year (the retrospective premium obligation). Recovery under this insurance for terrorist acts is subject to the \$3.2 billion aggregate limit and secondary to the property insurance described above. This limit would not apply in cases of certified acts of terrorism under the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, as described above.

Effective April 1, 2009, NEIL requires its members to maintain an investment grade credit rating or to ensure collectability of their annual retrospective premium obligation by providing a financial guarantee, letter of credit, deposit premium, or some other means of assurance.

In addition, Generation participates in the Master Worker Program, which provides coverage for worker tort claims filed for bodily injury caused by a nuclear energy accident. This program was modified, effective January 1, 1998, to provide coverage to all workers whose "nuclear-related employment" began on or after the commencement date of reactor operations. Generation will not be liable for a retrospective assessment under this policy.

For its insured losses, Generation is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Uninsured losses and other expenses, to the extent not recoverable from insurers or the nuclear industry, could also be borne by Generation. Any such losses could have a material adverse effect on Exelon's and Generation's financial condition, results of operations and liquidity.

Spent Nuclear Fuel Obligation

Under the NWPA, the DOE is responsible for the development of a geologic repository for and the disposal of SNF and high-level radioactive waste. As required by the NWPA, Generation is a party to

contracts with the DOE (Standard Contracts) to provide for disposal of SNF from Generation's nuclear generating stations. In accordance with the NWPA and the Standard Contracts, Generation pays the DOE one mill (\$0.001) per kWh of net nuclear generation for the cost of SNF disposal. This fee may be adjusted prospectively in order to ensure full cost recovery. The NWPA and the Standard Contracts required the DOE to begin taking possession of SNF generated by nuclear generating units by no later than January 31, 1998. The DOE, however, failed to meet that deadline and its performance will be delayed significantly. In January 2009, the DOE issued its Draft National Transportation Plan for the proposed repository. The DOE's press statement accompanying the release of the plan indicated that shipments to the repository are not expected to begin before 2020.

The 2010 Federal budget (which became effective October 1, 2009) eliminated almost all funding for the creation of the Yucca Mountain repository while the Obama administration devises a new strategy for long-term SNF management. Debate surrounding any new strategy likely will address centralized interim storage, permanent storage at multiple sites and/or SNF reprocessing. In early 2010, Secretary of Energy Steven Chu appointed the Blue Ribbon Commission on America's Nuclear Future to evaluate and recommend a new plan for managing the back end of the nuclear fuel cycle, including used fuel storage, disposal and fees. John W. Rowe, Exelon's Chairman and Chief Executive Officer, is one of 15 members of the Commission. The Commission released its final report to the U.S. Energy Secretary on January 26, 2012, detailing comprehensive recommendations for creating a safe, long-term solution for managing and disposing of the nation's spent nuclear fuel and high-level radioactive waste. The strategy recommended by the Commission encompasses 8 key elements; 1) A new consent-based approach to siting storage and disposal facilities; 2) A new organization to implement the waste management program; 3) Access to utility waste disposal fees for their intended purpose; 4) Prompt efforts to develop a new geological disposal facility; 5) Prompt efforts to develop one or more consolidated storage facilities; 6) Early preparation for the eventual large-scale transport of spent nuclear fuel and high-level waste to consolidated storage and disposal facilities; 7) Support for advances in nuclear energy technology and for workforce development; and 8) Active U.S. leadership in international efforts to address safety, non-proliferation and security concerns. Implementation of the BRC's recommendations will require action by both the Administration and Congress.

Given the full implementation of the BRC's recommendations will require action by both the Administration and Congress, it is uncertain whether interim storage facilities or permanent disposal facilities will be operational by 2020. Because there is no particular date before or after 2020 that Generation can establish as having a higher probability as the start date for facility operations, Generation uses the 2020 date as the assumed date for when the DOE will begin accepting SNF for purposes of determining nuclear decommissioning asset retirement obligations. The extended delay in SNF acceptance by the DOE has led to Generation's adoption of dry cask storage at its Dresden, Limerick, Oyster Creek, Peach Bottom, Byron, Braidwood, LaSalle and Quad Cities stations. Generation performed sensitivity analyses assuming that the estimated date for the DOE acceptance of SNF was delayed to 2025 and to 2035 and determined that Generation's aggregate nuclear ARO would be increased by approximately \$150 million and \$250 million, respectively. In August 2004, Generation and the DOJ, in close consultation with the DOE, reached a settlement under which the government agreed to reimburse Generation, subject to certain damage limitations based on the extent of the government's breach, for costs associated with storage of SNF at Generation's nuclear stations pending the DOE's fulfillment of its obligations. Generation submits annual reimbursement requests to the DOE for costs associated with the storage of SNF. In all cases, reimbursement requests are made only after costs are incurred and only for costs resulting from DOE delays in accepting the SNF.

Under the settlement agreement, Generation has received cash reimbursements for costs incurred through April 30, 2011, totaling approximately \$562 million (\$473 million after considering amounts due to co-owners of certain nuclear stations and to the former owner of Oyster Creek). As of December 31, 2011, the amount of SNF storage costs for which reimbursement will be requested from the DOE under the settlement agreement is \$54 million, which is recorded within accounts receivable, other. Of this amount, \$4 million represents amounts owed to the co-owners of the Peach Bottom and Quad Cities generating facilities.

The Standard Contracts with the DOE also required the payment to the DOE of a one-time fee applicable to nuclear generation through April 6, 1983. The fee related to the former PECO units has been paid. Pursuant to the Standard Contracts, ComEd previously elected to defer payment of the one-time fee of \$277 million for its units (which are now part of Generation), with interest to the date of payment, until just prior to the first delivery of SNF to the DOE. As of December 31, 2011, the unfunded SNF liability for the one-time fee with interest was \$1,019 million. Interest accrues at the 13-week Treasury Rate. The 13-week Treasury Rate in effect, for calculation of the interest accrual at December 31, 2011, was 0.025%. The liabilities for SNF disposal costs, including the one-time fee, were transferred to Generation as part of the 2001 corporate restructuring. The outstanding one-time fee obligations for the Oyster Creek and TMI units remain with the former owners. Clinton has no outstanding obligation. See Note 8—Fair Value of Assets and Liabilities for additional information.

Energy Commitments

Generation's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity, and long-, intermediate- and short-term contracts. Generation maintains a net positive supply of energy and capacity, through ownership of generation assets and power purchase and lease agreements, to protect it from the potential operational failure of one of its owned or contracted power generating units. Generation has also contracted for access to additional generation through bilateral long-term PPAs. These agreements are firm commitments related to power generation of specific generation plants and/or are dispatchable in nature. Several of Generation's long-term PPAs, which have been determined to be operating leases, have significant contingent rental payments that are dependent on the future operating characteristics of the associated plants, such as plant availability. Generation recognizes contingent rental expense when it becomes probable of payment. Generation enters into PPAs with the objective of obtaining low-cost energy supply sources to meet its physical delivery obligations to its customers. Generation has also purchased firm transmission rights to ensure that it has reliable transmission capacity to physically move its power supplies to meet customer delivery needs. The primary intent and business objective for the use of its capital assets and contracts is to provide Generation with physical power supply to enable it to deliver energy to meet customer needs. Generation primarily uses financial contracts in its wholesale marketing activities for hedging purposes. Generation also uses financial contracts to manage the risk surrounding trading for profit activities.

Generation has entered into bilateral long-term contractual obligations for sales of energy to load-serving entities, including electric utilities, municipalities, electric cooperatives and retail load aggregators. Generation also enters into contractual obligations to deliver energy to wholesale market participants who primarily focus on the resale of energy products for delivery. Generation provides delivery of its energy to these customers through rights for firm transmission.

At December 31, 2011, Generation's short- and long-term commitments, relating to the purchase from and sale to unaffiliated utilities and others of energy, capacity and transmission rights, are as indicated in the following tables:

	Net Capacity Purchases (a)	Power Only Purchases (b)	Power Only Sales	Transmission Rights Purchases (c)
2012	\$ 177	\$ 11	\$ 1,150	\$ 9
2013	71	—	834	6
2014	63	—	346	—
2015	61	—	200	—
2016	61	—	177	—
Thereafter	478	—	737	—
Total	<u>\$ 911</u>	<u>\$ 11</u>	<u>\$ 3,444</u>	<u>\$ 15</u>

(a) Net capacity purchases include PPAs and other capacity contracts that are accounted for as operating leases. Amounts presented in the commitments represent Generation's expected payments under these arrangements at December 31, 2011. Expected payments include certain capacity charges which are contingent on plant availability.

(b) Excludes renewable energy PPA contracts that are contingent in nature.

(c) Transmission rights purchases include estimated commitments for additional transmission rights that will be required to fulfill firm sales

contracts.

Pursuant to a PPA with Public Service Company of Oklahoma, a subsidiary of American Electric Power Company, Inc., dated as of April 17, 2009, Generation agreed to sell its rights to up to 520 MWs, or approximately two-thirds of the capacity, energy and ancillary services supplied under its existing long-term contract with Green Country Energy, LLC. The delivery of power under the PPA is to commence June 1, 2012 and run through February 28, 2022.

ComEd purchases its expected energy requirements through an ICC approved competitive bidding process administered by the IPA, existing ICC approved RFPs, and spot market purchases hedged with a financial swap contract with Generation expiring in 2013. See Note 2—Regulatory Matters for further information.

PECO's long-term PPA with Generation, under which PECO obtained all of its electric supply from Generation over the past 12 years, expired on December 31, 2010. During 2009, 2010 and 2011, PECO entered into contracts through a competitive procurement process in order to meet a portion of its default service customers' electric supply requirements for 2011 through 2015. See Note 2—Regulatory Matters for further information regarding the DSP Program.

ComEd is subject to requirements established by the Illinois Settlement Legislation and the Energy Infrastructure Modernization Act related to the use of alternative energy resources. PECO is subject to requirements related to the use of alternative energy resources and electric consumption reductions established by the AEPS Act and Act 129, respectively. PECO has entered into contracts with curtailment service providers as part of its EE&C plan in attempt to comply with electric load reduction targets in the top 100 peak hours, during the summer months of June 2012 through September 2012. See Note 2—Regulatory Matters for additional information relating to electric generation procurement, alternative energy resources and energy efficiency programs.

ComEd's and PECO's electric supply procurement, curtailment services and REC and AEC purchase commitments as of December 31, 2011 are as follows:

	Total	Expiration within					2012 and beyond
		2010	2011	2012	2013	2014	
ComEd							
Electric supply procurement	\$ 678	\$207	\$292	\$179	\$—	\$—	\$ —
RECs	1	1	—	—	—	—	—
Long-term renewable energy and associated RECs ^(a)	1,692	36	70	72	73	80	1,361
PECO							
Electric supply procurement	1,088	760	244	59	25	—	—
AECs	39	7	11	9	2	2	8
Curtailment services	13	13	—	—	—	—	—

(a) On December 17, 2010, ComEd entered into 20-year contracts with several unaffiliated suppliers regarding the procurement of long-term renewable energy and associated RECs. See Note 2 of Combined Notes to Consolidated Financial Statements for additional information.

Fuel Purchase Obligations

In addition to the energy commitments described above, Generation has commitments to purchase fuel supplies for nuclear and fossil generation (and with respect to coal, commitments to sell coal) and PECO has commitments to purchase natural gas, related transportation, storage capacity and services to serve customers in their gas distribution service territory. As of December 31, 2011, these net commitments were as follows:

	Total	Expiration within					2012 and beyond
		2010	2011	2012	2013	2014	
Generation	\$8,211	\$1,317	\$925	\$1,010	\$1,066	\$717	\$ 3,176

PECO 511 174 86 71 53 34 93

Commercial Commitments

Exelon's commercial commitments as of December 31, 2011, representing commitments potentially triggered by future events, were as follows:

	Total	Expiration within					and beyond
		2012	2013	2014	2015	2016	
Letters of credit (non-debt) ^(a)	\$ 952	\$267	\$—	\$—	\$685	\$—	\$—
Surety bonds ^(b)	74	10	—	—	1	6	57
Performance guarantees ^(c)	533	135	96	200	—	—	102
Energy marketing contract guarantees ^(d)	280	216	31	3	—	—	30
Nuclear insurance premiums ^(e)	2,217	—	—	—	—	—	2,217
Lease guarantees ^(f)	55	—	3	—	—	—	52
2007 City of Chicago Settlement ^(g)	2	2	—	—	—	—	—
Midwest Generation Capacity Reservation Agreement guarantee ^(h)	2	2	—	—	—	—	—
Total commercial commitments	<u>\$4,115</u>	<u>\$632</u>	<u>\$130</u>	<u>\$203</u>	<u>\$686</u>	<u>\$ 6</u>	<u>\$ 2,458</u>

(a) Letters of credit (non-debt)—Exelon and certain of its subsidiaries maintain non-debt letters of credit to provide credit support for certain transactions as requested by third parties. As of December 31, 2011, guarantees of \$1 million have been issued to provide support for certain letters of credit as required by third parties.

(b) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

(c) Performance guarantees—Guarantees issued to ensure performance under specific contracts.

(d) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.

(e) Nuclear insurance premiums—Represents the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act as well as the current aggregate annual retrospective premium obligation that could be imposed by NEIL. See the Nuclear Insurance section within this note for additional details on Generation's nuclear insurance premiums.

(f) Lease guarantees—Guarantees issued to ensure payments on building leases.

(g) 2007 City of Chicago Settlement—In December 2007, ComEd entered into an agreement with the City of Chicago. Under the terms of the agreement, ComEd will pay \$55 million over six years, of which \$53 million was paid through December 31, 2011.

(h) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with the City of Chicago entered into on February 20, 2003, Midwest Generation assumed from the City of Chicago a Capacity Reservation Agreement that the City of Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse the City of Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement.

Exelon's commercial commitments shown above as of December 31, 2011 do not reflect the package of benefits of more than \$1 billion proposed as part of the application for approval of the merger. See Note 3—Merger and Acquisitions for additional information on the proposed merger with Constellation.

Generation's commercial commitments as of December 31, 2011, representing commitments potentially triggered by future events, were as follows:

	Total	Expiration within					and beyond
		2012	2013	2014	2015	2016	
Letters of credit (non-debt) ^(a)	\$ 901	\$216	\$—	\$—	\$685	\$—	\$—
Surety bonds ^(b)	3	—	—	—	—	—	3
Performance guarantees ^(c)	533	135	96	200	—	—	102
Energy marketing contract guarantees ^(d)	280	216	31	3	—	—	30
Nuclear insurance premiums ^(e)	2,217	—	—	—	—	—	2,217
Total commercial commitments	<u>\$3,934</u>	<u>\$567</u>	<u>\$127</u>	<u>\$203</u>	<u>\$685</u>	<u>\$—</u>	<u>\$ 2,352</u>

(a) Letters of credit (non-debt)—Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties. Guarantees of \$1 million have been issued to provide support for certain letters of credit as required by third parties.

(b) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

(c) Performance guarantees—Guarantees issued to ensure performance under specific contracts.

(d) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.

- (e) Nuclear insurance premiums—Represents the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act as well as the current aggregate annual retrospective premium obligation that could be imposed by NEIL. See Nuclear Insurance section within this note for additional details on Generation's nuclear insurance premiums.

ComEd's commercial commitments as of December 31, 2011, representing commitments potentially triggered by future events, were as follows:

		Expiration within					and beyond
	Total	2012	2013	2014	2015	2016	2017
Letters of credit (non-debt) ^(a)	\$23	\$23	\$—	\$—	\$—	\$—	\$—
2007 City of Chicago Settlement ^(b)	2	2	—	—	—	—	—
Midwest Generation Capacity Reservation Agreement guarantee ^(c)	2	2	—	—	—	—	—
Surety bonds ^(d)	5	5	—	—	—	—	—
Total commercial commitments	<u>\$32</u>	<u>\$32</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

- (a) Letters of credit (non-debt)—ComEd maintains non-debt letters of credit to provide credit support for certain transactions as requested by third parties.
- (b) 2007 City of Chicago Settlement—In December 2007, ComEd entered into an agreement with the City of Chicago. Under the terms of the agreement, ComEd will pay \$55 million over six years, of which \$53 million was paid through December 31, 2011.
- (c) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with the City of Chicago entered into on February 20, 2003, Midwest Generation assumed from the City of Chicago a Capacity Reservation Agreement that the City of Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse the City of Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement.
- (d) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

PECO's commercial commitments as of December 31, 2011, representing commitments potentially triggered by future events, were as follows:

		Expiration within					and beyond
	Total	2012	2013	2014	2015	2016	2017
Letters of credit (non-debt) ^(a)	\$21	\$21	\$—	\$—	\$—	\$—	\$—
Surety bonds ^(b)	3	3	—	—	—	—	—
Total commercial commitments	<u>\$24</u>	<u>\$24</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

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

Construction Commitments

Generation has committed to the construction of a solar PV facility in Los Angeles County, California. Generation's estimated commitments are \$539 million and \$374 million for the years 2012 and 2013, respectively. See Note 3—Merger and Acquisitions for additional information.

Refer to Note 2—Regulatory Matters for information on investment programs associated with regulatory mandates such as ComEd's Infrastructure Investment Plan under EIMA and PECO's Smart Meter Procurement and Installation Plan.

Leases

Minimum future operating lease payments, including lease payments for vehicles, real estate, computers, rail cars, operating equipment and office equipment, as of December 31, 2011 were:

	Exelon	Generation	ComEd ^(b)	PECO ^(b)
2012	\$ 65	\$ 29	\$ 15	\$ 14
2013	59	27	14	14
2014	56	27	12	13

2015	45	27	11	3
2016	47	27	12	3
Remaining years	387	295	61	—
Total minimum future lease payments	<u>\$ 659^(a)</u>	<u>\$ 432^(a)</u>	<u>\$ 125</u>	<u>\$ 47</u>

- (a) Excludes Generation's PPAs and other capacity contracts that are accounted for as contingent operating lease payments.
(b) Amounts related to certain real estate leases and railroad licenses effectively have indefinite payment periods. As a result, ComEd and PECO have excluded these payments from the Remaining years, as such amounts would not be meaningful. ComEd's annual obligation for these arrangements, included in each of the years 2012 – 2016, was \$1 million. PECO's annual obligation for these agreements, included in each of the years 2012–2013, was \$2 million, and in the years 2014 – 2016 was \$3 million.

The following table presents the Registrants' rental expense under operating leases for the years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,	Exelon	Generation ^(a)	ComEd	PECO
2011	\$ 711	\$ 659	\$ 18	\$ 28
2010	722	665	19	31
2009	691	637	21	27

- (a) Includes Generation's PPAs and other capacity contracts that are accounted for as operating leases and are reflected as net capacity purchases in the energy commitments table above. These agreements are considered contingent operating lease payments and are not included in the minimum future operating lease payments table above. Payments made under Generation's PPAs and other capacity contracts totaled \$630 million, \$641 million and \$616 million during 2011, 2010 and 2009, respectively.

For information regarding capital lease obligations, see Note 10—Debt and Credit Agreements.

Indemnifications Related to Sale of Sithe (Exelon and Generation)

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

In connection with the sale, Generation recorded liabilities related to certain indemnifications provided to Dynegy and other guarantees directly resulting from the transaction. The estimated maximum possible exposure to Exelon related to the guarantees provided as part of the sales transaction to Dynegy was approximately \$200 million at December 31, 2011.

Indemnifications Related to Sale of TEG and TEP (Exelon and Generation)

On February 9, 2007, Tamuin International Inc. (TII), a wholly owned subsidiary of Generation, sold its 49.5% ownership interests in TEG and TEP to a subsidiary of AES Corporation for \$95 million in cash plus certain purchase price adjustments. In connection with the transaction, Generation entered into a guarantee agreement under which Generation guarantees the timely payment of TII's obligations to the subsidiary of AES Corporation pursuant to the terms of the purchase and sale agreement relating to the sale of TII's ownership interests. Generation would be required to perform in the event that TII does not pay any obligation covered by the guarantee that is not otherwise subject to a dispute resolution process. Generation's maximum obligation under the guarantee is \$95 million. Generation has not recorded a liability associated with this guarantee. The exposures covered by this guarantee expired in part during 2008. Generation expects that the remaining exposure will expire by 2014.

Environmental Matters

General. The Registrants' operations have in the past, and may in the future, require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, the Registrants are generally liable for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances generated by them. The Registrants own or lease a number of real estate parcels, including parcels on which their operations or the operations of others may have resulted in contamination by

substances that are considered hazardous under environmental laws. In addition, the Registrants are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

ComEd and PECO have identified 42 and 27 sites, respectively, where former MGP activities have or may have resulted in actual site contamination. For almost all of these sites, ComEd or PECO is one of several PRPs that may be responsible for ultimate remediation of each location. Of the 42 sites identified by ComEd, the Illinois EPA or U.S. EPA have approved the cleanup of 13 sites and of the 27 sites identified by PECO, the PA DEP has approved the cleanup of 16 sites. Of the remaining sites identified by ComEd and PECO, 27 and 11 sites, respectively, are currently under some degree of active study and/or remediation. ComEd and PECO anticipate that the majority of the remediation at these sites will continue through at least 2016 and 2019, respectively.

Pursuant to orders from the ICC and PAPUC, respectively, ComEd and PECO are authorized to and are currently recovering environmental costs for the remediation of former MGP facility sites from customers, for which they have recorded regulatory assets. During the third quarter of 2011, ComEd and PECO each completed an annual study of their future estimated MGP remediation requirements. The results of these studies indicated that additional remediation would be required at certain sites; accordingly, ComEd and PECO increased their reserves and regulatory assets by \$14 million and \$7 million, respectively. See Note 2—Regulatory Matters for additional information regarding the associated regulatory assets.

As of December 31, 2011 and 2010, the Registrants have accrued the following undiscounted amounts for environmental liabilities in other deferred credits and other liabilities within their Consolidated Balance Sheets:

<u>December 31, 2011</u>	<u>Total environmental investigation and remediation reserves</u>	<u>Portion of total related to OGP investigation and remediation</u>
Exelon	\$ 224	\$ 168
Generation	47	—
ComEd	127	121
PECO	50	47

<u>December 31, 2010</u>	<u>Total environmental investigation and remediation reserves</u>	<u>Portion of total related to OGP investigation and remediation</u>
Exelon	\$ 179	\$ 156
Generation	15	—
ComEd	120	114
PECO	44	42

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

Water

Section 316(b) of the Clean Water Act. Section 316(b) requires that the cooling water intake structures at electric power plants reflect the best technology available to minimize adverse environmental impacts, and is implemented through state-level NPDES permit programs. All of Generation's power generation facilities with cooling water systems are subject to the regulations. Facilities without closed-cycle recirculating systems (e.g., cooling towers) are potentially most affected. Those facilities are Clinton, Cromby, Dresden, Eddystone, Fairless Hills, Handley, Mountain Creek, Oyster Creek, Peach Bottom, Quad Cities, Salem and Schuylkill.

On March 28, 2011, the EPA issued the proposed regulation under Section 316(b). The proposal does not require closed-cycle cooling (e.g., cooling towers) as the best technology available to address

impingement and entrainment. The proposal provides the state permitting agency with discretion to determine the best technology available to limit entrainment (drawing aquatic life into the plants cooling system) mortality, including application of a cost-benefit test and the consideration of a number of site-specific factors. After consideration of these factors, the state permitting agency may require closed cycle cooling, an alternate technology, or determine that the current technology is the best available. The rule also imposes limits on impingement (trapping aquatic life on screens) mortality, which likely will be accomplished by the installation of screens or similar technology at the intake. Exelon filed comments on the proposed regulation on August 18, 2011, stating its support for a number of its provisions (e.g., cooling towers not required as best technology available, and the use of site-specific and cost benefit analysis) while also noting a number of technical provisions that require revision to take into account existing unit operations and practices within the industry. Pursuant to a court approved Settlement Agreement, the EPA is required to approve the final rule by July 27, 2012. Until the rule is finalized, the state permitting agencies will continue to apply their best professional judgment to address impingement and entrainment.

Oyster Creek. On January 7, 2010, the NJDEP issued a draft NPDES permit for Oyster Creek that would have required, in the exercise of its best professional judgment, the installation of cooling towers as the best technology available within seven years after the effective date of the permit. On December 8, 2010, Exelon announced that Generation will permanently cease generation operations at Oyster Creek no later than December 31, 2019. The current NRC license for Oyster Creek expires in 2029. In reliance upon Exelon's determination to cease generation operations no later than December 31, 2019, the NJDEP determined that closed cycle cooling is not the best technology available for Oyster Creek given the length of time that would be required to retrofit from the existing once-through cooling system to a closed-cycle cooling system and the limited life span of the plant after installation of a closed-cycle cooling system. Based on its consideration of these and other factors, NJDEP determined that the existing measures at the plant represent the best technology available for the facility's cooling water intake through cessation of generation operations.

On December 9, 2010, Generation executed an Administrative Consent Order (ACO) with the NJDEP regarding Oyster Creek. The ACO sets forth, among other things, the agreement by Generation to permanently cease generation operations at Oyster Creek if the conditions of the ACO are satisfied. In accordance with the ACO, on December 21, 2011, the NJDEP issued a final NPDES permit to be effective on April 12, 2012 that does not require the construction of cooling towers or other closed-cycle cooling facilities. The ACO and the final permit apply only to Oyster Creek based on its unique circumstances and does not set any precedent for the ultimate compliance requirements for Section 316(b) at Exelon's other plants.

As a result of the decision and the ACO, the expected economic useful life of Oyster Creek was reduced by 10 years to correspond to Exelon's current best estimate as to timing of ceasing generation operations at the Oyster Creek unit in 2019. The financial impacts relate primarily to accelerated depreciation and accretion expense associated with the changes in decommissioning assumptions related to Generation's asset retirement obligation over the remaining expected economic useful life of Oyster Creek.

Salem and Other Power Generation Facilities. In June 2001, the NJDEP issued a renewed NPDES permit for Salem, allowing for the continued operation of Salem with its existing cooling water system. NJDEP advised PSEG in July 2004 that it strongly recommended reducing cooling water intake flow commensurate with closed-cycle cooling as a compliance option for Salem. PSEG submitted an application for a renewal of the permit on February 1, 2006. In the permit renewal application, PSEG analyzed closed-cycle cooling and other options and demonstrated that the continuation of the Estuary Enhancement Program, an extensive environmental restoration program at Salem, is the best technology to meet the Section 316(b) requirements. PSEG continues to operate Salem under the approved June 2001 NPDES permit while the NPDES permit renewal application is being reviewed. If the final permit or Section 316(b) regulations ultimately requires the retrofitting of Salem's cooling water intake structure to reduce cooling water intake flow commensurate with closed-cycle cooling, Exelon's and Generation's share of the total cost of the retrofit and any resulting interim replacement power would likely be in excess

of \$430 million, based on a 2006 estimate, and would result in increased depreciation expense related to the retrofit investment.

It is unknown at this time whether the NJDEP permit programs will require closed-cycle cooling at Salem. In addition, the economic viability of Generation's other power generation facilities without closed-cycle cooling water systems will be called into question by any requirement to construct cooling towers. Should the final rule not require the installation of cooling towers, and retain the flexibility afforded the state permitting agencies in applying a cost-benefit test and to consider site-specific factors, the impact of the rule would be minimized even though the costs of compliance could be material to Generation.

Given the uncertainties associated with the requirements that will be contained in the final rule, Generation cannot predict the eventual outcome or estimate the effect that compliance with any resulting Section 316(b) or interim state requirements will have on the operation of its generating facilities and its future results of operations, cash flows and financial position.

Alleged Conemaugh Clean Streams Violation by PA DEP. The PA DEP has alleged that GenOn Northeast Management Company, the operator of Conemaugh Generating Station (CGS), violated the Clean Streams Law. GenOn is engaged in discussions with PA DEP and the Company anticipates that the parties will reach a settlement pursuant to which GenOn will be obligated to pay a civil penalty of \$500,000, of which Generation's responsibility would be approximately \$100,000.

Conemaugh Station Water Discharge Violations. In April 2007, two environmental groups brought a Clean Water Act citizen suit against the operator of CGS, seeking civil penalties and injunctive relief for alleged violations of CGS's NPDES permit. On March 21, 2011, the court entered a partial summary judgment in the plaintiffs' favor, declaring as a matter of law that discharges from CGS had violated the NPDES permit. On June 6, 2011, the operator of CGS signed and entered with the court a settlement and consent decree with the plaintiffs. Under the consent decree, CGS will pay a total of \$5 million, of which Generation's share is \$1 million.

Air

Cross-State Air Pollution Rule. On July 11, 2008, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) vacated the CAIR, which had been promulgated by the U.S. EPA to reduce power plant emissions of SO₂ and NO_x. The D.C. Circuit Court later remanded the CAIR to the U.S. EPA, without invalidating the entire rulemaking, so that the U.S. EPA could correct CAIR in accordance with the D.C. Circuit Court's July 11, 2008 opinion. On July 6, 2010, the U.S. EPA published the proposed Transport Rule as the replacement to the CAIR. On July 7, 2011, the U.S. EPA published the final rule, now known as the Cross-State Air Pollution Rule (CSAPR). The CSAPR requires 27 states in the eastern half of the United States to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. The final rule maintains the January 1, 2012 and January 1, 2014 phase-in dates that were in the proposed Transport Rule. However, the CSAPR imposes tighter emissions caps than the proposed Transport Rule and includes six additional states under the summertime NO_x reduction requirements. These emissions limits may be further reduced as the U.S. EPA finalizes more restrictive ozone and particulate matter NAAQS in the 2012-2013 timeframe.

Under the CSAPR, Generation units will receive allowances based on historic heat input. Intrastate, and limited interstate, trading of allowances is permitted, subject to certain limitations. The CSAPR restricts entirely the use of pre-2012 allowances. Existing SO₂ allowances under the ARP would remain available for use under ARP. During the third quarter of 2010, Generation recognized a lower of cost or market impairment charge of \$57 million on its ARP SO₂ allowances that are not expected to be used by Generation's fossil-fuel power plants and that have not been sold forward. The impairment was recorded due to the significant decline of allowance market prices because CSAPR regulations would restrict entirely the use of ARP SO₂ allowances beginning in 2012. As of December 31, 2011, Generation had \$4 million of emission allowances carried at the lower of weighted average cost or market. Numerous entities have challenged the CSAPR in the D.C. Circuit Court, and some have requested a stay of the rule pending the D.C. Circuit Court's consideration of the matter on the merits. Exelon believes that the CSAPR is a valid exercise of the U.S. EPA's authority and discretion under the Clean Air Act. The D.C.

Circuit Court has granted permission for Exelon, as well as a number of other parties, to intervene in the litigation in support of the rule and in opposition to a stay of the rule. The D.C. Circuit Court has not set a case management schedule, and it is therefore unknown when the litigation will be resolved.

On October 14, 2011, the EPA proposed for public comment certain technical corrections to CSAPR, including correction of data errors in determining generation unit allowances and state allowance budgets. These corrections will increase the number of emission allowances available under the CSAPR. In addition, the proposal defers until 2014 penalties that will involve surrender of additional allowances should states not meet certain levels of emission reductions. This deferral is intended to increase the liquidity of allowances during the initial years of transition from CAIR to CSAPR.

Numerous entities challenged the CSAPR in the D.C. Circuit Court, and some requested a stay of the rule pending the Court's consideration of the matter on the merits. On December 30, 2011, the Court granted a stay of the CSAPR, and directed the U.S. EPA to continue the administration of CAIR in the interim. Subsequently the Court ordered an expedited briefing schedule that requires that final briefs be submitted by March 16, 2012, and scheduled oral argument for April 13, 2012. It is unknown when the Court will issue its decision on the merits. Exelon believes that the CSAPR is a valid exercise of the U.S. EPA's authority and discretion under the Clean Air Act. The D.C. Circuit Court has granted permission for Exelon, as well as a number of other parties, to intervene in the litigation in support of the rule.

EPA Mercury and Air Toxics Standards (MATS). In March 2005, the U.S. EPA finalized the CAMR, which was a national program to cap mercury emissions from fossil-fuel-fired electric utility steam generating units (EGUs) starting in 2010, with a second reduction in the mercury emission cap level scheduled for 2018. The D.C. Circuit Court later vacated the CAMR on the basis that the U.S. EPA had failed to properly de-list mercury as a HAP under Section 112(c)(1) of the Clean Air Act. The result of this decision is that mercury emissions from EGUs are subject to the more stringent requirements of maximum achievable control technology applicable to HAPs. In resolution of the CAMR litigation, the U.S. EPA entered into a Consent Decree that required it to propose by March 16, 2011 HAP regulations for emissions from fossil generating stations, and to publish final HAP regulations by November 15, 2011.

On December 16, 2011, the U.S. EPA signed a final rule to reduce emissions of toxic air pollutants from power plants and signed revisions to the new source performance standards for EGUs. The final rule, known as the Mercury and Air Toxics (MATS) rule, requires coal-fired electric generation plants to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (uncontrolled coal units) will have to make capital investments and incur higher operating expenses. It is expected that smaller, older, uncontrolled coal units will retire rather than make these investments. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. In addition, the new standards will cause oil units to achieve high removal rates of metals. Owners of oil units not currently meeting the proposed emission standards may choose to convert the units to light oils or natural gas, install control technologies or retire the units. The MATS rule requires generating stations to meet the new standards three years after the rule takes effect, with specific guidelines for an additional one or two years in limited cases. The rule will be effective 60 days after it is published in the Federal Register in early 2012. Exelon, along with the other co-owners of Conemaugh Generating Station are moving forward with plans to improve the existing scrubbers and install Selective Catalytic Reduction (SCR) controls to meet the mercury removal requirements of MATS by January 1, 2015.

The U.S. EPA previously announced that it would complete a review of NAAQS in the 2011 – 2012 timeframe for particulate matter, nitrogen dioxide, sulfur dioxide, and lead. This review could result in more stringent emissions limits on fossil-fired electric generating stations. In September 2011, the U.S. EPA withdrew its reconsideration of the NAAQS standard for ozone, which is next scheduled for reconsideration in 2013.

In addition, as of December 31, 2011, Exelon has a \$656 million net investment in coal-fired plants in Georgia and Texas subject to long-term leases extending through 2028-2032. While Exelon currently estimates the value of these plants at the end of the lease term will be in excess of the recorded residual

lease values, final applications of the CSAPR and HAP regulations could negatively impact the end-of-lease term values of these assets, which could result in a future impairment loss that could be material.

Notices and Finding of Violations Related to Electric Generation Stations. On August 6, 2007, ComEd received a NOV, addressed to it and Midwest Generation, LLC (Midwest Generation) from the U.S. EPA, alleging that ComEd and Midwest Generation have violated and are continuing to violate several provisions of the Clean Air Act as a result of the modification and/or operation of six electric generation stations located in northern Illinois that have been owned and operated by Midwest Generation since 1999.

The generating stations are currently owned and operated by Midwest Generation, which purchased the stations in December 1999 from ComEd. Under the terms of the sale agreement, Midwest Generation and its affiliate, Edison Mission Energy (EME), assumed responsibility for environmental liabilities associated with the ownership, occupancy, use and operation of the stations, including responsibility for compliance of the stations with environmental laws before the purchase of the stations by Midwest Generation. Midwest Generation and EME additionally agreed to indemnify and hold ComEd and its affiliates harmless from claims, fines, penalties, liabilities and expenses arising from third party claims against ComEd resulting from or arising out of the environmental liabilities assumed by Midwest Generation and EME under the terms of the agreement governing the sale.

In August 2009, the DOJ and the Illinois Attorney General filed a complaint against Midwest Generation with the U.S. District Court for the Northern District of Illinois initiating enforcement proceedings with respect to the alleged Clean Air Act violations set forth in the NOV. Neither ComEd nor Exelon were named as a defendant in this original complaint. In March 2010, the District Court granted Midwest Generation's partial motion to dismiss all but one of the claims against Midwest Generation. The Court held that Midwest Generation cannot be liable for any alleged violations relating to construction that occurred prior to Midwest Generation's ownership of the stations. In May 2010, the government plaintiffs filed an amended complaint substantially similar to the original complaint, and added ComEd and EME as defendants. The amended complaint seeks injunctive relief and civil penalties against all defendants, although not all of the claims specifically pertain to ComEd. On March 16, 2011, the U.S. District Court granted ComEd's motion to dismiss the May 2010 complaint. On January 3, 2012, upon leave of the U.S. District Court, the government parties appealed the dismissal of ComEd to the U.S. Circuit Court of Appeals.

In connection with Exelon's 2001 corporate restructuring, Generation assumed ComEd's rights and obligations with respect to its former generation business. Exelon, Generation and ComEd are unable to predict the ultimate resolution of the claims alleged in the amended complaint, the costs that might be incurred or the amount of indemnity that may be available from Midwest Generation and EME; however, Exelon, Generation and ComEd have concluded that in light of the District Court's decision the likelihood of loss is remote. Therefore, no reserve has been established. Further, Generation believes that it would be reimbursed by Midwest Generation and EME for any losses under the terms of the indemnification agreement, subject to the credit worthiness of Midwest Generation and EME.

Solid and Hazardous Waste

Cotter Corporation. The U.S. EPA has advised Cotter Corporation (Cotter), a former ComEd subsidiary, that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Bridgeton, Missouri. On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability arising in connection with the West Lake Landfill. In connection with Exelon's 2001 corporate restructuring, this responsibility to indemnify Cotter was transferred to Generation. On May 29, 2008, the U.S. EPA issued a Record of Decision approving the remediation option submitted by Cotter and the two other PRPs that required additional landfill cover. The current estimated cost of the anticipated landfill cover remediation for the site is approximately \$42 million, which will be allocated among all PRPs. Generation has accrued what it believes to be an adequate amount to cover its anticipated share of such liability. By letter dated January 11, 2010, the U.S. EPA requested that the PRPs perform a supplemental feasibility study for a remediation alternative that would involve excavation of the radiological contamination. On September 30,

2011, the PRPs submitted the final supplemental feasibility study to the EPA for review. It is anticipated that the EPA will propose a remedy in the first quarter of 2012, which will be subject to public comment. Thereafter the EPA will select a final remedy and enter into a Consent Decree with the PRP's to effectuate the remedy. An excavation remedy would be significantly more expensive than the previously selected additional cover remedy; however, Generation believes the likelihood that the U.S. EPA would require the use of an excavation remedy is remote.

On August 8, 2011, Cotter was notified by the DOJ that Cotter is considered a PRP with respect to the government's clean-up costs for contamination attributable to low level radioactive residues at a former storage and reprocessing facility named Latty Avenue near St. Louis, Missouri. The Latty Avenue site is included in ComEd's indemnification responsibilities discussed above as part of the sale of Cotter. The radioactive residues had been generated initially in connection with the processing of uranium ores as part of the U. S. government's Manhattan Project. Cotter purchased the residues in 1967 for initial processing at the Latty Avenue facility for the subsequent extraction of uranium and metals. In 1976, the NRC found that the Latty Avenue site had radiation levels exceeding NRC criteria for decontamination of land areas. Latty Avenue was investigated and remediated by the United States Army Corps of Engineers pursuant to funding under the Formerly Utilized Sites Remedial Action Program. The DOJ has not yet formally advised the PRPs of the amount that it is seeking, but it is believed to be approximately \$100 million. The DOJ and the PRPs agreed to toll the statute of limitations until August 2012 so that settlement discussions could proceed. Based on Exelon's preliminary review, it appears probable that Exelon has liability to Cotter under the indemnification agreement and has established an appropriate accrual for this liability.

Climate Change Regulation. Exelon is subject to climate change regulation or legislation at the international, Federal, regional and state levels. In 2007, the U.S. Supreme Court ruled that GHG emissions are pollutants subject to regulation under the new motor vehicle provisions of the Clean Air Act. Consequently, on December 7, 2009, the U.S. EPA issued an endangerment finding under Section 202 of the Clean Air Act regarding GHGs from new motor vehicles and on April 1, 2010 issued final regulations limiting GHG emissions from cars and light trucks effective on January 2, 2011. While such regulations do not specifically address stationary sources, such as a generating plant, it is the U.S. EPA's position that the regulation of GHGs under the mobile source provisions of the Clean Air Act has triggered the permitting requirements under the Prevention of Significant Deterioration (PSD) and Title V operating permit sections of the Clean Air Act for new and modified stationary sources effective January 2, 2011. Therefore, on May 13, 2010, the U.S. EPA issued final regulations relating to these provisions of the Clean Air Act for major stationary sources of GHG emissions that apply to new sources that emit greater than 100,000 tons per year, on a CO₂ equivalent basis, and to modifications to existing sources that result in emissions increases greater than 75,000 tons per year on a CO₂ equivalent basis. These thresholds became effective January 2, 2011, apply for six years and will be reviewed by the U.S. EPA for future applicability thereafter. Under the regulations, new and modified major stationary sources could be required to install best available control technology, to be determined on a case-by-case basis. Exelon could be significantly affected by the regulations if it were to build new plants or modify existing plants.

litigation and Regulators' Matters

Exelon and Generation

Asbestos Personal Injury Claims. Generation maintains a reserve for claims associated with asbestos-related personal injury actions in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. The reserve is recorded on an undiscounted basis and excludes the estimated legal costs associated with handling these matters, which could be material. Legal costs are charged to operating and maintenance expense as incurred.

At December 31, 2011 and 2010, Generation had reserved approximately \$49 million and \$53 million, respectively, in total for asbestos-related bodily injury claims. As of December 31, 2011, approximately \$14 million of this amount related to 180 open claims presented to Generation, while the remaining \$35 million of the reserve is for estimated future asbestos-related bodily injury claims anticipated to arise through 2050 based on actuarial assumptions and analyses, which are updated on an

annual basis. On a quarterly basis, Generation monitors actual experience against the number of forecasted claims to be received and expected claim payments and evaluates whether an adjustment to the reserve is necessary. During 2011, 2010 and 2009, the updates to this reserve did not result in material adjustments.

Exelon

Savings Plan Claim. On September 11, 2006, five individuals claiming to be participants in the Exelon Corporation Employee Savings Plan, Plan #003 (Savings Plan), filed a putative class action lawsuit in the U.S. District Court for the Northern District of Illinois. The complaint names as defendants Exelon, its Director of Employee Benefit Plans and Programs, the Employee Savings Plan Investment Committee, the Compensation and the Risk Oversight Committees of Exelon's Board of Directors and members of those committees. On December 9, 2009, the District Court granted the defendants' motion to dismiss the amended complaint and enter judgment in favor of the defendants. The plaintiffs appealed the District Court's dismissal of their claims to the U.S. Court of Appeals for the Seventh Circuit who affirmed the dismissal of the class action lawsuit on September 6, 2011.

General. The Registrants are involved in various other litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. The Registrants maintain accruals for such losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of reasonably possible loss, particularly where (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

Fund Transfer Restrictions

Under applicable law, Exelon may borrow or receive an extension of credit from its subsidiaries. Under the terms of Exelon's intercompany money pool agreement, Exelon can lend to, but not borrow from the money pool.

The Federal Power Act declares it to be unlawful for any officer or director of any public utility "to participate in the making or paying of any dividends of such public utility from any funds properly included in capital account." What constitutes "funds properly included in capital account" is undefined in the Federal Power Act or the related regulations; however, FERC has consistently interpreted the provision to allow dividends to be paid as long as: (1) the source of the dividends is clearly disclosed; (2) the dividend is not excessive; and (3) there is no self-dealing on the part of corporate officials. While these restrictions may limit the absolute amount of dividends that a particular subsidiary may pay, Exelon does not believe these limitations are materially limiting because, under these limitations, the subsidiaries are allowed to pay dividends sufficient to meet Exelon's actual cash needs.

Under Illinois law, ComEd may not pay any dividend on its stock unless, among other things, "[its] earnings and earned surplus are sufficient to declare and pay same after provision is made for reasonable and proper reserves," or unless it has specific authorization from the ICC. ComEd has also agreed in connection with financings arranged through ComEd Financing III that it will not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debt securities issued to ComEd Financing III; (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of ComEd Financing III; or (3) an event of default occurs under the indenture under which the subordinated debt securities are issued.

PECO's Articles of Incorporation prohibit payment of any dividend on, or other distribution to the holders of, common stock if, after giving effect thereto, the capital of PECO represented by its common stock together with its retained earnings is, in the aggregate, less than the involuntary liquidating value of its then outstanding preferred securities. At December 31, 2011, such capital was \$2.9 billion and amounted to about 34 times the liquidating value of the outstanding preferred securities of \$87 million.

Additionally, PECO may not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debentures, which were issued to PEC L.P. or PECO Trust IV; (2) it defaults on its guarantee of the payment of distributions on the Series D Preferred Securities of PEC L.P. or the preferred trust securities of PECO Trust IV; or (3) an event of default occurs under the Indenture under which the subordinated debentures are issued.

Continuous Power Interruption

Illinois law provides that in the event an electric utility, such as ComEd, experiences a continuous power interruption of four hours or more that affects (in ComEd's case) 30,000 or more customers, the utility may be liable for actual damages suffered by customers as a result of the interruption and may be responsible for reimbursement of local governmental emergency and contingency expenses incurred in connection with the interruption. Recovery of consequential damages is barred. The affected utility may seek from the ICC a waiver of these liabilities when the utility can show that the cause of the interruption was unpreventable damage due to weather events or conditions, customer tampering, or certain other causes enumerated in the law. ComEd does not believe that during the years 2011, 2010 and 2009 it had any interruptions that have triggered this damage liability or reimbursement requirement.

On August 18, 2011, ComEd sought from the ICC a determination that ComEd is not liable under provisions of the Illinois Public Utilities Act that could require damage compensation to customers in connection with the July 11, 2011 storm system that affected more than 900,000 customers in ComEd's service territory, as well as five other storm systems that affected ComEd's customers during June and July 2011. The ICC is currently conducting a proceeding to assess ComEd's request. In the absence of a favorable determination from the ICC, some ComEd customers affected by the outages could seek recovery of their actual, non-consequential damages, and the local governments in which those customers are located could seek recovery of emergency and contingency expenses. On January 27, 2012, the ICC Staff and the Illinois Attorney General filed testimony in the ICC proceeding. They both disagree with ComEd's interpretation that the statute does not apply to the 2011 storms. Additionally, the ICC witness supports granting a waiver for three of the six storms, while the Attorney General asserts that ComEd should be held responsible for the damages from all of the storms. ComEd is continuing to assess its position relative to its request and is scheduled to file responsive testimony during the first quarter of 2012. The ultimate outcome of this proceeding is uncertain, and the amount of damages, if any, that might be asserted cannot be reasonably estimated at this time, but may be material to ComEd's results of operations and cash flows. Additional active proceedings related to storms of lesser collective impact are also pending.

Income Taxes

See Note 11—Income Taxes for information regarding the Registrants' income tax refund claims and certain tax positions, including the 1999 sale of fossil generating assets.

11 Supplemental Financial Information (Exelon, Generation, ComEd and PECO)

Supplemental Income Statement Information

The following tables provide additional information about the Registrants' Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009.

For the Year Ended December 31, 2011	Exelon	Generation	ComEd	PECO
Operating revenues^(a)				
Wholesale	\$ 7,717	\$ 8,837	\$ —	\$ 32
Retail electric and gas	10,323	1,407 ^(b)	5,460	3,463
Other	884	64 ^(c)	596	225
Total operating revenues	<u>\$18,924</u>	<u>\$ 10,308</u>	<u>\$6,056</u>	<u>\$3,720</u>
For the Year Ended December 31, 2010	Exelon	Generation	ComEd	PECO
Operating revenues^(a)				

Wholesale	\$ 5,934	\$ 8,986	\$ —	\$ 44
Retail electric and gas	11,906	1,004 ^(b)	5,648	5,262
Other	804	35 ^(c)	556	213
Total operating revenues	<u>\$18,644</u>	<u>\$ 10,025</u>	<u>\$6,204</u>	<u>\$5,519</u>

For the Year Ended December 31, 2011

Operating revenues^(a)

	Exelon	Generation	ComEd	PECO
Wholesale	\$ 5,469	\$ 8,905	\$ —	\$ 26
Retail electric and gas	11,099	838 ^(b)	5,220	5,049
Other	750	(40) ^(c)	554	236
Total operating revenues	<u>\$17,318</u>	<u>\$ 9,703</u>	<u>\$5,774</u>	<u>\$5,311</u>

(a) Includes operating revenues from affiliates.

(b) Generation's retail electric and gas operating revenues consist primarily of Exelon Energy Company, LLC. Generation's retail electric operating revenues are allocated among its reportable segments.

(c) Includes amounts recorded related to the Illinois Settlement Legislation.

For the Year Ended December 31, 2011

Depreciation, amortization and accretion

	Exelon	Generation	ComEd	PECO
Property, plant and equipment	\$1,284	\$ 570	\$ 502	\$ 191
Regulatory assets	51	—	40	11
Nuclear fuel ^(a)	755	755	—	—
ARO accretion ^(b)	214	214	—	—
Total depreciation, amortization and accretion	<u>\$2,304</u>	<u>\$ 1,539</u>	<u>\$ 542</u>	<u>\$ 202</u>

For the Year Ended December 31, 2010

Depreciation, amortization and accretion

	Exelon	Generation	ComEd	PECO
Property, plant and equipment	\$1,144	\$ 474	\$ 473	\$ 171
Regulatory assets ^(c)	931	—	43	889
Nuclear fuel ^(a)	672	672	—	—
ARO accretion ^(b)	196	195	1	—
Total depreciation, amortization and accretion	<u>\$2,943</u>	<u>\$ 1,341</u>	<u>\$ 517</u>	<u>\$1,060</u>

For the Year Ended December 31, 2009

Depreciation, amortization and accretion

	Exelon	Generation	ComEd	PECO
Property, plant and equipment	\$ 996	\$ 333	\$ 446	\$ 162
Regulatory assets ^(c)	838	—	48	790
Nuclear fuel ^(a)	558	558	—	—
ARO accretion ^(b)	209	207	1	—
Total depreciation, amortization and accretion	<u>\$2,601</u>	<u>\$ 1,098</u>	<u>\$ 495</u>	<u>\$ 952</u>

(a) Included in fuel expense on the Registrants' Consolidated Statements of Operations.

(b) Included in operating and maintenance expense on the Registrants' Consolidated Statements of Operations.

(c) For PECO, primarily reflects CTC amortization.

For the Year Ended December 31, 2011

Taxes other than income

	Exelon	Generation	ComEd	PECO
Utility ^(a)	\$ 443	\$ 27	\$ 243	\$173
Real estate	177	146	22	9
Payroll	123	71	25	13
Other	42	20	6	10
Total taxes other than income	<u>\$ 785</u>	<u>\$ 264</u>	<u>\$ 296</u>	<u>\$205</u>

For the Year Ended December 31, 2010

	Exelon	Generation	ComEd	PECO

Taxes other than income

Utility ^(a)	\$ 476	\$ —	\$ 205	\$271
Real estate	175	142	20	13
Payroll	121	70	24	12
Other	36	18	7	7
Total taxes other than income	<u>\$ 808</u>	<u>\$ 230</u>	<u>\$ 256</u>	<u>\$303</u>

For the Year Ended December 31, 2010

Taxes other than income

	Exelon	Generation	ComEd	PECO
Utility ^(a)	\$ 481	\$ —	\$ 232	\$249
Real estate	157	127	20	10
Payroll	114	65	23	12
Other	26	13	6	5
Total taxes other than income	<u>\$ 778</u>	<u>\$ 205</u>	<u>\$ 281</u>	<u>\$276</u>

(a) Generation's utility tax represents gross receipts tax related to its retail operations and ComEd's and PECO's utility taxes represent municipal and state utility taxes and gross receipts taxes related to their operating revenues, respectively. The offsetting collection of utility taxes from customers is recorded in revenues on the Registrants' Consolidated Statements of Operations.

For the Year Ended December 31, 2011

Loss in equity method investments

	Exelon	Generation	ComEd	PECO
NuStart Energy Development, LLC	(1)	(1)	—	—
Total loss in equity method investments	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>

For the Year Ended December 31, 2010

Loss in equity method investments

	Exelon	Generation	ComEd	PECO
NuStart Energy Development, LLC	—	—	—	—
Total loss in equity method investments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

For the Year Ended December 31, 2011

Loss in equity method investments

	Exelon	Generation	ComEd	PECO
Financing trusts	\$ (24)	\$ —	\$ —	\$ (24)
NuStart Energy Development, LLC	(3)	(3)	—	—
Total loss in equity method investments	<u>\$ (27)</u>	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ (24)</u>

For the Year Ended December 31, 2011

Other, Net

Decommissioning-related activities:

Net realized income on decommissioning trust funds ^(a)

Regulatory Agreement Units	\$ 177	\$ 177	\$ —	\$ —
Non-Regulatory Agreement Units	45	45	—	—

Net unrealized losses on decommissioning trust funds—

Regulatory Agreement Units	(74)	(74)	—	—
Non-Regulatory Agreement Units	(4)	(4)	—	—

Net unrealized gains on pledged assets—

Zion Station decommissioning	48	48	—	—

Regulatory offset to decommissioning trust fund-related activities ^(b)

Total decommissioning-related activities	<u>62</u>	<u>62</u>	<u>—</u>	<u>—</u>

Investment income	10	1	1	3
Long-term lease income	28	—	—	—
Interest income related to uncertain income tax positions	53	31	14	1
AFUDC-Equity	17	—	8	9
Bargain purchase gain related to Wolf Hollow acquisition	36	36	—	—
Other	(7)	(8)	6	1
Other, net	<u>\$ 199</u>	<u>\$ 122</u>	<u>\$ 29</u>	<u>\$ 14</u>

For the Year Ended December 31, 2010	Exelon	Generation	ComEd	PEC O
Other, Net				
Decommissioning-related activities:				
Net realized income on decommissioning trust funds				
(a) —				
Regulatory Agreement Units	\$ 176	\$ 176	\$ —	\$ —
Non-Regulatory Agreement Units	51	51	—	—
Net unrealized gains on decommissioning trust funds—				
Regulatory Agreement Units	316	316	—	—
Non-Regulatory Agreement Units	104	104	—	—
Regulatory offset to decommissioning trust fund-related activities (b)	(394)	(394)	—	—
Total decommissioning-related activities	<u>253</u>	<u>253</u>	<u>—</u>	<u>—</u>
Investment income	1	—	—	1
Long-term lease income	27	—	—	—
Interest income related to uncertain income tax positions	—	—	6	—
AFUDC-Equity	11	—	4	7
Realized gains on Rabbi trust investments	1	—	1	—
Other	19	4	13	—
Other, net	<u>\$ 312</u>	<u>\$ 257</u>	<u>\$ 24</u>	<u>\$ 8</u>

For the Year Ended December 31, 2011	Exelon	Generation	ComEd	PEC O
Other, Net				
Decommissioning-related activities:				
Net realized income on decommissioning trust funds				
(a) —				
Regulatory Agreement Units	\$ 126	\$ 126	\$ —	\$ —
Non-Regulatory Agreement Units	29	29	—	—
Net unrealized gains on decommissioning trust funds—				
Regulatory Agreement Units	801	801	—	—
Non-Regulatory Agreement Units	227	227	—	—
Regulatory offset to decommissioning trust fund-related activities (b)	(746)	(746)	—	—
Total decommissioning-related activities	<u>437</u>	<u>437</u>	<u>—</u>	<u>—</u>
Investment income	5	—	1	4
Long-term lease income	26	—	—	—
Interest income related to uncertain income tax positions	—	—	—	—
(c)	50	—	65	5
AFUDC-Equity	9	—	5	4
Realized gain on Rabbi trust investments	5	—	5	—
Other-than-temporary impairment to Rabbi trust investments (d)	(7)	—	(7)	—
Losses on early retirement of debt	(117)	(71)	—	—
Other	<u>19</u>	<u>10</u>	<u>10</u>	<u>—</u>

Other, net	<u>\$ 427</u>	<u>\$ 376</u>	<u>\$ 79</u>	<u>\$ 13</u>

- (a) Includes investment income and realized gains and losses on sales of investments of the trust funds.
(b) Includes the elimination of NDT fund activity for the Regulatory Agreement Units, including the elimination of net income taxes related to all NDT fund activity for those units. See Note 12—Asset Retirement Obligations for additional information regarding the accounting for nuclear decommissioning.
(c) Primarily includes interest income at ComEd from the 2009 re-measurement of income tax uncertainties. See Note 11—Income Taxes for additional information.
(d) ComEd recorded an other-than-temporary impairment to Rabbi trust investments during 2009.

Supplemental Cash Flow Information

The following tables provide additional information regarding the Registrants' Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009.

For the Year Ended December 31, 2011	Exelon	Generation	ComEd	PECO
Cash paid (refunded) during the Year				
Interest (net of amount capitalized)	\$ 649	\$ 158	\$ 296	\$128
Income taxes (net of refunds)	(457)	347	(676)	(65)
Other non-cash operating activities				
Pension and non-pension postretirement benefit costs	\$ 542	\$ 249	\$ 213	\$ 32
Provision for uncollectible accounts	121	—	57	64
Stock-based compensation costs	67	—	—	—
Other decommissioning-related activity ^(a)	16	16	—	—
Energy-related options ^(b)	137	137	—	—
Amortization of regulatory asset related to debt costs	21	—	18	3
Uncollectible accounts recovery, net	14	—	14	—
Discrete impacts from 2010 Rate Case order ^(c)	(32)	—	(32)	—
Bargain purchase gain related to Wolf Hollow Acquisition	(36)	(36)	—	—
Discrete impacts from Energy Infrastructure Modernization Act (EIMA) ^(d)	(82)	—	(82)	—
Other	14	55	8	1
Total other non-cash operating activities	<u>\$ 782</u>	<u>\$ 421</u>	<u>\$ 196</u>	<u>\$100</u>
Changes in other assets and liabilities				
Under/over-recovered energy and transmission costs	\$ (45)	\$ —	\$ (49)	\$ 4
Other current assets	(101)	(23)	(14)	(15)
Other noncurrent assets and liabilities	126	(34)	108	25
Total changes in other assets and liabilities	<u>\$ (20)</u>	<u>\$ (57)</u>	<u>\$ 45</u>	<u>\$ 14</u>
	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Non-cash investing and financing activities				
Change in ARC	\$ 186	\$ 186	\$ —	\$ —
Change in capital expenditures not paid	96	125 ^(e)	7	(35)

- (a) Includes the elimination of NDT fund activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARC accretion, ARC amortization, investment income and income taxes related to all NDT fund activity for these units. See Note 12—Asset Retirement Obligations for additional information regarding the accounting for nuclear decommissioning.
(b) Includes amounts reclassified to realized at settlement of contracts recorded to results of operations related to option premiums due to the settlement of underlying transactions.
(c) In May 2011, as a result of the 2010 Rate Case order, ComEd recorded one-time benefits to reestablish previously expensed plant balances and to recover previously incurred costs related to Exelon's 2009 restructuring plan. See Note 2—Regulatory Matters for more information.
(d) Includes the establishment of a regulatory asset, pursuant to EIMA, for the 2011 annual reconciliation in ComEd's distribution formula rate tariff and the deferral of costs associated with significant 2011 storms, partially offset by an accrual to fund a new Science and Technology Innovation Trust. See Note 2—Regulatory Matters for more information.
(e) Includes \$120 million of capital expenditures not paid as of December 31, 2011 related to Antelope Valley.

For the Year Ended December 31, 2010	Exelon	Generation	ComEd	PECO

Cash paid (refunded) during the Year

Interest (net of amount capitalized)	\$ 665 ^(a)	\$ 145	\$ 283	\$168
Income taxes (net of refunds)	1,219	732	15	433

Other non-cash operating activities

Pension and non-pension postretirement benefit costs	\$ 581	\$ 268	\$ 215	\$ 46
Provision for uncollectible accounts	108	1	48	59
Provision for obsolete inventory	12	12	—	—
Stock-based compensation costs	44	—	—	—
Other decommissioning-related activity ^(b)	(91)	(91)	—	—
Energy-related options ^(c)	(73)	(73)	—	—
ARO adjustment	(19)	(8)	(10)	(1)
Amortization of regulatory asset related to debt costs	24	—	20	4
Accrual for Illinois utility distribution tax refund ^(d)	(25)	—	(25)	—
Under-recovered uncollectible accounts, net ^(e)	(14)	—	(14)	—
ARP SO2 allowances impairment	57	57	—	—
Other	5	16	4	—
Total other non-cash operating activities	\$ 609	\$ 182	\$ 238	\$108

Changes in other assets and liabilities

Under/over-recovered energy and transmission costs	\$ 61	\$ —	\$ 58	\$ 3
Other current assets	(18)	(16)	12	(19)
Other noncurrent assets and liabilities	(99)	(29)	(203) ^(f)	94
Total changes in other assets and liabilities	\$ (56)	\$ (45)	\$ (133)	\$ 78

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Non-cash investing and financing activities				
Change in ARC	\$(428)	\$ (428)	\$ —	\$—
Change in capital expenditures not paid	34	13	7	14
Purchase accounting adjustments	9	9	—	—
Exelon Wind acquisition ^(g)	32	32	—	—

(a) Excludes \$167 million of interest paid to the IRS relating to a preliminary agreement reached during the third quarter of 2010. See Note 11—Income Taxes for additional information.

(b) Includes the elimination of NDT fund activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARO accretion, ARC amortization, investment income and income taxes related to all NDT fund activity for these units. See Note 12—Asset Retirement Obligations for additional information regarding the accounting for nuclear decommissioning.

(c) Includes amounts reclassified to realized at settlement of contracts recorded to results of operations related to option premiums due to the settlement of underlying transactions.

(d) During the second quarter of 2010, ComEd recorded a reduction of \$25 million to taxes other than income to reflect management's estimate of future refunds for the 2008 and 2009 tax years associated with Illinois' utility distribution tax based on an analysis of past refunds and interpretations of the Illinois Public Utility Act. Historically, ComEd has recorded refunds of the Illinois utility distribution tax when received. ComEd believes it now has sufficient, reliable evidence to record and support an estimated receivable associated with the anticipated refund for the 2008 and 2009 tax years.

(e) Includes \$70 million of under-recovered uncollectible accounts expense from 2008 and 2009 recorded in the first quarter of 2010 as well as \$59 million of amortization of the associated regulatory asset. This amount also includes a credit of \$3 million of undercollections associated with 2010 activity. ComEd is recovering these costs through a rider mechanism authorized by the ICC. See Note 2—Regulatory Matters for additional information regarding the Illinois legislation for recovery of uncollectible accounts.

(f) Relates primarily to a decrease in interest payable associated with a change in uncertain income tax positions. See Note 11—Income Taxes for additional information.

(g) Represents contingent liability recorded in connection with the December 9, 2010 acquisition of Exelon Wind. See Note 3—Acquisition for additional information.

For the Year Ended December 31, 2010

Cash paid (refunded) during the Year

Interest (net of amount capitalized)	\$ 647	\$ 69	\$ 284	\$179
Income taxes (net of refunds)	982	668	63	368

Other non-cash operating activities

Pension and non-pension postretirement benefit costs	\$ 536	\$ 240	\$ 192	\$ 47

Loss in equity method investments	27	3	—	24
Provision for uncollectible accounts	149	2	85	63
Stock-based compensation costs	70	—	—	—
Other decommissioning-related activity ^(a)	(163)	(163)	—	—
Energy-related options ^(b)	46	46	—	—
ARO adjustment ^(c)	(47)	(47)	—	—
Amortization of regulatory liability related to debt costs	25	—	21	4
Amortization of the regulatory liability related to the PURTA tax settlement	(2)	—	—	(2)
Other-than-temporary impairment to Rabbi trust impairments ^(d)	7	—	7	—
Inventory write-down related to plant retirements	17	17	—	—
Other	(13)	6	4	5
Total other non-cash operating activities	<u>\$ 652</u>	<u>\$ 104</u>	<u>\$ 309</u>	<u>\$141</u>
Changes in other assets and liabilities				
Under/over-recovered energy and transmission costs	\$ 23	\$ —	\$ 13	\$ 10
Other current assets	(2)	—	—	3
Other noncurrent assets and liabilities	(134)	(1)	(76) ^(e)	(47)
Total changes in other assets and liabilities	<u>\$(113)</u>	<u>\$ (1)</u>	<u>\$ (63)</u>	<u>\$(34)</u>
	Exelon	Generation	ComEd	PECO
Non-cash investing and financing activities				
Change in ARC	\$ 67	\$ 67	\$ —	\$ —
Change in capital expenditures not paid	70	97	37	4
Purchase accounting adjustments	9	9	—	—

- (a) Includes the elimination of NDT fund activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARO accretion, ARC amortization, investment income and income taxes related to all NDT fund activity for these units. See Note 12—Asset Retirement Obligations for additional information regarding the accounting for nuclear decommissioning.
- (b) Includes amounts reclassified to realized at settlement of contracts recorded to results of operations related to option premiums due to the settlement of underlying transactions.
- (c) Represents the reduction in the ARO in excess of the existing ARC balances for Generation's nuclear generating units that are not subject to regulatory agreement with respect to decommissioning trust funding (the former AmerGen units and the portions of the Peach Bottom units).
- (d) ComEd recorded an other-than-temporary impairment to Rabbi trust investments during the second quarter of 2009. See Note 8—Fair Value of Assets and Liabilities for additional information regarding the impairment.
- (e) Relates primarily to a decrease in interest payable associated with the remeasurement of uncertain income tax positions. See Note 11—Income Taxes for additional information.

DOE Smart Grid Investment Grant (Exelon and PECO). For the years ended December 31, 2011 and December 31, 2010, Exelon and PECO have included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$51 million and \$28 million, respectively, and reimbursements of \$56 million in 2011 related to PECO's DOE SGIG. See Note 2—Regulatory Matters for additional information regarding the accounting for the DOE SGIG.

Supplemental Balance Sheet Information

The following tables provide additional information about assets and liabilities of the Registrants at December 31, 2011 and 2010.

December 31, 2011	Exelon	Generation	ComEd	PECO
Investments				
Equity method investments:				
Financing trusts ^(a)	\$ 15	\$ —	\$ 6	\$ 8
Keystone Fuels, LLC	13	13	—	—
Conemaugh Fuels, LLC	16	16	—	—
Sacramento Solar	1	1	—	—
Total equity method investments	<u>45</u>	<u>30</u>	<u>6</u>	<u>8</u>

Other investments:				
Net investment in direct financing leases	656	—	—	—
Employee benefit trusts and investments ^(b)	65	11	21	22
Total investments	<u>\$ 766</u>	<u>\$ 41</u>	<u>\$ 27</u>	<u>\$ 30</u>

December 31, 2010	Exelon	Generation	ComEd	PEC O
Investments				
Equity method investments:				
Financing trusts ^(a)	\$ 15	\$ —	\$ 6	\$ 8
Keystone Fuels, LLC	10	10	—	—
Conemaugh Fuels, LLC	13	13	—	—
NuStart Energy Development, LLC	1	1	—	—
Total equity method investments	39	24	6	8
Other investments:				
Net investment in direct financing leases	629	—	—	—
Employee benefit trusts and investments ^(b)	64	11	23	20
Total investments	<u>\$ 732</u>	<u>\$ 35</u>	<u>\$ 29</u>	<u>\$ 28</u>

(a) Includes investments in financing trusts, which were not consolidated within the financial statements of Exelon. See Note 1—Significant Accounting Policies for additional information.

(b) The Registrants' investments in these marketable securities are recorded at fair market value.

December 2010 IRS Payment (Exelon). In the third quarter of 2010, Exelon and IRS Appeals reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and CTC positions. In order to stop additional interest from accruing on the expected assessment resulting from the agreement, Exelon paid \$302 million to the IRS on December 28, 2010. As of December 31, 2010, Exelon had not funded the specific bank account from which the IRS payment was disbursed resulting in a current liability. This amount was subsequently funded in January 2011. Under the authoritative guidance for offsetting balances, Exelon included this payment in Cash and cash equivalents with an offsetting amount in Other current liabilities on its Consolidated Balance Sheets. See Note 11—Income Taxes for additional information.

Like-Kind Exchange Transaction (Exelon). Prior to the PECO/Unicom Merger in October 2000, UII, LLC (formerly Unicom Investments, Inc.) (UII), a wholly owned subsidiary of Exelon, entered into a like-kind exchange transaction pursuant to which approximately \$1.6 billion was invested in passive generating station leases with two separate entities unrelated to Exelon. The generating stations were leased back to such entities as part of the transaction. For financial accounting purposes, the investments are accounted for as direct financing lease investments. UII holds the leasehold interests in the generating stations in several separate bankruptcy remote, special purpose companies it directly or indirectly wholly owns. The lease agreements provide the lessees with fixed purchase options at the end of the lease terms. If the lessees do not exercise the fixed purchase options, Exelon has the ability to require the lessees to return the leasehold interests or to arrange a service contract with a third party for a period following the lease term. If Exelon chooses the service contract option, the leasehold interests will be returned to Exelon at the end of the term of the service contract. In any event, Exelon will be subject to residual value risk if the lessees do not exercise the fixed purchase options. In the fourth quarter of 2000, under the terms of the lease agreements, UII received a prepayment of \$1.2 billion for all rent, which reduced the investment in the leases. There are no minimum scheduled lease payments to be received over the remaining term of the leases. At December 31, 2011 and 2010, the components of the net investment in long-term leases were as follows:

	December 31, 2011	2010
Estimated residual value of leased assets	\$1,492	\$1,492
Less: unearned income	836	863
Net investment in long-term leases	<u>\$ 656</u>	<u>\$ 629</u>

The following tables provide additional information about liabilities of the Registrants at December 31, 2011 and 2010.

<u>December 31, 2011</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Accrued expenses				
Compensation-related accruals ^(a)	\$ 520	\$ 264	\$ 127	\$ 48
Taxes accrued	297	241	59	5
Interest accrued	192	56	124	27
Severance accrued	15	9	2	1
Other accrued expenses	231 ^(b)	209 ^(b)	6	2
Total accrued expenses	\$1,255	\$ 779	\$ 318	\$ 83
<u>December 31, 2010</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Accrued expenses				
Compensation-related accruals ^(a)	\$ 465	\$ 229	\$ 110	\$ 51
Taxes accrued	297	38	83	9
Interest accrued	195	76	154	30
Severance accrued	22	10	4	1
Other accrued expenses	61	38	15	4
Total accrued expenses	\$1,040	\$ 391	\$ 366	\$ 95

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

(b) Includes \$184 million for amounts accrued related to Antelope Valley.

The following tables provide information about accumulated OCI (loss) recorded (after tax) within Exelon's Consolidated Balance Sheets at December 31, 2011 and 2010:

<u>December 31, 2011</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Accumulated other comprehensive income (loss)				
Net unrealized gain on cash flow hedges	\$ 488	\$ 915	\$ —	\$ —
Pension and non-pension postretirement benefit plans	(2,938)	—	—	—
Unrealized loss on marketable securities	—	—	(1)	—
Total accumulated other comprehensive income (loss)	\$(2,450)	\$ 915	\$ (1)	\$ —
<u>December 31, 2010</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>
Accumulated other comprehensive income (loss)				
Net unrealized gain on cash flow hedges	\$ 400	\$ 1,013	\$ —	\$ —
Pension and non-pension postretirement benefit plans	(2,823)	—	—	—
Unrealized loss on marketable securities	—	—	(1)	—
Total accumulated other comprehensive income (loss)	\$(2,423)	\$ 1,013	\$ (1)	\$ —

Segment Information (Exelon, Generation, ComEd and PECO)

Exelon has five reportable segments, which include Generation's three reportable segments consisting of the Mid-Atlantic, Midwest, and South and West, and ComEd and PECO.

Mid-Atlantic represents Generation's operations primarily in Pennsylvania, New Jersey and Maryland; Midwest includes the operations in Illinois, Indiana, Michigan and Minnesota; and the South and West includes operations primarily in Texas, Georgia, Oklahoma, Kansas, Missouri, Idaho and Oregon. Generation's retail gas, proprietary trading, other revenues and mark-to-market activities have not been allocated to a segment.

Exelon and Generation evaluate the performance of Generation's power marketing activities in Mid-Atlantic, Midwest, and South and West based on revenue net of purchased power and fuel expense. Generation believes that revenue net of purchased power and fuel expense is a useful measurement of operational performance. Revenue net of purchased power and fuel expense is not a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Generation's operating revenues include all sales to third parties and affiliated sales to ComEd and PECO. Purchased power costs include all costs associated with the procurement of electricity including capacity, energy and ancillary services. Fuel expense includes the fuel costs for internally generated energy and fuel costs associated with tolling agreements. Generation's retail gas, proprietary trading, compensation under the reliability-must-run rate schedule, other revenues and mark-to-market activities are not allocated to a region. Exelon and Generation do not use a measure of total assets in making decisions regarding allocating resources to or assessing the performance of these reportable segments.

ComEd and PECO each represent a single reportable segment; as such, no separate segment information is provided for these Registrants. Exelon evaluates the performance of ComEd and PECO based on net income.

An analysis and reconciliation of the Registrants' reportable segment information to the respective information in the consolidated financial statements follows:

	<u>Generation (a)</u>	<u>ComEd</u>	<u>PECO</u>	<u>Other</u>	<u>Intersegment Eliminations</u>	<u>Consolidated</u>
Operating revenues ^(b)						
2011	\$ 10,308	\$ 6,056	\$ 3,720	\$ 830	\$ (1,990)	\$ 18,924
2010	10,025	6,204	5,519	755	(3,859)	18,644
2009	9,703	5,774	5,311	757	(4,227)	17,318
Intersegment revenues ^(c)						
2011	\$ 1,161	\$ 2	\$ 5	\$ 831	\$ (1,990)	\$ 9
2010	3,102	2	5	756	(3,859)	6
2009	3,472	2	6	756	(4,227)	9
Depreciation and amortization						
2011	\$ 570	\$ 542	\$ 202	\$ 21	\$ —	\$ 1,335
2010	474	516	1,060	25	—	2,075
2009	333	494	952	55	—	1,834
Operating expenses ^(b)						
2011	\$ 7,432	\$ 5,074	\$ 3,065	\$ 863	\$ (1,990)	\$ 14,444
2010	6,979	5,148	4,858	792	(3,859)	13,918
2009	6,408	4,931	4,614	840	(4,225)	12,568
Interest expense, net						
2011	\$ 170	\$ 345	\$ 134	\$ 77	\$ —	\$ 726
2010	153	386	193	85	—	817
2009	113	319	187	112	—	731
Income (loss) before income taxes						
2011	\$ 2,827	\$ 666	\$ 535	\$ (63)	\$ (13)	\$ 3,952
2010	3,150	694	476	(91)	(8)	4,221
2009	3,555	603	499	(235)	(3)	4,419
Income taxes						
2011	\$ 1,056	\$ 250	\$ 146	\$ 9	\$ (4)	\$ 1,457
2010	1,178	357	152	(27)	(2)	1,658
2009	1,433	229	146	(102)	6	1,712
Net income (loss)						
2011	\$ 1,771	\$ 416	\$ 389	\$ (72)	\$ (9)	\$ 2,495
2010	1,972	337	324	(64)	(6)	2,563

2009		2,122	374	353	(133)	(9)	2,707
Capital expenditures							
2011	\$	2,491	\$ 1,028	\$ 481	\$ 42	\$ —	\$ 4,042
2010		1,883	962	545	14	(78) ^(d)	3,326
2009		1,977	854	388	54	—	3,273
Total assets							
2011	\$	27,433	\$22,653	\$9,156	\$6,244	\$ (10,394)	\$ 55,092
2010		24,534	21,652	8,985	6,651	(9,582)	52,240

- (a) Generation represents the three segments, Mid-Atlantic, Midwest, and South and West as shown below. Intersegment revenues for the years ended December 31, 2011, 2010 and 2009 represent Mid-Atlantic revenue from sales to PECO of \$508 million, \$2,092 million and \$2,016 million, respectively, and Midwest revenue from sales to ComEd of \$653 million, \$1,010 million and \$1,456 million, respectively.
- (b) For the years ended December 31, 2011, 2010 and 2009, utility taxes of \$243 million, \$205 million and \$232 million, respectively, are included in revenues and expenses for ComEd. For the years ended December 31, 2011, 2010 and 2009, utility taxes of \$173 million, \$271 million and \$249 million, respectively, are included in revenues and expenses for PECO.
- (c) The intersegment profit associated with Generation's sale of AECs to PECO is not eliminated in consolidation due to the recognition of intersegment profit in accordance with regulatory accounting guidance. See Note 2—Regulatory Matters for additional information on AECs. For Exelon, these amounts are included in operating revenues in the Consolidated Statements of Operations.
- (d) Represents capital projects transferred from BSC to Generation, ComEd and PECO. These projects are shown as capital expenditures at Generation, ComEd and PECO and the capital expenditure is eliminated upon consolidation.

	Mid-Atlantic	Midwest	South and West	Other ^(b)	Generation
Total revenues^(a)					
2011	\$3,967	\$5,344	\$ 776	\$ 221	\$ 10,308
2010	3,246	5,762	692	325	10,025
2009	3,195	5,538	714	256	9,703
Revenues net of purchased power and fuel expense					
2011	\$3,359	\$3,547	\$ 70	\$ (118)	\$ 6,858
2010 ^(c)	2,512	4,081	(131)	100	6,562
2009	2,578	4,148	(117)	162	6,771

- (a) Includes all sales to third parties and affiliated sales to ComEd and PECO. For the years ended December 31, 2011, 2010 and 2009, there were no transactions among Generation's reportable segments which would result in intersegment revenue for Generation.
- (b) Includes retail gas, proprietary trading, other revenue and mark-to-market activities as well as amounts paid related to the Illinois Settlement Legislation.
- (c) In 2010, Other also includes the \$57 million lower of cost or market impairment for the ARP SO₂ allowances further described in Note 18—Commitments and Contingencies.

1. Related Party Transactions (Exelon, Generation, ComEd and PECO)

Exelon

The financial statements of Exelon include related party transactions as presented in the tables below:

	For the Years Ended December 31,		
	2011	2010	2009
Operating revenues from affiliates:			
PETT ^(a)	\$ —	\$ —	\$ 3
PECO ^(b)	9	6	9
Total operating revenues from affiliates	\$ 9	\$ 6	\$ 12
Fuel purchases from related parties:			
Keystone Fuels, LLC	\$ 68	\$ 74	\$ 56
Conemaugh Fuels, LLC	69	70	69
Total fuel purchases from related parties	\$ 137	\$ 144	\$ 125
Charitable contribution to Exelon Foundation ^(c)	\$ —	\$ 10	\$ 10
Interest expense to affiliates, net:			

ComEd Financing III	\$ 13	\$ 13	\$ 13
PETT ^(a)	—	—	51
PECO Trust III	6	6	6
PECO Trust IV	6	6	6
Other	—	—	1
Total interest expense to affiliates, net	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 77</u>
Loss in equity method investments:			
PETT ^(a)	\$ —	\$ —	\$ (24)
NuStart Energy Development, LLC	(1)	—	(3)
Total loss in equity method investments	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (27)</u>

	December 31,	
	2011	2010
Investments in affiliates:		
ComEd Financing III	\$ 6	\$ 6
PECO Energy Capital Corporation	4	4
PECO Trust IV	5	5
Total investments in affiliates	<u>\$ 15</u>	<u>\$ 15</u>
Payables to affiliates (current):		
ComEd Financing III	\$ 4	\$ 4
PECO Trust III	1	1
Total payables to affiliates (current)	<u>\$ 5</u>	<u>\$ 5</u>
Long-term debt to financing trusts (including due within one year):		
ComEd Financing III	\$ 206	\$ 206
PECO Trust III	81	81
PECO Trust IV	103	103
Total long-term debt due to financing trusts	<u>\$ 390</u>	<u>\$ 390</u>

- (a) PETT was consolidated in Exelon's and PECO's financial statements on January 1, 2010 pursuant to authoritative guidance relating to the consolidation of VIEs. See Note 1—Significant Accounting Policies for additional information. PETT was liquidated and dissolved upon repayment of the debt in September 2010.
- (b) The intersegment profit associated with Generation's sale of AECs to PECO is not eliminated in consolidation due to the recognition of intersegment profit in accordance with regulatory accounting guidance. See Note 2—Regulatory Matters for additional information.
- (c) Exelon Foundation is a nonconsolidated not-for-profit Illinois corporation. The Exelon Foundation was established in 2007 to serve educational and environmental philanthropic purposes and does not serve a direct business or political purpose of Exelon.

Transactions involving Generation, ComEd and PECO are further described in the tables below.

Generation

The financial statements of Generation include related party transactions as presented in the tables below:

	For the Years Ended December 31,		
	2011	2010	2009
Operating revenues from affiliates:			
ComEd ^(a)	\$ 653	\$1,010	\$1,456
PECO ^(b)	508	2,092	2,016
Total operating revenues from affiliates	<u>\$1,161</u>	<u>\$3,102</u>	<u>\$3,472</u>
Fuel purchases from related parties:			
PECO	\$ 1	\$ 1	\$ 1
Keystone Fuels, LLC	68	74	56
Conemaugh Fuels, LLC	69	70	69

Total fuel purchases from related parties	\$ 138	\$ 145	\$ 126
Operating and maintenance from affiliates:			
ComEd ^(c)	\$ 2	\$ 2	\$ 2
PECO ^(c)	5	4	6
BSC ^(d)	314	285	298
Total operating and maintenance from affiliates	\$ 321	\$ 291	\$ 306
Loss in equity method investments			
NuStart Energy Development, LLC	\$ (1)	\$ —	\$ (3)
Cash distribution paid to member	\$ 172	\$1,508	\$2,276
Contribution from member	\$ 30	\$ 62	\$ 57

	December 31,	
	2011	2010
Mark-to-market derivative assets with affiliates (current):		
ComEd ^(e)	\$ 503	\$ 450
PECO ⁽ⁱ⁾	—	5
Total mark-to-market derivative assets with affiliates (current)	\$ 503	\$ 455
Receivables from affiliates (current):		
ComEd ^{(a)(f)(g)}	\$ 70	\$ 58
PECO ^(b)	39	248
Total receivables from affiliates (current)	\$ 109	\$ 306
Receivable from affiliate (noncurrent)		
Exelon	\$ 1	\$ 1
Mark-to-market derivative assets with affiliates (noncurrent):		
ComEd ^(e)	\$ 191	\$ 525
Payables to affiliates (current):		
Exelon ^(h)	\$ 7	\$ 6
BSC ^(d)	51	41
Total payables to affiliates (current)	\$ 58	\$ 47
Payables to affiliates (noncurrent):		
ComEd ^(j)	\$1,857	\$1,892
PECO ^(j)	365	375
Total payables to affiliates (noncurrent)	\$2,222	\$2,267

- (a) Generation has an ICC-approved RFP contract with ComEd to provide a portion of ComEd's electricity supply requirements. Generation also sells RECs to ComEd. In addition, Generation had revenue from ComEd associated with the settled portion of the financial swap contract established as part of the Illinois Settlement. See Note 2—Regulatory Matters for additional information.
- (b) Generation had a PPA with PECO, to provide the full energy requirements to PECO through 2010. In addition, Generation has five-year and ten-year agreements with PECO to sell non-solar and solar AECs, respectively. See Note 2—Regulatory Matters for additional information.
- (c) Generation requires electricity for its own use at its generating stations. Generation purchases electricity and distribution and transmission services from PECO and only distribution and transmission services from ComEd for the delivery of electricity to its generating stations.
- (d) Generation receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology and supply management services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.
- (e) Represents the fair value of Generation's five-year financial swap contract with ComEd.
- (f) Under the Illinois Settlement Legislation, Generation is responsible to contribute to rate relief programs for ComEd customers, which are issued through ComEd. At December 31, 2010, Generation had a \$1 million payable, which is netted against the receivable from ComEd. See Note 2—Regulatory Matters for additional information.
- (g) Generation had a \$53 million and \$40 million receivable from ComEd at December 31, 2011 and 2010, respectively, associated with the completed portion of the financial swap contract entered into as part of the Illinois Settlement. See Note 2—Regulatory Matters and Note 9 - Derivative Financial Instruments for additional information.
- (h) In order to facilitate payment processing, Exelon processes certain invoice payments on behalf of Generation.
- (i) Represents the fair value of Generation's block contracts with PECO.
- (j) Generation has long-term payables to ComEd and PECO as a result of the nuclear decommissioning contractual construct whereby, to the extent NDT funds are greater than the underlying ARO at the end of decommissioning, such amounts are due back to ComEd and PECO, as applicable, for payment to their respective customers. See Note 12—Asset Retirement Obligations.

ComEd

The financial statements of ComEd include related party transactions as presented in the tables below:

	For the Years Ended December 31,		
	2011	2010	2009
Operating revenues from affiliates			
Generation	\$ 2	\$ 2	\$ 2
Purchased power from affiliate			
Generation ^(a)	\$653	\$1,010	\$1,456
Operating and maintenance from affiliate			
BSC ^(b)	\$158	\$ 152	\$ 165
Interest expense to affiliates, net:			
Exelon	\$ 2	\$ —	\$ —
ComEd Financing III	13	13	13
Total interest expense to affiliates, net	<u>\$ 15</u>	<u>\$ 13</u>	<u>\$ 13</u>
Capitalized costs			
BSC ^(b)	\$ 85	\$ 84	\$ 72
Cash dividends paid to parent	\$300	\$ 310	\$ 240
Contribution from parent	\$ 11	\$ 2	\$ 8
	December 31,		
	2011	2010	
Prepaid voluntary employee beneficiary association trust ^(c)	\$ 12	\$ 7	
Investment in affiliate			
ComEd Financing III	\$ 6	\$ 6	
Receivable from affiliates (noncurrent):			
Generation ^(d)	\$1,857	\$1,892	
Other	3	3	
Total receivable from affiliates (noncurrent)	<u>\$1,860</u>	<u>\$1,895</u>	
Payables to affiliates (current):			
Generation ^{(a)(e)(f)}	\$ 70	\$ 58	
BSC ^(b)	35	33	
Exelon ^(g)	—	302	
ComEd Financing III	4	4	
Other	2	1	
Total payables to affiliates (current)	<u>\$ 111</u>	<u>\$ 398</u>	
Mark-to-market derivative liability with affiliate (current)			
Generation ^(h)	\$ 503	\$ 450	
Mark-to-market derivative liability with affiliate (noncurrent)			
Generation ^(h)	\$ 191	\$ 525	
Long-term debt to ComEd financing trust			
ComEd Financing III	\$ 206	\$ 206	

(a) ComEd procures a portion of its electricity supply requirements from Generation under an ICC-approved RFP contract. ComEd also purchases RECs from Generation. In addition, purchased power expense includes the settled portion of the financial swap contract with Generation established as part of the Illinois Settlement Legislation. See Note 2—Regulatory Matters and Note 9—Derivative Financial Instruments for additional information.

(b) ComEd receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology and supply management services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.

(c) The voluntary employee benefit association trusts covering active employees are included in corporate operations and are funded by the operating segments. A prepayment to the active welfare plans has accumulated due to actuarially determined contribution rates, which are the basis for ComEd's contributions to the plans, being higher than actual claim expense incurred by the plans over time. The

- prepayment is included in other current assets.
- (d) ComEd has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct for generating facilities previously owned by ComEd. To the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to ComEd for payment to ComEd's customers.
 - (e) ComEd had a \$53 million and \$40 million payable to Generation at December 31, 2011 and 2010, respectively, associated with the completed portion of the financial swap contract entered into as part of the Illinois Settlement Legislation. See Note 2—Regulatory Matters and Note 9—Derivative Financial Information for additional information.
 - (f) Under the Illinois Settlement Legislation, Generation is responsible to contribute to rate relief programs for ComEd customers, which are issued through ComEd. At December 31, 2010, ComEd had a \$1 million receivable, which is netted against the payable to Generation. See Note 2—Regulatory Matters for additional information.
 - (g) Under the Tax Sharing Agreement, Exelon made a payment to the IRS on December 28, 2010. As a result of the payment, ComEd recorded a short-term intercompany note payable to Exelon. ComEd repaid this amount plus interest to Exelon in 2011. See Note 11—Income Taxes for additional information on Exelon's payment to the IRS.
 - (h) To fulfill a requirement of the Illinois Settlement Legislation, ComEd entered into a five-year financial swap with Generation.

PECO

The financial statements of PECO include related party transactions as presented in the tables below:

	For the Years Ended December 31,		
	2011	2010	2009
Operating revenues from affiliates:			
Generation ^(a)	\$ 5	\$ 5	\$ 6
PETT ^{(b)(c)}	—	—	3
Total operating revenues from affiliates	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 9</u>
Purchased power from affiliate			
Generation ^(d)	\$495	\$2,085	\$2,005
Operating and maintenance from affiliates:			
BSC ^(e)	\$ 92	\$ 89	\$ 94
Generation	4	—	1
Total operating and maintenance from affiliates	<u>\$ 96</u>	<u>\$ 89</u>	<u>\$ 95</u>
Interest expense to affiliates, net:			
PETT ^(d)	\$—	\$ —	\$ 51
PECO Trust III	6	6	6
PECO Trust IV	6	6	6
Total interest expense to affiliates, net	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 63</u>
Loss in equity method investments			
PETT ^(d)	\$—	\$ —	\$ (24)
Capitalized costs			
BSC ^(e)	\$ 60	\$ 40	\$ 24
Cash dividends paid to parent	\$348	\$ 224	\$ 312
Repayment of receivable from parent	\$—	\$ 180	\$ 320
Contribution from parent	\$ 18	\$ 43	\$ 27
	December 31,		
	2011	2010	
Prepaid voluntary employee beneficiary association trust ^(a)	\$ 3	\$ 1	
Investments in affiliates:			
PECO Energy Capital Corporation	\$ 4	\$ 4	
PECO Trust IV	4	4	
Total investments in affiliates	<u>\$ 8</u>	<u>\$ 8</u>	
Receivable from affiliate (noncurrent):			
Generation ^(a)	\$365	\$375	
Mark-to-market derivative liability with affiliate (current):			
Generation ^(a)	\$—	\$ 5	
Payables to affiliates (current):			

Generation ^(d)	\$ 39	\$248
BSC ^(e)	21	25
Exelon	1	1
PECO Trust III	1	1
Total payables to affiliates (current)	<u>\$ 62</u>	<u>\$275</u>
Long-term debt to PETT and other financing trusts (including due within one year):		
PECO Trust III	\$ 81	\$ 81
PECO Trust IV	103	103
Total long-term debt to financing trusts	<u>\$184</u>	<u>\$184</u>

- (a) PECO provides energy to Generation for Generation's own use.
- (b) PECO received a monthly administrative servicing fee from PETT based on a percentage of the outstanding balance of all series of transition bonds.
- (c) PETT was consolidated in Exelon's and PECO's financial statements on January 1, 2010 pursuant to authoritative guidance relating to the consolidation of VIEs. See Note 1—Significant Accounting Policies for additional information. PETT was liquidated and dissolved upon repayment of the debt in September 2010.
- (d) PECO obtained all of its electric supply from Generation through 2010 under a PPA. During 2011, PECO purchased electric supply from Generation under contracts executed through its competitive procurement process. In addition, PECO has five-year and ten-year agreements with Generation to purchase non-solar and solar AECs, respectively. See Note 2—Regulatory Matters for additional information on AECs.
- (e) PECO receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology and supply management services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.
- (f) The voluntary employee beneficiary association trusts covering active employees are included in corporate operations and are funded by the operating segments. A prepayment to the active welfare plans has accumulated due to actuarially determined contribution rates, which are the basis for PECO's contributions to the plans, being higher than actual claim expense incurred by the plans over time.
- (g) PECO has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct, whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to PECO for payment to PECO's customers.
- (h) PECO entered into block contracts with Generation to procure electric generation for its residential procurement class beginning January 1, 2011 in accordance with its PAPUC-approved DSP Program. See Note 9—Derivative Financial Instruments for additional information.

Quarterly Data (Unaudited) (Exelon, Generation, ComEd and PECO)

Exelon

The data shown below, which may not equal the total for the year due to the effects of rounding and dilution, includes all adjustments that Exelon considers necessary for a fair presentation of such amounts:

	Operating Revenues		Operating Income		Net Income	
	2011	2010	2011	2010	2011	2010
Quarter ended:						
March 31	\$ 5,052	\$ 4,461	\$ 1,202	\$ 1,402	\$ 668	\$ 749
June 30	4,587	4,398	1,034	1,018	620	445
September 30	5,295	5,291	1,181	1,367	601	845
December 31	3,991	4,494	1,062	939	606	524

	Average Basic Shares Outstanding (in millions)		Net Income per Basic Share	
	2011	2010	2011	2010
Quarter ended:				
March 31	662	661	\$ 1.01	\$ 1.13
June 30	663	661	0.93	0.67
September 30	663	662	0.91	1.28
December 31	664	662	0.91	0.79

	Average Diluted Shares Outstanding (in millions)		Net Income per Diluted Share	
	2011	2010	2011	2010

Quarter ended:

March 31	664	662	\$ 1.01	\$ 1.13
June 30	664	662	0.93	0.67
September 30	665	663	0.90	1.27
December 31	666	663	0.91	0.79

The following table presents the New York Stock Exchange—Composite Common Stock Prices and dividends by quarter on a per share basis:

	2011				2010			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High price	\$45.45	\$45.27	\$42.89	\$43.58	\$44.49	\$43.32	\$45.10	\$49.88
Low price	39.93	39.51	39.53	39.06	39.05	37.63	37.24	42.97
Close	43.37	42.61	42.84	41.24	41.64	42.58	37.97	43.81
Dividends	0.525 ^(a)	0.525	0.525	0.525	0.525	0.525	0.525	0.525

(a) The fourth quarter 2011 dividend does not include the first quarter 2012 regular quarterly dividend of \$0.525 per share, declared by the Exelon Board of Directors on October 25, 2011. The first quarter 2012 dividend is payable on March 9, 2012, to shareholders of record of Exelon at the end of the day on February 15, 2012.

Generation

The data shown below includes all adjustments that Generation considers necessary for a fair presentation of such amounts:

Quarter ended:	Operating Revenues		Operating Income		Net Income	
	2011	2010	2011	2010	2011	2010
March 31	\$ 2,739	\$ 2,421	\$ 801	\$ 916	\$ 495	\$ 561
June 30	2,546	2,353	647	587	443	382
September 30	2,862	2,655	754	883	386	605
December 31	2,161	2,596	673	660	446	424

ComEd

The data shown below includes all adjustments that ComEd considers necessary for a fair presentation of such amounts:

Quarter ended:	Operating Revenues		Operating Income		Net Income	
	2011	2010	2011	2010	2011	2010
March 31	\$ 1,466	\$ 1,415	\$ 200	\$ 291	\$ 69	\$ 116
June 30	1,444	1,499	254	256	114	9
September 30	1,784	1,918	243	280	112	121
December 31	1,362	1,372	285	229	121	91

PECO

The data shown below includes all adjustments that PECO considers necessary for a fair presentation of such amounts:

Quarter ended:	Operating Revenues		Operating Income		Net Income on Common Stock	
	2011	2010	2011	2010	2011	2010
March 31	\$ 1,153	\$ 1,455	\$ 210	\$ 194	\$ 125	\$ 100
June 30	842	1,269	161	182	82	74
September 30	946	1,469	153	215	104	126

EXHIBIT S

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution businesses. Prior to March 12, 2012, its principal, wholly owned subsidiaries included ComEd, PECO and Generation. On March 12, 2012, in conjunction with the Agreement and Plan of Merger (the "Merger Agreement"), Constellation merged into Exelon with Exelon continuing as the surviving corporation. As a result of the merger transaction, Generation includes Constellation's customer supply and generation businesses. BGE, formerly Constellation's regulated utility subsidiary, is now a subsidiary of Exelon. Refer to Note 3 — Merger and Acquisitions for further information regarding the merger transaction.

The energy generation business includes:

- *Generation:* The business consists of owned, contracted and investments in electric generating facilities and wholesale and retail customer supply of electric and natural gas products and services, including renewable energy products, risk management services and natural gas exploration and production activities.

The energy delivery businesses include:

- *ComEd:* Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in northern Illinois, including the City of Chicago.
- *PECO:* Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services in the Pennsylvania counties surrounding the City of Philadelphia.
- *BGE:* Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in central Maryland, including the City of Baltimore, and the purchase and regulated retail sale of natural gas and the provision of distribution services in central Maryland, including the City of Baltimore.

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

BGE was acquired through a transaction under common control (RF HoldCo) and Exelon did not apply push-down accounting to BGE. As a result, BGE will continue to maintain its current reporting requirements as an SEC registrant. The information disclosed for BGE represents the activity of the standalone entity for the three months ended March 31, 2012 and 2011 and the financial position as of March 31, 2012 and December 31, 2011. However, for Exelon's financial reporting, Exelon is reporting BGE activity from March 12, 2012 through March 31, 2012.

Each of Generation's, ComEd's, PECO's and BGE's Consolidated Financial Statements includes the accounts of its subsidiaries. All intercompany transactions have been eliminated.

The accompanying consolidated financial statements as of March 31, 2012 and 2011 and for the three months then ended are unaudited but, in the opinion of the management of each Registrant includes all adjustments that are considered necessary for a fair statement of its respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2011 Consolidated Balance Sheets were taken from audited financial statements. Certain prior year amounts in BGE's Consolidated Statements of Cash Flows, Exelon's, Generation's and BGE's Consolidated Statement of Operations and in Exelon's, Generation's, ComEd's, PECO's and BGE's Consolidated Balance Sheets have been reclassified between line items for comparative purposes. The reclassifications did not affect the Registrants' net income or cash flows from operating activities. 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

Consolidated Financial Statements of all Registrants included in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of their respective 2011 Form 10-K.

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

Consolidated Variable Interest Entities

The Registrants' consolidated VIEs consist of:

- BondCo, a special purpose bankruptcy remote limited liability company formed by BGE to acquire, hold, and to issue and service bonds secured by rate stabilization property;
- a retail gas group formed to enter into a collateralized gas supply agreement with a third party gas supplier;
- a retail power supply company;
- a group of solar project limited liability companies formed to build, own, and operate solar power facilities; and
- several wind projects designed to develop, construct and operate wind generation facilities.

See Note 1 and Note 4 of the 2011 Form 10-K for Constellation and BGE for further information regarding investments in VIEs.

For each of the consolidated VIEs:

- 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 for non-bypassable rate stabilization charges to BondCo. During the three months ended March 31, 2012 and 2011, BGE remitted \$20 million and \$23 million, respectively, to BondCo.
- Except for providing capital funding to the solar entities for ongoing construction of the solar power facilities and a \$75 million parental guarantee to the third party gas supplier in support of the retail gas group, during the three months ended March 31, 2012, neither Exelon nor BGE:
 - provided any additional financial support to the VIEs;
 - had any contractual commitments or obligations to provide financial support to the VIEs; and
 - the creditors of the VIEs did not have recourse to Exelon's or BGE's general credit.

At March 31, 2012, Exelon's, Generation's and BGE's consolidated financial statements include the following consolidated VIEs, which were acquired as part of the merger:

	March 31, 2012		
	Exelon	Generation	BGE
Current assets	\$ 525	\$ 474	\$ 50
Noncurrent assets	410	364	—
Total assets	<u>\$ 935</u>	<u>\$ 838</u>	<u>\$ 50</u>
Current liabilities	\$ 415	\$ 340	\$ 74
Noncurrent liabilities	606	228	332
Total liabilities	<u>\$1,021</u>	<u>\$ 568</u>	<u>\$406</u>

Unconsolidated Variable Interest Entities

Exelon's and Generation's variable interests in unconsolidated VIEs generally include three categories: (1) equity method investments, (2) energy purchase and sale contracts, and (3) fuel purchase commitments. As of the balance sheet date, the carrying amount of assets and liabilities in Exelon's and Generation's Consolidated Balance Sheets that relate to its involvement with the majority of the energy contracts and fuel purchase contracts with VIEs are predominately related to working capital accounts and generally represent the amounts owed by Exelon and Generation for the deliveries associated with the current billing cycles under the contracts. Further, Exelon and Generation have not provided or guaranteed the debt or equity support, or liquidity arrangements,

performance guarantees or other commitments associated with these contracts, so there is no significant potential exposure to loss as a result of the involvement with these VIEs.

As of March 31, 2012, Exelon and Generation did have exposure to loss associated with six VIEs for which they were not the primary beneficiary; including certain equity method investments and certain energy contracts. The following table presents summary information about the unconsolidated VIE entities for which we have exposure to loss:

<u>March 31, 2012</u>	<u>Energy Contract VIEs</u>	<u>Equity Method Investment VIEs</u>	<u>Total</u>
Total assets(a)	\$ 286	\$ 350	\$636
Total liabilities(a)	223	113	336
Registrants' ownership interest(a)	—	94	94
Other ownership interests(a)	63	143	206
Registrants' maximum exposure to loss:			
Letters of credit	14	—	14
Carrying amount of our equity method investments	—	76	76
Debt and payment guarantees	—	5	5

(a) These items represent amounts on the unconsolidated VIE balance sheets, not on Exelon's or Generation's balance sheets. These items are included to provide information regarding the relative size of the unconsolidated VIEs.

The variable interests noted above have been added as a result of the Constellation and Exelon merger. During the three months ended March 31, 2012, ComEd, PECO, BGE and legacy Generation assessed their contracts and determined there were no changes in their variable interests, primary beneficiary determinations or conclusions regarding consolidation of VIEs from December 31, 2011. See Note 1 of the Exelon 2011 Form 10-K and Note 1 and Note 4 of the 2011 10-K for BGE for further information regarding the Registrants' VIEs.

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

The following recently issued accounting standard was adopted by the Registrants during the period.

Fair Value Measurement

In May 2011, the FASB issued authoritative guidance amending existing guidance for measuring and disclosing fair value. The new guidance does not impact the fair value measurements included in the Registrants' consolidated financial statements as of March 31, 2012. The guidance is effective for the Registrants beginning with the period ended March 31, 2012 and is required to be applied prospectively. See Note 6 – Fair Value of Financial Assets and Liabilities for the new disclosures.

3. Merger and Acquisitions

Merger with Constellation (Exelon, Generation and BGE)

Description of Transaction

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

Generation certain subsidiaries, including the customer supply and generation businesses that were acquired from Constellation as a result of the Initial Merger and the Upstream Merger.

Constellation's shareholders received 0.930 shares of Exelon common stock in exchange for each share of Constellation common stock outstanding as of March 12, 2012. Generally, all outstanding Constellation equity-based compensation awards were converted into Exelon equity-based compensation awards using the same ratio. See Note 13 — Stock-Based Compensation Plans for further information.

Regulatory Matters

In December 2011, Exelon and Constellation reached a settlement with the State of Maryland and the City of Baltimore and other interested parties in connection with the regulatory proceedings related to the merger that were pending before the MDPSC. As part of this settlement and the application for approval of the merger by MDPSC, Exelon agreed to provide a package of benefits to BGE customers, the City of Baltimore and the State of Maryland, resulting in an estimated direct investment in the State of Maryland of more than \$1 billion.

On February 17, 2012, the MDPSC approved the merger with conditions. Many of the conditions were reflective of the settlement agreements described above. The following pre-tax costs were recognized after the closing of the merger and are included in Exelon's, Generation's and BGE's Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2012:

Description	Expected Payment Period	BGE	Generation	Exelon	Statement of Operations Location
BGE rate credit of \$100 per residential customer(a)	Q2 2012	\$113	\$ —	\$ 113	Revenues
Customer investment fund to invest in energy efficiency and low-income energy assistance to BGE customers	2012 to 2014	—	—	113.5	O&M Expense
Contribution for renewable energy, energy efficiency or related projects in Baltimore	2012 to 2014	—	—	2	O&M Expense
Charitable contributions at \$7 million per year for 10 years	2012 to 2021	28	35	70	O&M Expense
State funding for offshore wind development projects	Q2 2012	—	—	32	O&M Expense
Total		<u>\$141</u>	<u>\$ 35</u>	<u>\$330.5</u>	

(a) Exelon will make a \$66 million equity contribution to BGE in the second quarter of 2012 to fund the after-tax amount of the rate credit as directed in the MDPSC order approving the merger transaction.

In addition to these costs, the estimate of \$1 billion of direct investment includes \$95 million to \$120 million for the requirement to cause construction of a headquarters building in Baltimore for Generation's competitive energy businesses. The construction is expected to be completed in 2 to 3 years. The \$1 billion estimate also includes \$625 million for Exelon and Generation's commitment to develop 285 — 300 MW of new generation in Maryland, expected to be completed over a period of 10 years. As of March 31, 2012, no amounts have been reflected in the Exelon or Generation consolidated financial statements for these expenditure commitments. Such costs, which are expected to be primarily capital in nature, will be recognized as incurred.

Pursuant to the MDPSC merger approval conditions, BGE is restricted from paying any dividend on its common shares through the end of 2014, is required to maintain specified minimum capital and O&M expenditure levels in 2012 and 2013, and is not permitted to reduce employment levels due to involuntary attrition associated with the merger integration process.

Associated with certain of the regulatory approvals required for the merger, Exelon and Constellation agreed to enter into contracts to sell three Constellation generating stations located in PJM within 150 days (unless extended by DOJ) following the merger completion and will be required to complete the divestitures within 30 days after receipt of regulatory approvals. These stations, Brandon Shores and H.A. Wagner in Anne Arundel County,

Maryland, and C.P. Crane in Baltimore County, Maryland, include base-load, coal-fired generation units plus associated gas/oil units located at the same sites, and total 2,648 MW of generation capacity. In October 2011, Exelon and Constellation reached a settlement with the PJM Independent Market Monitor, who had previously raised market power concerns regarding the merger. The settlement contains a number of commitments by Exelon, including limiting the universe of potential buyers of the divested assets to entities without significant market shares in the relevant PJM markets. The settlement also includes assurances about how Generation will bid its units into the PJM markets. The proposed divestiture and the settlement with the PJM Market Monitor were filed with FERC and the MDPSC and were included in their final orders approving the merger. As of March 31, 2012, these assets are classified as held for sale assets and included in the other current assets balance on Exelon's and Generation's Consolidated Balance Sheets.

In addition, in January 2012, Exelon and Constellation reached an agreement with EDF under which EDF withdrew its opposition to the Exelon-Constellation merger. The terms of the agreement address CENG, a joint venture between Constellation and EDF that owns and operates three nuclear facilities with five generating units in Maryland and New York. The agreement reaffirms the terms of the joint venture. The agreement did not include any exchange of monetary consideration, and Exelon does not expect the agreement will have material effect on Exelon's and Generation's future results of operations, financial position and cash flows.

Exelon was named in suits filed in the Circuit Court of Baltimore City, Maryland alleging that individual directors of Constellation breached their fiduciary duties by entering into the proposed merger transaction and Exelon aided and abetted the individual directors' breaches. Similar suits were also filed in the United States District Court for the District of Maryland. The suits sought to enjoin a Constellation shareholder vote on the proposed merger until all material information was disclosed and sought rescission of the proposed merger. During the third quarter of 2011, the parties to the suits reached an agreement in principle to settle the suits through additional disclosures to Constellation shareholders. During the first quarter of 2012, preliminary approval was obtained for the settlement with final approval of this agreement being set for June 20, 2012.

Accounting for the Merger Transaction

The total consideration in the merger was based on the opening price of a share of Exelon common stock on March 12, 2012 (in millions):

	<u>Number of Shares/ Awards Issued</u>	<u>Total Estimated Fair Value</u>
Issuance of Exelon common stock to Constellation shareholders and equity award holders at the exchange ratio of 0.930 shares for each share of Constellation common stock; based on the opening price of Exelon common stock on March 12, 2012 of \$38.91(a)	187.45	\$ 7,294
Issuance of Exelon equity awards to replace existing Constellation equity awards(b)	11.30	71
Total purchase price		<u>\$ 7,365</u>

(a) The number of shares issued excludes 0.7 million shares of stock that are held in a custodian account specifically for the settlement of unvested share-based restricted stock awards. The related share value is excluded from the estimated fair value as these awards have not vested and therefore are not in the purchase price.

(b) Includes vested Constellation stock options and restricted stock units converted at fair value to Exelon awards on March 12, 2012. The fair value of the stock options was determined using the Black-Sholes model.

All options to purchase Constellation common stock under various equity agreements were converted into options to acquire a number of shares of Exelon common stock (as adjusted for the exchange ratio) at an option price. All Constellation unvested restricted stock awards granted prior to April 28, 2011, that were outstanding as of immediately prior to the consummation of the Merger, became vested on a pro rata basis (determined based upon the number of months from the start of the applicable restricted period to the closing of the Initial Merger) and converted into Exelon common stock at the exchange ratio in accordance with the applicable stock plan and award agreement terms. All Constellation restricted stock awards that remained unvested on a pro rata basis pursuant to the foregoing formula, and any Constellation unvested restricted stock awards granted after April 28, 2011, have been

assumed by Exelon and automatically converted into shares of unvested restricted stock of Exelon at the exchange ratio. Likewise, all restricted stock units granted prior to April 28, 2011 under the Constellation Plans and outstanding immediately prior to the completion of the Initial Merger became vested on a pro rata basis (determined based upon the number of months from the start of the applicable restricted period to the closing of the Initial Merger) and have been assumed by Exelon and automatically converted into a number of shares of Exelon common stock at the exchange ratio.

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

The initial accounting for the merger with Constellation is not complete because the valuations necessary to assess the fair values of certain assets acquired and liabilities assumed are considered preliminary as a result of the short time period between the closing of the merger and the end of the first quarter of 2012. The allocation of the purchase price may be modified up to one year from the date of the merger, as more information is obtained about the fair value of assets acquired and liabilities assumed; however, Exelon expects to finalize these amounts by the end of 2012, if not sooner. The significant assets and liabilities for which preliminary valuation amounts are recognized at March 31, 2012 include the fair value of the acquired power supply contracts and fuel procurement contracts, unregulated property, plant and equipment, investments in affiliates, other investments, pension and OPEB plans, contingencies and uncertain tax positions, intangible assets and liabilities, long-term debt and accumulated deferred income tax liabilities. The preliminary amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. Any changes to the fair value assessments may affect the purchase price allocation and material changes could require the financial statements to be retroactively amended.

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

<u>Preliminary Purchase Price Allocation</u>	<u>Exelon</u>	<u>Generation</u>
Current assets	\$ 4,944	\$ 3,649
Property, plant and equipment	9,295	3,993
Unamortized energy contracts	3,624	3,624
Other intangibles, trade name and retail relationships	456	456
Investment in affiliates	2,067	2,067
Pension and OPEB regulatory asset	740	—
Other assets	2,612	1,210
Total assets	<u>23,738</u>	<u>14,999</u>
Current liabilities	3,480	2,866
Unamortized energy contracts	2,268	2,062
Long-term debt, including current maturities	5,632	2,972
Noncontrolling interest	85	85
Deferred credits and other liabilities and preferred securities	4,908	1,742
Total liabilities, preferred securities and noncontrolling interest	<u>16,373</u>	<u>9,727</u>
Total purchase price	<u>\$ 7,365</u>	<u>\$ 5,272</u>

Intangible Assets Recorded

For the power supply and fuel contracts acquired from Constellation, the difference between the contract price and the market price at the date of the merger was recognized as either an intangible asset or liability based on whether the fuel contracts were in or out-of-the-money. The valuation of the acquired intangible assets/liabilities was estimated by applying either the market approach or the income approach depending on the nature of the underlying contract. The market approach was utilized when prices and other relevant information generated by market transactions involving comparable transaction was available. Otherwise the income approach, which is based upon discounted projected future cash flows associated with the underlying contracts, was utilized. The measure is

based upon certain unobservable inputs, which are considered Level 3 inputs, pursuant to applicable accounting guidance. Key estimates / inputs include forecasted power and fuel prices and the discount rate. The fair value amounts will be amortized over the life of the contract in relation to the present value of the underlying cash flows. Amortization expense and income will be recorded through purchased power and fuel expense or operating revenues, respectively. Exelon presents separately in its Consolidated Balance Sheets the unamortized energy contract assets and liabilities for these contracts. The weighted-average amortization period is approximately 2 years.

The fair value of the Constellation trade name intangible asset was determined based on the relief from royalty method of the income approach whereby fair value is the present value of the license fees avoided by owning the assets. The measure is based upon certain unobservable inputs, which are considered Level 3 inputs, pursuant to applicable accounting guidance. Key assumptions include the hypothetical royalty rate and the discount rate. The intangible asset will be amortized on a straight line based over an estimated 10 year useful life as amortization expense. The trade name intangible asset is included in deferred debits and other assets within Exelon's Consolidated Balance Sheets.

The fair value of the retail relationships was determined based on a "multi-period excess method" of the income approach. Under this method, the intangible asset's fair value is equal to the estimated future cash flows that will be earned on the current customer base, taking into account expected contract renewals based on customer attrition rates and costs to retain those customers. The measure is based upon certain unobservable inputs, which are considered Level 3 inputs, pursuant to applicable accounting guidance. Key assumptions include the customer attrition rate and the discount rate. The intangible assets will be amortized on a straight line based over the useful life of the underlying assets averaging approximately 12 years. The retail relationships intangible assets are included in deferred debits and other assets within Exelon's Consolidated Balance Sheets.

Exelon's intangible assets and liabilities acquired through the merger with Constellation included in its Consolidated Balance Sheets, along with the future estimated amortization, were as follows as of March 31, 2012:

Description	Weighted Average Amortization	Gross	Accumulated Amortization	Net	Estimated amortization expense				
					Remainder of 2012	2013	2014	2015	2016
Unamortized energy contracts, net(a)	1.5	\$1,356	\$ (122)	\$1,234	\$ 804	\$340	\$52	\$18	\$(25)
Trade name	10.0	243	(2)	241	22	24	24	24	24
Retail relationships	11.8	213	(1)	212	19	21	20	19	19
Total, net		<u>\$1,812</u>	<u>\$ (125)</u>	<u>\$1,687</u>	<u>\$ 845</u>	<u>\$385</u>	<u>\$96</u>	<u>\$61</u>	<u>\$ 18</u>

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

Current Quarter Impact of Merger

It is impracticable to determine the current quarter impact for the Constellation subsidiaries contributed down to Generation following the Upstream Merger. Upon closing of the merger, the operations of these Constellation subsidiaries were integrated into Generation's operations and are therefore not distinguishable after the merger.¹

The current quarter impact of BGE on Exelon's Statement of Operations includes operating revenues of \$52 million and net loss of \$65 million during three months ended March 31, 2012.

During the three months ended March 31, 2012, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$484 million, \$110 million, \$2 million, \$7 million and \$153 million, respectively. These costs are classified primarily within Operating and Maintenance Expense in their respective Consolidated Statements of Operations, with the exception of the \$113 million BGE customer rate credit, which is included as a reduction to operating revenues.

Severance Costs

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

Upon closing the merger with Constellation, Exelon recorded a severance accrual for the anticipated employee position reductions as a result of the post-merger integration. The majority of these positions are anticipated to be corporate and Generation support positions. The estimated amount of severance payments associated with this plan are expected to be approximately \$91 million, \$51 million, \$12 million, \$6 million and \$16 million for Exelon, Generation, ComEd, PECO and BGE, respectively. The number of employee position reductions at each Registrant and in total at Exelon will be finalized through completion of the post-merger integration process. As of March 31, 2012, management recorded its best estimate of severance benefits, which could be adjusted through completion of the post-merger integration process when specific employee position reductions are identified. Adjustments to obligations associated with the severance plan could be material to the Registrants' results of operations. During the merger restructuring process, employees are being given the opportunity to nominate themselves for voluntary termination. At the discretion of management, these employees will receive benefits in accordance with the severance plan. Any BGE employee position reductions as a result of the post-merger integration will be voluntary under this self-identification process. For the three months ended March 31, 2012, the Registrants recorded the following charges associated with the anticipated employee reductions within operating and maintenance expense in their Consolidated Statements of Operations, except for ComEd and BGE:

Severance benefits(a)	Exelon	Generation	ComEd(b)	PECO	BGE(c)
Severance charges(d)	\$ 67	\$ 35	\$ 9	\$ 3	\$ 14
Stock compensation	8	5	1	1	1
Other charges(e)	8	5	1	1	1
Total severance benefits	<u>\$ 83</u>	<u>\$ 45</u>	<u>\$ 11</u>	<u>\$ 5</u>	<u>\$ 16</u>

(a) For Generation, ComEd, PECO and BGE, amounts include charges billed through intercompany allocations.

(b) Pursuant to EIMA, ComEd established a regulatory asset of \$11 million for severance benefits costs, and the majority of these costs are expected to be recovered over a five-year period.

(c) Consistent with prior MDPSC precedent, BGE established a regulatory asset of \$16 million for severance benefits costs, and the majority of these costs are expected to be recovered over a five-year period.

(d) Includes salary continuance and health and welfare severance benefits. For the three months ended March 31, 2012, amounts represent ongoing severance plan benefits. One-time termination benefits are expected to begin to be recognized in the second quarter of 2012.

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

Cash payments under the severance plan will begin in the second quarter of 2012 and will continue through 2014. Substantially all cash payments under the plan are expected to be made by the end 2014 resulting in the completion of the merger restructuring plan. As of March 31, 2012, the obligations associated with the severance benefits costs are \$83 million, \$45 million, \$11 million, \$5 million and \$16 million for Exelon, Generation, ComEd, PECO and BGE, respectively.

Pro-forma Impact of the Merger

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

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

	Generation		Exelon	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
Total Revenues	\$ 3,997	\$ 4,884	\$ 6,977	\$ 8,002
Net income attributable to Exelon	129	343	409	593
Basic Earnings Per Share	n.a.	n.a.	\$ 0.48	\$ 0.70
Diluted Earnings Per Share	n.a.	n.a.	0.48	0.70

Exelon and Constellation both incurred non-recurring costs directly related to the merger that have been excluded in the pro forma earnings presented above. During the three months ended March 31, 2012, Exelon and Generation incurred \$144 million and \$75 million, respectively, of merger and integration costs, excluding the impact of Maryland commitments. In addition, during the three months ended March 31, 2012, Exelon and Generation incurred \$328 million and \$35 million, respectively, related to costs incurred as part of the Maryland order approving the merger transaction as discussed above.

Other Acquisitions (Exelon and Generation)

Antelope Valley Solar Ranch One. On September 30, 2011, Generation acquired all of the interests in Antelope Valley Solar Ranch One (Antelope Valley), a 230-MW solar PV project under development in northern Los Angeles County, California, from First Solar, Inc., which developed and will build, operate and maintain the project. On April 5, 2012, Antelope Valley received the first DOE-guaranteed loan advance of \$69 million and terminated the put option that Generation had on the Antelope Valley project. See Note 8 — Debt and Credit Agreements for additional information.

Wind Development. As part of its plan to construct multiple wind facilities in 2012, Generation has acquired several project entities. The acquisitions are not considered material individually or in the aggregate for disclosure.

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 2 of the Exelon 2011 Form 10-K and Note 6 of Constellation's and BGE's 2011 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). During the fourth quarter of 2011, EIMA was passed into law and became effective for Illinois utility companies on an opt-in basis. The legislation provides for substantial capital investment over a ten-year period to modernize Illinois' electric utility infrastructure and for greater certainty related to the recovery of costs by a utility through a pre-established formula rate tariff. On January 6, 2012, ComEd filed its Infrastructure Investment Plan with the ICC. Under the plan, ComEd will invest approximately \$2.6 billion over ten years to modernize and storm-harden its distribution system and to implement smart grid technology. These investments will be incremental to ComEd's historical level of capital expenditures. The January 6, 2012 filing with the ICC specifically included ComEd's \$233 million investment plan for 2012. On April 23, 2012, ComEd filed its initial AMI Deployment Plan with the ICC. Implementation of the investment plan began in early 2012 while smart meter installation in homes and businesses is expected to begin later in 2012, subject to a final order from the ICC regarding ComEd's AMI Deployment Plan, which is expected during the second quarter of 2012. Additionally, ComEd will contribute \$10 million per year for five years, as long as ComEd is subject to EIMA, to fund customer assistance programs for low-income customers, which amounts will not be recoverable through rates. ComEd recorded an immaterial amount of costs associated with customer assistance programs for the three months ended March 31, 2012. ComEd expects to make an initial contribution of \$15 million (recognized as expense in 2011) to a new Science and Technology Innovation Trust fund later in 2012. ComEd will pay to the trust approximately \$4 million annually, beginning later in 2012, which will be used for customer education for as long as the AMI Deployment Plan remains in effect.

EIMA provides for a performance-based distribution formula rate tariff. On November 8, 2011, ComEd filed its initial formula rate tariff and associated testimony based on 2010 costs and 2011 plant additions. The primary purpose of this initial proceeding is to establish the formula under which rates will be calculated going-forward, and the initial rate, which is expected to be lower than current rates, which will take effect within 30 days after the ICC order, which must be issued by May 31, 2012. Through an annual reconciliation process as described below, customer rates will be further adjusted effective January 2013 to provide recovery of the actual costs incurred during 2011, including recovery of and return on increases in rate base associated with capital spending under EIMA.

During the first quarter of 2012, ComEd and several intervenors filed testimony in the proceeding. The intervenors proposed various reductions to ComEd's proposed revenues, which included changes to return on pension asset, rate base and operating expenses. On May 1, 2012, the ALJs issued a proposed order in ComEd's formula rate tariff proceeding providing for a \$146 million reduction in the revenue requirement being recovered in current rates, as opposed to ComEd's final position supporting a \$59 million reduction. The primary differences between the ALJ's proposed order and ComEd's final position relate to different approaches to allocating certain costs and differences in timing or rate recovery mechanisms for various costs. The ALJs propose the use of average annual rate base and capital structure amounts (as opposed to year-end amounts as proposed by ComEd) and lower carrying costs on future reconciliation amounts. If approved by the ICC, the revenue requirement reduction as proposed by the ALJs would primarily delay the timing of cash flows, with a less significant impact on earnings given the annual reconciliation mechanism as described below. Use of average annual rate base and capital structure amounts (vs. year-end amounts), though, would unfavorably impact future earnings given increased regulatory lag.

ComEd is currently assessing the potential impacts of the proposed order and cannot predict the reduction in the revenue requirement the ICC may approve and which provisions of the ALJs' proposed order will ultimately be included in the final order. As a proposed order, it has no independent legal effect as the ICC must vote on a final order which may materially vary from the findings and conclusions in the proposed order. If the ICC provides significant changes to ComEd's filed revenue requirement request, it could have a material impact on ComEd's future results of operations and cash flows.

As noted, the legislation provides for an annual reconciliation of the revenue requirement in effect in a given year to reflect the actual costs that the ICC determines are prudently and reasonably incurred for such year. The first year for which the reconciliation will be performed is 2011. ComEd made its initial 2011 reconciliation filing on April 30, 2012, and the rate adjustments necessary to reconcile the 2011 revenue requirement in effect to ComEd's actual 2011 costs incurred will take effect in January 2013, after the ICC's review. A similar 2012 annual reconciliation will be filed in early 2013 with any adjustments to rates taking effect in January 2014. As of March 31, 2012 and December 31, 2011, ComEd recorded an estimated regulatory asset of \$118 million and \$84 million, respectively, which represents ComEd's best estimate of the probable increase in distribution rates expected to be approved by the ICC to provide for recovery of prudent and reasonable costs incurred as of those dates. Of the amount recorded at March 31, 2012, \$61 million relates to 2011 and \$57 million relates to the first quarter of 2012. During the first quarter of 2012, ComEd reduced the 2011 portion of the regulatory asset by \$19 million to reflect management's interpretation of how the ongoing formula rate tariff proceedings discussed above may impact the formula rate mechanism ultimately approved by the ICC. Based on its preliminary review, if the ALJ's proposed order dated May 1, 2012, were to be implemented, ComEd does not believe it would have a material impact to the cumulative regulatory asset amount recorded as of March 31, 2012.

Appeal of 2007 Illinois Electric Distribution Rate Case (Exelon and ComEd). The ICC issued an order in ComEd's 2007 electric distribution rate case (2007 Rate Case) approving a \$274 million increase in ComEd's annual delivery services revenue requirement, which became effective in September 2008. In the order, the ICC authorized a 10.3% rate of return on common equity. ComEd and several other parties filed appeals of the rate order with the Illinois Appellate Court (Court). The Court issued a decision on September 30, 2010, ruling against ComEd on the treatment of post-test year accumulated depreciation and the recovery of system modernization costs via a rider (Rider SMP). The ICC subsequently initiated a proceeding on remand. On February 23, 2012, the ICC issued an order in the remand proceeding requiring ComEd to provide a refund of approximately \$37 million to customers related to the treatment of post-test year accumulated depreciation issue. On March 26, 2012, ComEd filed a notice of appeal. ComEd has recognized for accounting purposes its best estimate of any refund obligation.

Advanced Metering Program Proceeding (Exelon and ComEd). In October 2009, the ICC approved a modified version of ComEd's system modernization rider proposed in the 2007 Rate Case, Rider AMP (Advanced

Metering Program). ComEd collected approximately \$24 million under Rider AMP through December 31, 2011. Several other parties, including the Illinois Attorney General, appealed the ICC's order on Rider AMP. In ComEd's 2010 electric distribution rate case, the ICC approved ComEd's transfer of other costs from recovery under Rider AMP to recovery through base electric distribution rates. On March 19, 2012, the Court reversed Rider AMP, concluding that the ICC's October 2009 approval of the rider constituted single-issue ratemaking. ComEd filed a Petition for Leave to Appeal to the Illinois Supreme Court on April 23, 2012. ComEd believes any refund obligation associated with Rider AMP should be prospective from no earlier than the date of the Court's order on March 19, 2012, which would have an immaterial impact at ComEd and Exelon.

Illinois Procurement Proceedings (Exelon, Generation and ComEd). ComEd is permitted to recover its electricity procurement costs from its retail customers without mark-up. Since June 2009, the IPA designs, and the ICC approves, an electricity supply portfolio for ComEd and the IPA administers a competitive process under which ComEd procures its electricity supply from various suppliers, including Generation. In order to fulfill a requirement of the Illinois Settlement Legislation, ComEd hedged the price of a significant portion of energy purchased in the spot market with a five-year variable-to-fixed financial swap contract with Generation that expires on May 31, 2013. EIMA contains a provision for the IPA to conduct procurement events for energy and REC requirements for the June 2013 through December 2017 period. The procurement events mandated under EIMA were completed during February 2012. See Note 15 — Commitments and Contingencies for additional information on ComEd's energy commitments.

Pennsylvania Regulatory Matters

Pennsylvania Procurement Proceedings (Exelon and PECO). PECO's PAPUC-approved DSP Program, under which PECO is providing default electric service, has a 29-month term that began January 1, 2011 and ends May 31, 2013. Under the DSP Program, PECO is permitted to recover its electric procurement costs from retail default service customers without mark-up through the GSA. The GSA provides for the recovery of energy, capacity, ancillary costs and administrative costs and is subject to adjustments at least quarterly for any over or under collections. The filing and implementation costs of the DSP Program were recorded as a regulatory asset and are being recovered through the GSA over its 29-month term. In January and April 2012, PECO entered into contracts with PAPUC-approved bidders, including Generation, for electric supply for default electric service, which included full requirements fixed price contracts for its residential and small commercial, medium commercial procurement classes that commence in June 2012, hourly spot market price full requirements contracts for its small and medium commercial and large commercial and industrial procurement classes that commence in June 2012 and block contracts for its residential class beginning December 2012. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO's Statement of Operations. PECO has one competitive procurement remaining over the term of this DSP Program.

On January 13, 2012, PECO filed its second DSP Plan for approval with the PAPUC. The plan outlined how PECO will purchase electricity for default customers from June 1, 2013 through May 31, 2015. To continue to ensure a competitive procurement process for residential customers, PECO proposed to procure electricity through a combination of one-year and two-year fixed full requirements contracts, reduce the amount of time between when the energy is purchased and when it is provided to customers and complete an annual, rather than quarterly, reconciliation of costs for actual versus forecasted energy use. The DSP Plan also proposed to eliminate the AEPS rider and recover AEPS costs through the GSA. Hearings on the filing are scheduled for May 2012, with a PAPUC ruling expected in mid-October 2012.

Smart Meter and Smart Grid Investments (Exelon and PECO). In April 2010, the PAPUC approved PECO's \$550 million Smart Meter Procurement and Installation Plan under which PECO will install more than 1.6 million smart meters and deploy advanced communication networks by 2020. In 2010, PECO entered into a Financial Assistance Agreement with the DOE for SGIG funds under the ARRA of 2009. Under the SGIG, PECO has been awarded \$200 million, the maximum grant allowable under the program, for its SGIG project — Smart Future Greater Philadelphia. In total, through 2020, PECO plans to spend up to a total of \$650 million on its smart grid and smart meter infrastructure. The \$200 million SGIG is being used to reduce the impact of these investments on PECO ratepayers.

As of March 31, 2012, PECO received \$87 million in reimbursements from the DOE. As of March 31, 2012, PECO's outstanding receivable from the DOE for reimbursable costs was \$28 million, which has been recorded in other accounts receivable, net on Exelon's and PECO's Consolidated Balance Sheets.

Natural Gas Choice Supplier Tariff (Exelon and PECO). During 2011, the PAPUC approved PECO's tariff supplements to its Gas Choice Supplier Coordination Tariff and its Retail Gas Service Tariff to address the new licensing requirements for natural gas suppliers (NGS) set forth in the PAPUC's final rulemaking order, which became effective January 1, 2011. The new licensing requirements broaden the types of collateral that PECO can require to mitigate its risk related to a NGS default, as well as PECO's ability to adjust collateral when material changes in supplier creditworthiness occur. PECO has completed its creditworthiness determinations and notified affected NGSs of their new collateral levels. As a result, PECO will obtain \$14 million of assurance in May 2012.

Investigation of PA Retail Electricity Market (Exelon and PECO). On July 28, 2011, the PAPUC issued an order outlining the next steps in its investigation into the status of competition in Pennsylvania's retail electric market. The PAPUC found that the existing default service model presents substantial impediments to the development of a vibrant retail market in Pennsylvania and directed its Office of Competitive Markets Oversight to evaluate potential intermediate and long-term structural changes to the default service model. On January 13, 2012, PECO filed its second Default Service Plan for approval with the PAPUC, which proposed several new programs to continue PECO's support of retail market competition in Pennsylvania in accordance with the order issued by the PAPUC on December 15, 2011. On March 1, 2012, the PAPUC approved the final order describing more detailed recommendations to be implemented prior to the expiration of the electric distribution company's current default service plan beginning in 2012 and providing guidelines for EDCs for the development of their next Default Service Plan.

Pennsylvania Act 11 of 2012 (Exelon and PECO). On February 13, 2012, Act 11 was signed into law by the Governor. Act 11 seeks to clarify the PAPUC's authority to approve alternative ratemaking mechanisms, which would allow for the implementation of a distribution system improvement charge (DSIC) in rates designed to recover capital project costs incurred to repair, improve or replace utilities' aging electric and natural gas distribution systems in Pennsylvania.

Act 11 also includes a provision that allows utilities to use a fully projected future test year under which the PAPUC may permit the inclusion of projected capital costs in rate base for assets that will be placed in service in future test years.

Maryland Regulatory Matters

2011 Maryland Electric and Natural Gas Distribution Rate Cases (Exelon and BGE). In March 2011, the MDPSC issued a comprehensive rate order setting forth the details of the decision contained in its abbreviated electric and gas distribution rate order issued in December 2010. As part of the March 2011 comprehensive rate order, BGE was authorized to defer \$19 million of costs as regulatory assets. These costs will be recovered over a 5-year period beginning December 2010 and include the deferral of \$16 million of storm costs incurred in February 2010. The regulatory asset for the storm costs earns a regulated rate of return.

Smart Meter and Smart Grid Investments (Exelon and BGE). In August 2010, the MDPSC approved a comprehensive smart grid initiative for BGE which includes the planned installation of 2 million residential and commercial electric and gas smart meters at an expected total cost of \$480 million. The MDPSC's approval ordered BGE to defer the associated incremental costs, depreciation and amortization, and an appropriate return, in a regulatory asset until such time as a cost-effective advanced metering system is delivered to customers. Under a grant from the DOE, BGE is a recipient of \$200 million in federal funding for its smart grid and other related initiatives. This grant allows BGE to be reimbursed for smart grid and other expenditures up to \$200 million, substantially reducing the total cost of these initiatives.

During the three months ended March 31, 2012, BGE received \$14 million in reimbursements from the DOE. As of March 31, 2012, BGE's outstanding receivable from the DOE for reimbursable costs was \$1 million, which has been recorded in other accounts receivable, net on Exelon's and BGE's Consolidated Balance Sheets.

New Electric Generation (Exelon and BGE). On April 12, 2012, the MDPSC issued an order directing BGE and two other Maryland utilities to enter a contract for difference (CfD) with CPV Maryland, LLC (CPV),

under which CPV will construct a 661 MW natural gas-fired combined-cycle generation plant in Waldorf, Maryland, with a projected commercial operation date of June 1, 2015. The initial term of the proposed contract is 20 years. The CfD will provide that the utilities will pay (or receive) the difference between CPV's contract prices and the revenues CPV receives for capacity and energy from bidding the unit into the PJM market. The utilities are required to enter into a CfD in amounts proportionate to their relative SOS load as of the date of execution. The utilities are directed to meet with CPV and the consultant for the MDPSC to negotiate changes to the CfD for submission to the MDPSC for approval. Depending on the precise terms of the CfD, the eventual market conditions and the manner of cost recovery, the CfD could have a material impact on Exelon's and BGE's financial results. On April 27, 2012, a civil complaint was filed in the United States District Court for the District of Maryland by certain unaffiliated parties that challenges the actions taken by the MDPSC on federal law grounds. Among other requests for relief, the plaintiffs seek to enjoin the MDPSC from executing or otherwise putting into effect any part of its order. On May 4, 2012, BGE filed a petition in the Circuit Court for Anne Arundel County, Maryland, seeking judicial review of the MDPSC order. Similar petitions have been filed by two other Maryland utilities in other Maryland State Courts.

Federal Regulatory Matters

PJM Minimum Offer Price Rule (Exelon and Generation). PJM's capacity market rules include a Minimum Offer Price Rule (MOPR) intended to ensure that a competitive capacity offer is based on the costs and competitive market revenues of a new entry unit. On February 1, 2011, in response to the enactment of New Jersey Senate Bill 2381, Exelon Generation joined the PJM Power Providers Group (P3) complaint at FERC seeking a revision to PJM's MOPR to preclude the exercise of buyer market power. In response to P3's complaint, PJM filed revisions to the MOPR which were largely approved by FERC in its April 12, 2011 Order. The revised MOPR, among other things, sets a minimum price level for sell offers for capacity from certain types of new generation resources submitted in PJM's capacity market auctions. While a number of state regulators and consumer groups opposed the MOPR revision, the changes were in line with recent FERC orders regarding capacity markets in the New York and New England ISOs. A number of parties filed for rehearing of the FERC order.

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

Exelon, ComEd, PECO and BGE 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.

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd, PECO and BGE as of March 31, 2012 and December 31, 2011. The Registrants have reclassified certain regulatory asset and liability balances as of December 31, 2011 in order to align the reporting of regulatory activities subsequent to the closing of the merger with Constellation. For additional information on the specific regulatory assets and liabilities, refer to Note 2 of the Exelon 2011 Form 10-K for Exelon, ComEd and PECO and Note 6 of BGE's 2011 Form 10-K.

March 31, 2012	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory assets								
Pension and other postretirement benefits(a)	\$ 265	\$ 3,512	\$ —	\$ —	\$ 5	\$ —	\$ 2	\$ —
Deferred income taxes	12	1,243	5	64	—	1,115	7	64
AMI and smart meter programs	2	46	2	6	—	22	—	18
Under-recovered distribution service costs	19	99	19	99	—	—	—	—
Debt costs	15	78	12	70	3	8	2	10

Fair value of BGE long-term debt(b)	41	253	—	—	—	—	—	—
Fair value of BGE supply contract(c)	117	89	—	—	—	—	—	—
Severance	28	44	25	31	—	—	3	13
Asset retirement obligations	—	76	—	52	—	24	—	—
MGP remediation costs	31	124	24	85	6	37	1	2
RTO start-up costs	3	3	3	3	—	—	—	—
Under-recovered electric universal service fund costs	5	—	—	—	5	—	—	—
Financial swap with Generation	—	—	590	92	—	—	—	—
Renewable energy and associated RECs	16	125	16	125	—	—	—	—
Under-recovered energy and transmission costs	139	—	85	—	9(d)	—	45	—
DSP Program costs	3	2	—	—	3	2	—	—
Deferred storm costs	3	8	—	—	—	—	3	8
Electric generation-related regulatory asset	16	52	—	—	—	—	16	52
Rate stabilization deferral	63	282	—	—	—	—	63	282
Energy efficiency and demand response programs	29	100	—	—	—	—	29	100
Other	39	32	12	17	17	9	3	4
Total regulatory assets	<u>\$ 846</u>	<u>6,168</u>	<u>\$ 793</u>	<u>\$ 644</u>	<u>\$ 48</u>	<u>\$ 1,217</u>	<u>\$ 174</u>	<u>\$ 553</u>

March 31, 2012		Exelon		ComEd		PECO		BGE	
		Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory liabilities									
Nuclear decommissioning	\$ —	\$ 2,430	\$ —	\$ 2,017	\$ —	\$ 413	\$ —	\$ —	\$ —
Removal costs	86	1,396	64	1,191	—	—	22	205	—
Energy efficiency and demand response programs	42	79	42	—	—	79	—	—	—
Electric distribution tax repairs	20	145	—	—	20	145	—	—	—
Over-recovered uncollectible accounts	10	—	10	—	—	—	—	—	—
Over-recovered energy and transmission costs	55	—	11	—	44(e)	—	—	—	—
Over-recovered gas universal service fund costs	3	—	—	—	3	—	—	—	—
Over-recovered AEPS costs	6	—	—	—	6	—	—	—	—
Customer rate credit	113	—	—	—	—	—	113	—	—
Total regulatory liabilities	<u>\$ 335</u>	<u>\$ 4,050</u>	<u>\$ 127</u>	<u>\$ 3,208</u>	<u>\$ 73</u>	<u>\$ 637</u>	<u>\$ 135</u>	<u>\$ 205</u>	<u>—</u>
December 31, 2011		Exelon		ComEd		PECO		BGE	
		Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent

Regulatory assets

Pension and other postretirement benefits	\$ 204	\$ 2,794	\$ —	\$ —	\$ 7	\$ —	\$ 3	\$ —
Deferred income taxes	5	1,176	5	66	—	1,110	7	64
AMI and smart meter programs	2	28	2	6	—	22	—	15
Under-recovered distribution service costs	14	70	14	70	—	—	—	—
Debt costs	18	81	15	73	3	8	2	10
Severance	25	38	25	38	—	—	—	1
Asset retirement obligations	—	74	—	50	—	24	—	—
MGP remediation costs	30	129	24	91	6	38	1	2
RTO start-up costs	3	4	3	4	—	—	—	—
Under-recovered electric universal service fund costs	3	—	—	—	3	—	—	—
Financial swap with Generation	—	—	503	191	—	—	—	—
Renewable energy and associated RECs	9	97	9	97	—	—	—	—
Under-recovered energy and transmission costs	57	—	48	—	9(b)	—	50	—
DSP Program costs	3	2	—	—	3	2	—	—
Deferred storm costs	—	—	—	—	—	—	3	9
Electric generation-related regulatory asset	—	—	—	—	—	—	16	56
Rate stabilization deferral	—	—	—	—	—	—	63	295
Energy efficiency and demand response programs	—	—	—	—	—	—	29	95
Other	17	25	9	13	8	12	—	3
Total regulatory assets	\$ 390	\$ 4,518	\$ 657	\$ 699	\$ 39	\$ 1,216	\$ 174	\$ 550

December 31, 2011

	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory liabilities								
Nuclear decommissioning	\$ —	\$ 2,222	\$ —	\$ 1,857	\$ —	\$ 365	\$ —	\$ —
Removal costs	61	1,185	61	1,185	—	—	18	200
Energy efficiency and demand response programs	49	69	49	—	—	69	—	—
Electric distribution tax repairs	19	151	—	—	19	151	—	—
Over-recovered uncollectible accounts	15	—	15	—	—	—	—	—
Over-recovered energy and transmission costs	42	—	12	—	30(c)	—	—	—
Over-recovered gas universal service fund costs	3	—	—	—	3	—	—	—
Over-recovered AEPS costs	8	—	—	—	8	—	—	—

Total regulatory liabilities \$ 197 \$ 3,627 \$ 137 \$ 3,042 \$ 60 \$ 585 \$ 18 \$ 200

- (a) As of March 31, 2012, the pensions and other postretirement benefits line now includes a regulatory asset established at the date of the merger related to the recognition of BGE's share of the underfunded status of the defined benefit postretirement plan as a liability on Exelon's balance sheet. The regulatory asset is amortized in accordance with the authoritative guidance for pensions and postretirement benefits over a period of approximately 12 years. BGE is currently recovering these costs through base rates. BGE is not earning a return on the recovery of these costs in base rates.
- (b) 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.
- (c) 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.
- (d) Relates to the under-recovered transmission costs.
- (e) Includes \$18 million and \$5 million related to the over-recovered natural gas costs under the PGC and \$26 million and \$25 million related to the over-recovered electric supply costs under the GSA as of March 31, 2012 and December 31, 2011, respectively.

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. Purchased 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, 2012 and December 31, 2011.

As of March 31, 2012	Exelon	ComEd	PECO	BGE
Purchased receivables(a)	\$ 146	\$ 20	\$ 57	\$ 69
Allowance for uncollectible accounts(b)	(13)	(3)	(6)	(4)
Purchased receivables, net	<u>\$ 133</u>	<u>\$ 17</u>	<u>\$ 51</u>	<u>\$ 65</u>

As of December 31, 2011	Exelon(c)	ComEd	PECO	BGE
Purchased receivables(a)	\$ 68	\$ 16	\$ 52	\$ 61
Allowance for uncollectible accounts(b)	(5)	—	(5)	(3)
Purchased receivables, net	<u>\$ 63</u>	<u>\$ 16</u>	<u>\$ 47</u>	<u>\$ 58</u>

- (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.

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

As a result of the Constellation merger, Generation now owns a 50.01% interest in CENG, a nuclear generation business. Generation's total equity in losses of the investment in CENG is as follows:

	For the Period March 12 through March 31, 2012
CENG	\$ (9)
Amortization of basis difference in CENG	(12)
Total equity investment losses — CENG	<u>\$ (21)</u>

Generation has an initial basis difference of approximately \$183 million between the initial carrying value of its investment in CENG and its underlying equity in CENG. This basis difference is created by 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 will amortize this basis difference over the respective useful lives of the assets of CENG or as those assets and liabilities impact the earnings of CENG.

In future periods, Generation may be eligible for distributions from CENG in excess of its 50.01% ownership interest based on tax sharing provisions contained in the operating agreement for CENG. Generation would record these distributions, if realized, in earnings in the period earned.

Related Party Transactions (Exelon and Generation)

CENG

Generation has an agreement with CENG under which it will purchase between 85-90% of the output of CENG's nuclear plants that is not sold to third parties under pre-existing firm and unit contingent PPAs through 2014. Beginning on January 1, 2015 and continuing to the end of the life of the respective plants, Generation will purchase on a unit contingent basis 50.01% of the output of CENG's nuclear plants, and EDF will purchase on a unit contingent basis 49.99% of the output.

In addition to the PPA, a subsidiary of Generation has a power services agency agreement (PSAA) with CENG. The PSAA is a five-year agreement under which Generation provides scheduling, asset management and billing services to CENG for a specified monthly fee. On January 16, 2012, Exelon agreed to amend the PSAA, effective as of the closing of the merger with Constellation, to adjust the charges for services to reflect the cost of the service, with such cost not to exceed approximately \$358,000 per month.

In addition to the PSAA, Exelon has an administrative services agreement (ASA) with CENG, which expires in 2017. Under the ASA, Exelon BSC provides certain administrative services to CENG including back office, human resources and information technology. The ASA includes both a consumption-based pricing structure and a fixed-price structure which are subject to change in future years based on the level of service needed. On January 16, 2012, Exelon agreed to amend the ASA, effective as of the close of the merger with Constellation, to adjust the charges for services to reflect actual post-merger costs determined on the same basis that Exelon BSC charges its affiliates for similar services.

The impact of transactions under these agreements on Exelon's and Generation's financial statements is summarized below:

Agreement	Increase/(Decrease) in Earnings March 12, 2012 through March 31, 2012	Income Statement Classification	Accounts Receivable/ (Accounts Payable) At March 31, 2012
PPA	\$ (35)	Purchased power and fuel	\$ (60)
PSA	1	Operating revenues	—
ASA	3	Operating expenses	3

In May 2011, CENG issued an unsecured revolving promissory note to borrow up to an aggregate principal amount of \$62.5 million from a subsidiary of Generation. CENG also issued a promissory note to EDF on substantially identical terms, such that any request for borrowings by CENG must be submitted 50% to Generation and 50% to EDF.

Interest accrues on the amounts borrowed on a daily basis at a rate of LIBOR, plus an adder of 250 basis points. Amounts are due at the earlier of October 31, 2012 or the date upon which the note is accelerated in accordance with the terms of the agreement.

As of March 31, 2012, CENG had borrowed \$42.5 million from Generation.

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 preferred securities as of March 31, 2012 and December 31, 2011:

Exelon

	March 31, 2012				December 31, 2011	
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Short-term liabilities	\$ 1,036	\$ 472	\$ 564	\$ —	\$ 737	\$ 737
Long-term debt (including amounts due within one year)	17,545	—	18,918	162	12,627	14,488
Long-term debt to financing trusts	648	—	641	—	390	358
SNF obligation	1,019	—	882	—	1,019	886
Preferred securities of subsidiary	87	—	79	—	87	79

Generation

	March 31, 2012				December 31, 2011	
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Short-term liabilities	\$ 114	\$ —	\$ 114	\$ —	\$ 2	\$ 2
Long-term debt (including amounts due within one year)	6,646	—	6,804	67	3,677	4,231
SNF obligation	1,019	—	882	—	1,019	886

ComEd

	March 31, 2012				December 31, 2011	
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Short-term liabilities	\$ 302	\$ —	\$ 302	\$ —	\$ —	\$ —
Long-term debt (including amounts due within one year)	5,215	—	6,067	18	5,665	6,540
Long-term debt to financing trust	206	—	206	—	206	184

PECO

	March 31, 2012				December 31, 2011	
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Short-term liabilities	\$ 225	\$ —	\$ 225	\$ —	\$ 225	\$ 225
Long-term debt (including amounts due within one year)	1,972	—	2,291	—	1,972	2,295
Long-term debt to financing trusts	184	—	176	—	184	174
Preferred securities	87	—	79	—	87	79

BGE

	March 31, 2012	December 31, 2011

	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Long-term debt (including amounts due within one year)	\$ 2,101	\$ —	\$2,359	\$ —	\$ 2,101	\$2,377
Long-term debt to financing trusts	258	—	259	—	258	256

Short-Term Liabilities. The short-term liabilities included in the table above are comprised of short-term borrowings (Level 2), short-term notes payable related to PECO's accounts receivable agreement (Level 2), and dividends payable (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. See Note 8 — Debt and Credit Agreements for additional information on PECO's accounts receivable agreement.

Long-Term Debt. The fair value amounts of Exelon's taxable debt securities 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.

The Registrants also have tax-exempt debt. Due to low trading volume in this market, qualitative factors, such as market conditions, investor demand, and circumstances related to the issuer (e.g., 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 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 in 2020 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 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 2020.

Preferred Securities of Subsidiary, Long-term Debt to Financing Trusts and Junior Subordinated Debentures. The fair value of these securities is determined using observable market prices on the last trade date of the quarter as these securities are actively traded, less accrued interest. The securities are registered with the SEC and are public.

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, 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, non-exchange-based 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 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 non-exchange-based derivatives and investments priced using an alternative pricing mechanism.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2012.

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, 2012 and December 31, 2011:

<u>As of March 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents(a)	\$ 187	\$ —	\$ —	\$ 187
Nuclear decommissioning trust fund investments				
Cash equivalents	428	—	—	428
Equity				
Equity securities	1,460	—	—	1,460
Commingled funds	—	2,027	—	2,027
Equity funds subtotal	<u>1,460</u>	<u>2,027</u>	<u>—</u>	<u>3,487</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	941	1	—	942
Debt securities issued by states of the United States and political subdivisions of the states	—	328	—	328
Debt securities issued by foreign governments	—	67	—	67
Corporate debt securities	—	1,534	—	1,534
Federal agency mortgage-backed securities	—	55	—	55
Commercial mortgage-backed securities (non-agency)	—	39	—	39
Residential mortgage-backed securities (non-agency)	—	8	—	8
Mutual funds	—	2	—	2
Fixed income subtotal	<u>941</u>	<u>2,034</u>	<u>—</u>	<u>2,975</u>
Direct lending securities	—	—	13	13
Other debt obligations	—	11	—	11
Nuclear decommissioning trust fund investments subtotal(b)	<u>2,829</u>	<u>4,072</u>	<u>13</u>	<u>6,914</u>
Pledged assets for Zion Station decommissioning				
Equity				
Equity securities	26	—	—	26
Commingled funds	—	22	—	22
Equity funds subtotal	<u>26</u>	<u>22</u>	<u>—</u>	<u>48</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	63	24	—	87
Debt securities issued by states of the United States and political subdivisions of the states	—	53	—	53
Corporate debt securities	—	325	—	325
Federal agency mortgage-backed securities	—	100	—	100
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	40	—	40
Fixed income subtotal	<u>63</u>	<u>552</u>	<u>—</u>	<u>615</u>
Direct lending securities	—	—	42	42
Pledged assets for Zion Station decommissioning subtotal(c)	<u>89</u>	<u>574</u>	<u>42</u>	<u>705</u>
 <u>As of March 31, 2012</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>	 <u>Total</u>
Rabbi trust investments				
Cash equivalents	2	—	—	2
Mutual funds(d)(e)	<u>73</u>	<u>—</u>	<u>—</u>	<u>73</u>

Rabbi trust investments subtotal	75	—	—	75
Commodity mark-to-market derivative assets				
Economic hedges	1,988	6,913	990	9,891
Proprietary trading	3,341	6,427	219	9,987
Effect of netting and allocation of collateral(f)	(5,329)	(11,418)	(370)	(17,117)
Commodity mark-to-market assets subtotal(g)	—	1,922	839	2,761
Interest rate mark-to-market derivative assets	—	119	—	119
Other investments	3	—	14	17
Total assets	3,183	6,687	908	10,778
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(2,527)	(5,659)	(449)	(8,635)
Proprietary trading	(3,457)	(6,146)	(364)	(9,967)
Effect of netting and allocation of collateral(f)	5,755	10,791	333	16,879
Commodity mark-to-market liabilities subtotal(h)	(229)	(1,014)	(480)	(1,723)
Interest rate mark-to-market derivative liabilities	—	(54)	—	(54)
Deferred compensation	—	(106)	—	(106)
Total liabilities	(229)	(1,174)	(480)	(1,883)
Total net assets	\$ 2,954	\$ 5,513	\$ 428	\$ 8,895

As of December 31, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents(a)	\$ 861	\$ —	\$ —	\$ 861
Nuclear decommissioning trust fund investments				
Cash equivalents	562	—	—	562
Equity				
Equity securities	1,275	—	—	1,275
Commingled funds	—	1,822	—	1,822
Equity funds subtotal	1,275	1,822	—	3,097
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,014	33	—	1,047
Debt securities issued by states of the United States and political subdivisions of the states	—	541	—	541
Debt securities issued by foreign governments	—	16	—	16
Corporate debt securities	—	778	—	778
Federal agency mortgage-backed securities	—	357	—	357
Commercial mortgage-backed securities (non-agency)	—	83	—	83
Residential mortgage-backed securities (non-agency)	—	5	—	5
Mutual funds	—	47	—	47
Fixed income subtotal	1,014	1,860	—	2,874
Direct lending securities	—	—	13	13
Other debt obligations	—	18	—	18
Nuclear decommissioning trust fund investments subtotal(b)	2,851	3,700	13	6,564

As of December 31, 2011

	Level 1	Level 2	Level 3	Total
Pledged assets for Zion decommissioning				
Equity				

Equity securities	35	—	—	35
Commingled funds	—	30	—	30
Equity funds subtotal	<u>35</u>	<u>30</u>	<u>—</u>	<u>65</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	54	26	—	80
Debt securities issued by states of the United States and political subdivisions of the states	—	65	—	65
Corporate debt securities	—	314	—	314
Federal agency mortgage-backed securities	—	121	—	121
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	20	—	20
Fixed income subtotal	<u>54</u>	<u>556</u>	<u>—</u>	<u>610</u>
Direct lending securities	—	—	37	37
Other debt obligations	—	13	—	13
Pledged assets for Zion Station decommissioning subtotal(c)	<u>89</u>	<u>599</u>	<u>37</u>	<u>725</u>
Rabbi trust investments				
Cash equivalents	2	—	—	2
Mutual funds(d)(e)	34	—	—	34
Rabbi trust investments subtotal	<u>36</u>	<u>—</u>	<u>—</u>	<u>36</u>
Commodity Mark-to-market derivative assets				
Cash flow hedges	—	857	—	857
Economic hedges	—	1,653	124	1,777
Proprietary trading	—	240	48	288
Effect of netting and allocation of collateral(f)	—	(1,827)	(28)	(1,855)
Commodity Mark-to-market assets(g)	—	923	144	1,067
Interest rate mark-to-market derivative assets	—	15	—	15
Total assets	<u>3,837</u>	<u>5,237</u>	<u>194</u>	<u>9,268</u>
Liabilities				
Commodity Mark-to-market derivative liabilities				
Cash flow hedges	—	(13)	—	(13)
Economic hedges	(1)	(1,137)	(119)	(1,257)
Proprietary trading	—	(236)	(28)	(264)
Effect of netting and allocation of collateral(f)	—	1,295	20	1,315
Commodity Mark-to-market liabilities(h)	<u>(1)</u>	<u>(91)</u>	<u>(127)</u>	<u>(219)</u>
Interest rate mark-to-market liabilities	—	(19)	—	(19)
Deferred compensation	—	(73)	—	(73)
Total liabilities	<u>(1)</u>	<u>(183)</u>	<u>(127)</u>	<u>(311)</u>
Total net assets	<u>\$3,836</u>	<u>\$ 5,054</u>	<u>\$ 67</u>	<u>\$ 8,957</u>

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) Excludes net assets (liabilities) of \$13 million and \$(57) million at March 31, 2012 and December 31, 2011, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(c) Excludes net assets of \$3 million and \$9 million at March 31, 2012 and December 31, 2011. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(d) The mutual funds held by the Rabbi trusts include \$60 million related to deferred compensation and \$15 million related to Supplemental Executive Retirement Plan. These funds are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.

(e) Excludes \$27 million and \$25 million of the cash surrender value of life insurance investments at March 31,

2012 and December 31, 2011, respectively.

- (f) Includes collateral postings received from counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$426, \$(627) million and \$(37) million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of March 31, 2012. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$532 million and \$8 million allocated to Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2011.
- (g) The Level 3 balance does not include current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$590 million and \$92 million at March 31, 2012 and \$503 million and \$191 million at December 31, 2011, respectively, related to the fair value of Generation's financial swap contract with ComEd.
- (h) The Level 3 balance includes the current and noncurrent liability of \$ 16 million and \$125 million at March 31, 2012, respectively, and \$9 million and \$97 million at December 31, 2011, respectively, related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to- Market Derivatives	Other Investments	Total
Balance as of December 31, 2011	\$ 13	\$ 37	\$ 17	\$ —	\$ 67
Total realized / unrealized gains (losses)					
Included in net income	—	—	85(a)	—	85
Included in regulatory assets	—	—	(35)(b)	—	(35)
Change in collateral	—	—	(23)	—	(23)
Purchases, sales, issuances and settlements					
Purchases(c)	—	6	316	14	336
Sales	—	(1)	—	—	(1)
Transfers out of Level 3	—	—	(1)	—	(1)
Balance as of March 31, 2012	<u>\$ 13</u>	<u>\$ 42</u>	<u>\$ 359</u>	<u>\$ 14</u>	<u>\$ 428</u>
The amount of total gains included in net income attributed to the change in unrealized losses related to assets and liabilities held for the three months ended March 31, 2012	\$ —	\$ —	\$ 93	\$ —	\$ 93

- (a) Includes the reclassification of \$19 million of realized losses due to the settlement of derivative contracts recorded in results of operations.
- (b) Includes \$135 million of increases in fair value and \$147 million of realized losses due to settlements during 2012 of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
- (c) Includes \$310 million of fair value from contracts and \$14 million of other investments acquired as a result of the merger.

Three Months Ended March 31, 2011	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Total
Balance as of December 31, 2010	\$ —	\$ 50	50
Included in net income	—	(13)(a)	(13)
Included in other comprehensive income	—	(9)(b)	(9)
Included in regulatory liabilities	—	52(c)	52

Change in collateral	—	5	5
Purchases	31	—	31
Transfers out of Level 3	—	(34)	(34)
Balance as of March 31, 2011	<u>\$ 31</u>	<u>\$ 51</u>	<u>\$ 82</u>
The amount of total gains included in net income attributed to the change in unrealized gains related to assets and liabilities held for the three months ended March 31, 2011	\$ —	\$ (7)	(7)

- (a) Includes the reclassification of \$6 million of realized losses due to the settlement of derivative contracts recorded in results of operations.
- (b) Excludes \$67 million of changes in fair value and \$112 million of realized losses due to settlements associated with Generation's financial swap contract with ComEd and a \$1 million decrease related to the settlement of Generation's block contracts with PECO, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
- (c) Includes an increase in fair value of \$51 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2012 and 2011:

<u>Three Months Ended March 31, 2012</u>	<u>Operating Revenues</u>	<u>Purchased Power and Fuel</u>
Total gains (losses) included in net income for the three months ended March 31, 2012	\$ 87	\$ (2)
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2012	\$ 104	\$ (11)
<u>Three Months Ended March 31, 2011</u>	<u>Operating Revenues</u>	<u>Purchased Power and Fuel</u>
Total losses included in net income for the three months ended March 31, 2011	\$ (3)	\$ (10)
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2011	\$ 4	\$ (11)

Generation

The following tables present assets and liabilities measured and recorded at fair value on Generation's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2012 and December 31, 2011:

<u>As of March 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents(a)	\$ 60	\$ —	\$ —	\$ 60
Nuclear decommissioning trust fund investments				
Cash equivalents	428	—	—	428
Equity				
Equity securities	1,460	—	—	1,460
Commingled funds	—	2,027	—	2,027
Equity funds subtotal	<u>1,460</u>	<u>2,027</u>	<u>—</u>	<u>3,487</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	941	1	—	942
Debt securities issued by states of the United States and political subdivisions of the states	—	328	—	328
Debt securities issued by foreign governments	—	67	—	67

Corporate debt securities	—	1,534	—	1,534
Federal agency mortgage-backed securities	—	55	—	55
Commercial mortgage-backed securities (non-agency)	—	39	—	39
Residential mortgage-backed securities (non-agency)	—	8	—	8
Mutual funds	—	2	—	2
Fixed income subtotal	<u>941</u>	<u>2,034</u>	<u>—</u>	<u>2,975</u>
Direct lending securities	—	—	13	13
Other debt obligations	—	11	—	11
Nuclear decommissioning trust fund investments subtotal(b)	<u>2,829</u>	<u>4,072</u>	<u>13</u>	<u>6,914</u>
Pledged assets for Zion Station decommissioning				
Equity				
Equity securities	26	—	—	26
Commingled funds	—	22	—	22
Equity funds subtotal	<u>26</u>	<u>22</u>	<u>—</u>	<u>48</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	63	24	—	87
Debt securities issued by states of the United States and political subdivisions of the states	—	53	—	53
Corporate debt securities	—	325	—	325
Federal agency mortgage-backed securities	—	100	—	100
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	40	—	40
Fixed income subtotal	<u>63</u>	<u>552</u>	<u>—</u>	<u>615</u>
Direct lending securities	—	—	42	42
Pledged assets for Zion Station decommissioning subtotal(c)	<u>89</u>	<u>574</u>	<u>42</u>	<u>705</u>

As of March 31, 2012	Level 1	Level 2	Level 3	Total
Rabbi trust investments(d)(e)	5	—	—	5
Commodity mark-to-market derivative assets				
Economic hedges	1,988	6,913	1,672	10,573
Proprietary trading	3,341	6,427	219	9,987
Effect of netting and allocation of collateral(f)	<u>(5,329)</u>	<u>(11,418)</u>	<u>(370)</u>	<u>(17,117)</u>
Commodity mark-to-market assets subtotal(g)	<u>—</u>	<u>1,922</u>	<u>1,521</u>	<u>3,443</u>
Interest Rate mark-to-market derivative assets	—	105	—	105
Other investments	3	—	14	17
Total assets	<u>2,986</u>	<u>6,673</u>	<u>1,590</u>	<u>11,249</u>
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(2,527)	(5,659)	(308)	(8,494)
Proprietary trading	(3,457)	(6,146)	(364)	(9,967)
Effect of netting and allocation of collateral(f)	<u>5,755</u>	<u>10,791</u>	<u>333</u>	<u>16,879</u>
Commodity mark-to-market liabilities subtotal	<u>(229)</u>	<u>(1,014)</u>	<u>(339)</u>	<u>(1,582)</u>
Interest rate mark-to-market derivative liabilities	—	(54)	—	(54)
Deferred compensation	—	(20)	—	(20)
Total liabilities	<u>(229)</u>	<u>(1,088)</u>	<u>(339)</u>	<u>(1,656)</u>
Total net assets	<u>\$ 2,757</u>	<u>\$ 5,585</u>	<u>\$1,251</u>	<u>\$ 9,593</u>

As of December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				

Cash equivalents(a)	\$ 466	\$ —	\$ —	\$ 466
Nuclear decommissioning trust fund investments				
Cash equivalents	562	—	—	562
Equity				
Equity securities	1,275	—	—	1,275
Commingled funds	—	1,822	—	1,822
Equity funds subtotal	<u>1,275</u>	<u>1,822</u>	<u>—</u>	<u>3,097</u>
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,014	33	—	1,047
Debt securities issued by states of the United States and political subdivisions of the states	—	541	—	541
Debt securities issued by foreign governments	—	16	—	16
Corporate debt securities	—	778	—	778
Federal agency mortgage-backed securities	—	357	—	357
Commercial mortgage-backed securities (non-agency)	—	83	—	83
Residential mortgage-backed securities (non-agency)	—	5	—	5
Mutual funds	—	47	—	47
Fixed income subtotal	<u>1,014</u>	<u>1,860</u>	<u>—</u>	<u>2,874</u>
Direct lending securities	—	—	13	13
Other debt obligations	—	18	—	18
Nuclear decommissioning trust fund investments subtotal(b)	<u>2,851</u>	<u>3,700</u>	<u>13</u>	<u>6,564</u>

As of December 31, 2011	Level 1	Level 2	Level 3	Total
Pledged assets for Zion Station decommissioning				
Equity				
Equity securities	35	—	—	35
Commingled funds	—	30	—	30
Equity funds subtotal	<u>35</u>	<u>30</u>	<u>—</u>	<u>65</u>
Fixed income:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	54	26	—	80
Debt securities issued by states of the United States and political subdivisions of the states	—	65	—	65
Corporate debt securities	—	314	—	314
Federal agency mortgage-backed securities	—	121	—	121
Commercial mortgage-backed securities (non-agency)	—	10	—	10
Commingled funds	—	20	—	20
Fixed income subtotal	<u>54</u>	<u>556</u>	<u>—</u>	<u>610</u>
Direct lending securities	—	—	37	37
Other debt obligations	—	13	—	13
Pledged assets for Zion Station decommissioning subtotal(c)	<u>89</u>	<u>599</u>	<u>37</u>	<u>725</u>
Rabbi trust investments(d)(e)	4	—	—	4
Commodity mark-to-market derivative assets				
Cash flow hedges	—	857	694	1,551
Other derivatives	—	1,653	124	1,777
Proprietary trading	—	240	48	288
Effect of netting and allocation of collateral(f)	—	<u>(1,827)</u>	<u>(28)</u>	<u>(1,855)</u>

Commodity Mark-to-market assets subtotal(g)	—	923	838	1,761
Total assets	<u>3,410</u>	<u>5,222</u>	<u>888</u>	<u>9,520</u>
Liabilities				
Commodity mark-to-market derivative liabilities				
Cash flow hedges	—	(13)	—	(13)
Other derivatives	(1)	(1,137)	(13)	(1,151)
Proprietary trading	—	(236)	(28)	(264)
Effect of netting and allocation of collateral(f)	—	1,295	20	1,315
Commodity Mark-to-market liabilities subtotal	<u>(1)</u>	<u>(91)</u>	<u>(21)</u>	<u>(113)</u>
Interest rate mark-to-market derivative liabilities	—	(19)	—	(19)
Deferred compensation	—	(18)	—	(18)
Total liabilities	<u>(1)</u>	<u>(128)</u>	<u>(21)</u>	<u>(150)</u>
Total net assets	<u>\$3,409</u>	<u>\$ 5,094</u>	<u>\$ 867</u>	<u>\$ 9,370</u>

- (a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.
- (b) Excludes net assets (liabilities) of \$13 million and \$(57) million at March 31, 2012 and December 31, 2011, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.
- (c) Excludes net assets of \$3 million and \$9 million at March 31, 2012 and December 31, 2011, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.
- (d) The mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.
- (e) Excludes \$7 million and \$7 million of the cash surrender value of life insurance investments at March 31, 2012 and December 31, 2011, respectively.
- (f) Includes collateral postings received from counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$426, \$(627) million and \$(37) million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of March 31, 2012. Collateral received from counterparties, net of collateral paid to counterparties, totaled \$532 million and \$8 million allocated to Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2011.
- (g) The Level 3 balance includes current and noncurrent assets for Generation of \$590 million and \$92 million at March 31, 2012 and \$503 million and \$191 million at December 31, 2011, respectively, related to the fair value of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2012 and December 31, 2011:

Three Months Ended March 31, 2012	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to- Market Derivatives	Other Investments	Total
Balance as of December 31, 2011	\$ 13	\$ 37	\$ 817	\$ —	\$ 867
Total unrealized / realized gains (losses)					
Included in income	—	—	74(a)	—	74
Included in other comprehensive income	—	—	(1)(b)	—	(1)
Change in collateral	—	—	(23)	—	(23)
Purchases, sales, issuances and settlements					
Purchases(c)	—	6	316	14	336
Sales	—	(1)	—	—	(1)

Transfers out of Level 3	—	—	(1)	—	(1)
Balance as of March 31, 2012	<u>\$ 13</u>	<u>\$ 42</u>	<u>\$ 1,182</u>	<u>\$ 14</u>	<u>\$1,251</u>
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the year ended March 31, 2012	\$ —	\$ —	\$ 93	\$ —	\$ 93

- (a) Includes the reclassification of \$19 million of realized losses due to the settlement of derivative contracts recorded in results of operations.
- (b) Includes \$135 million of increases in fair value and \$147 million of realized losses due to settlements during 2012 of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
- (c) Includes \$310 million of fair value from contracts and \$14 million of other investments acquired as a result of the merger.

Three Months Ended March 31, 2011	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Total
Balance as of December 31, 2010	\$ —	\$ 1,030	\$1,030
Total realized / unrealized losses			
Included in net income	—	(13)(a)	(13)
Included in other comprehensive income	—	(55)(b)	(55)
Change in collateral	—	5	5
Purchases	31	—	31
Transfers out of Level 3	—	(34)	(34)
Balance as of March 31, 2011	<u>\$ 31</u>	<u>\$ 933</u>	<u>\$ 964</u>
The amount of total losses included in income attributed to the change in unrealized losses related to assets and liabilities held for the three months ended March 31, 2011	\$ —	\$ (7)	\$ (7)

- (a) Includes the reclassification of \$6 million of realized gains due to the settlement of derivative contracts recorded in results of operations.
- (b) Includes \$67 million changes in fair value and \$112 million of realized losses due to settlements during 2011 of Generation's financial swap contract with ComEd and \$1 million of changes in the fair value of Generation's block contract with PECO, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012	Operating Revenues	Purchased Power and Fuel
Total gains (losses) included in net income for the three months ended March 31, 2012	\$ 76	\$ (2)
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2012	\$ 104	\$ (11)
Three Months Ended March 31, 2011	Operating Revenues	Purchased Power and Fuel
Total losses included in net income for the three months ended March 31, 2011	\$ (3)	\$ (10)
Change in the unrealized gains (losses) relating to assets and liabilities held for the	\$ 4	\$ (11)

three months ended March 31, 2011

ComEd

The following tables present assets and liabilities measured and recorded at fair value on ComEd's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2012 and December 31, 2011:

<u>As of March 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents(a)	\$ 3	\$ —	\$ —	\$ 3
Rabbi trust investments				
Cash equivalents	1	—	—	1
Mutual funds	15	—	—	15
Rabbi trust investment subtotal	16	—	—	16
Total assets	19	—	—	19
Liabilities				
Deferred compensation obligation	—	(9)	—	(9)
Mark-to-market derivative liabilities(b)(c)	—	—	(823)	(823)
Total liabilities	—	(9)	(823)	(832)
Total net assets (liabilities)	<u>\$ 19</u>	<u>\$ (9)</u>	<u>\$(823)</u>	<u>\$(813)</u>
 <u>As of December 31, 2011</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>	 <u>Total</u>
Assets				
Cash equivalents(a)	\$ 173	\$ —	\$ —	\$ 173
Rabbi trust investments				
Cash equivalents	2	—	—	2
Mutual funds	19	—	—	19
Rabbi trust investment subtotal	21	—	—	21
Total assets	194	—	—	194
Liabilities				
Deferred compensation obligation	—	(8)	—	(8)
Mark-to-market derivative liabilities(b)(c)	—	—	(800)	(800)
Total liabilities	—	(8)	(800)	(808)
Total net assets (liabilities)	<u>\$ 194</u>	<u>\$ (8)</u>	<u>\$(800)</u>	<u>\$(614)</u>

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) The Level 3 balance includes the current and noncurrent liability of \$590 million and \$92 million at March 31, 2012, respectively, and \$503 million and \$191 million at December 31, 2011, respectively, related to the fair value of ComEd's financial swap contract with Generation which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

(c) The Level 3 balance includes the current and noncurrent liability of \$ 16 million and \$125 million at March 31, 2012, respectively, and \$9 million and \$97 million at December 31, 2011, respectively, related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three and three months ended March 31, 2012 and 2011:

<u>Three Months Ended March 31, 2012</u>	<u>Mark-to-Market Derivatives</u>
Balance as of December 31, 2011	\$ (800)
Total realized / unrealized losses included in regulatory assets(a)(b)	(23)
Balance as of March 31, 2012	<u>\$(823)</u>

- (a) Includes \$135 million of changes in the fair value and \$147 million of realized gains due to settlements associated with ComEd's financial swap with Generation. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes an increase in fair value of \$35 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

Three Months Ended March 31, 2011		Mark-to-Market Derivatives
Balance as of December 31, 2010		\$ (971)
Total unrealized / realized gains included in regulatory assets(a)(b)		96
Balance as of March 31, 2011		<u>\$ (875)</u>

- (a) Includes \$67 million of changes in the fair value and \$112 million of realized gains due to settlements associated with ComEd's financial swap with Generation. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes an increase in fair value of \$51 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

PECO

The following tables present assets and liabilities measured and recorded at fair value on PECO's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2012 and December 31, 2011:

As of March 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 53	\$ —	\$ —	\$ 53
Rabbi trust investments — mutual funds(b)(c)	9	—	—	9
Total assets	<u>62</u>	<u>—</u>	<u>—</u>	<u>62</u>
Liabilities				
Deferred compensation obligation	—	(21)	—	(21)
Total liabilities	<u>—</u>	<u>(21)</u>	<u>—</u>	<u>(21)</u>
Total net assets (liabilities)	<u>\$ 62</u>	<u>\$ (21)</u>	<u>\$ —</u>	<u>\$ 41</u>
As of December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents(a)	\$ 175	\$ —	\$ —	\$ 175
Rabbi trust investments — mutual funds(b)(c)	9	—	—	9
Total assets	<u>184</u>	<u>—</u>	<u>—</u>	<u>184</u>
Liabilities				
Deferred compensation obligation	—	(21)	—	(21)
Total liabilities	<u>—</u>	<u>(21)</u>	<u>—</u>	<u>(21)</u>
Total net assets (liabilities)	<u>\$ 184</u>	<u>\$ (21)</u>	<u>\$ —</u>	<u>\$ 163</u>

- (a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.
- (b) The mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.
- (c) Excludes \$14 million and \$13 million of the cash surrender value of life insurance investments at March 31, 2012 and December 31, 2011, respectively.

PECO had no Level 3 assets or liabilities measured at fair value on a recurring basis during the three months ended March 31, 2012.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2011:

Three Months Ended March 31, 2011	Mark-to-Market Derivatives
Balance as of December 31, 2010	\$ (9)
Total realized / unrealized gains (losses)	2(a)
Balance as of March 31, 2011	<u>\$ (7)</u>

(a) Includes a \$1 million increase related to the settlement of PECO's block contract with Generation, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

BGE

Assets and liabilities measured at fair value on BGE's Consolidated Balance Sheets on a recurring basis are limited to cash equivalents in the amount of \$52 million classified as a Level 1 investment.

Valuation Techniques Used to Determine Fair Value

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the tables above.

Cash Equivalents (Exelon, Generation, ComEd, PECO and BGE). The Registrants' cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value tables are comprised of investments in mutual and money market funds and Treasury bills. The fair values of the shares of these funds are based on observable market prices and, therefore, have been categorized in Level 1 in the fair value hierarchy.

Nuclear Decommissioning Trust Fund Investments and Pledged Assets for Zion Station Decommissioning (Exelon and Generation). The trust fund investments have been established to satisfy Exelon's and Generation's nuclear decommissioning obligations as required by the NRC. The NDT funds hold debt and equity securities directly and indirectly through commingled funds. Generation's investment policies place limitations on the types and investment grade ratings of the securities that may be held by the trusts. These policies limit the trust funds' exposures to investments in highly illiquid markets and other alternative investments. Investments with maturities of three months or less when purchased, including certain short-term fixed income securities, are considered cash equivalents and included in the recurring fair value measurements hierarchy as Level 1.

With respect to individually held equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, which Generation is able to independently corroborate. The fair values of equity securities held directly by the trust funds are based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on the New York Stock Exchange and NASDAQ-Global Select Market, which contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

For fixed income securities, multiple prices from pricing services are obtained whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. The trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and the trustees determine that another price source is considered to be preferable. Generation has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, Generation selectively corroborates the fair values of securities by comparison to other market-based price sources. U.S. Treasury securities are categorized as Level 1 because they trade in a highly liquid and transparent market. The fair values of fixed income securities, excluding U.S. Treasury securities, are based on evaluated prices that reflect observable market information, such as actual trade information or similar securities, adjusted for observable differences and are categorized in Level 2.

Equity and fixed income commingled funds and fixed income mutual funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives. The fair values of fixed income commingled and mutual funds held within the trust funds, which generally hold short-term fixed income securities and are not subject to restrictions regarding the purchase or sale of shares, are derived from observable prices. The objectives of the remaining equity commingled funds in which Exelon and Generation invest primarily seek to track the performance of certain equity indices by purchasing equity securities to replicate the capitalization and characteristics of the indices. In general, equity commingled funds are redeemable on the 15th of the month and the last business day of the month; however, the fund manager may designate any day as a valuation date for the purpose of purchasing or redeeming units. Commingled and mutual funds are categorized in Level 2 because the fair value of the funds are based on NAVs per fund share (the unit of account), primarily derived from the quoted prices in active markets on the underlying equity securities. See Note 10 — Nuclear Decommissioning for further discussion on the NDT fund investments.

Direct lending funds are investments in managed funds which invest in private companies for long-term capital appreciation. The fair value of these securities is determined using either an enterprise value model or a bond valuation model. Investments in direct lending funds are categorized as Level 3 because the fair value of these securities is based largely on inputs that are unobservable and utilize complex valuation models.

Rabbi Trust Investments (Exelon, Generation, ComEd and PECO). The Rabbi trusts were established to hold assets related to deferred compensation plans existing for certain active and retired members of Exelon's executive management and directors. The investments in the Rabbi trusts are included in investments in the Registrants' Consolidated Balance Sheets. The investments are in fixed-income commingled funds and mutual funds, including short-term investment funds. These funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of some of these funds are publicly quoted. For fixed-income commingled funds and mutual funds which are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2. Fixed-income commingled funds and mutual funds which are publicly quoted, such as money market funds, have been categorized as Level 1 given the clear observability of the prices.

Mark-to-Market Derivatives (Exelon, Generation, ComEd and PECO). Derivative contracts are traded in both exchange-based and non-exchange-based markets. Exchange-based derivatives that are valued using unadjusted quoted prices in active markets are categorized in Level 1 in the fair value hierarchy. Certain non-exchange-based derivatives are valued using indicative price quotations available through brokers or over-the-counter, on-line exchanges and are categorized in Level 2. These price quotations reflect the average of the bid-ask, mid-point prices and are obtained from sources that the Registrants believe provide the most liquid market for the commodity. The price quotations are reviewed and corroborated to ensure the prices are observable and representative of an orderly transaction between market participants. This includes consideration of actual transaction volumes, market delivery points, bid-ask spreads and contract duration. The remainder of non-exchange-based derivative contracts is valued using the Black model, an industry standard option valuation model. The Black model takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the future prices of energy, interest rates, volatility, credit worthiness and credit spread. For non-exchange-based derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs are generally observable. Such instruments are categorized in Level 2. The Registrants' non-exchange-based derivatives are predominately at liquid trading points. For non-exchange-based derivatives that trade in less liquid markets with limited pricing information, such as the financial swap contract between Generation and ComEd, model inputs generally would include both observable and unobservable inputs. These valuations may include an estimated basis adjustment from an illiquid trading point to a liquid trading point for which active price quotations are available.

Exelon may utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings. These interest rate derivatives are typically designated as cash flow hedges. Exelon determines the current fair value by calculating the net present value of expected payments and receipts under the swap agreement, based on and discounted by the market's expectation of future interest rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk and other market parameters. As these inputs are based on observable data

and valuations of similar instruments, the interest rate swaps are categorized in Level 2 in the fair value hierarchy. See Note 7 — Derivative Financial Instruments for further discussion on mark-to-market derivatives.

Deferred Compensation Obligations (Exelon, Generation, ComEd and PECO). The Registrants' deferred compensation plans allow participants to defer certain cash compensation into a notional investment account. The Registrants include such plans in other current and noncurrent liabilities in their Consolidated Balance Sheets. The value of the Registrants' deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations themselves are not exchanged in an active market, they are categorized in Level 2 in the fair value hierarchy.

Additional Information Regarding Level 3 Fair Value Measurements (Exelon, Generation, ComEd)

For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations whose contract tenure extends into unobservable periods. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. Exelon's RMC approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval, and the monitoring and reporting of risk exposures. The RMC is chaired by the chief risk officer and includes the chief executive officer, chief financial officer, corporate controller, general counsel, treasurer, vice president of strategy, vice president of audit services and officers representing Exelon's business units. The RMC reports to the Risk Oversight Committee of the Exelon Board of Directors on the scope of the risk management activities and is responsible for approving all valuation procedures at Exelon. Forward price curves for the power market utilized by the front office to manage the portfolio, are reviewed and verified by the middle office, and used for financial reporting by the back office. The Registrants consider credit and nonperformance risk in the valuation of derivative contracts categorized in Level 2 and 3, including both historical and current market data in its assessment of credit and nonperformance risk by counterparty. Due to master netting agreements and collateral posting requirements, the impacts of credit and nonperformance risk were not material to the financial statements. 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 generally do not occur. Transfers into Level 2 from Level 3 generally occur when the contract tenure becomes more observable.

Disclosed below is detail surrounding the Registrants' significant Level 3 valuations. The most significant position is the long term intercompany swap with ComEd, which is further discussed in Note 7 — Derivative Financial Instruments. The calculated fair value includes marketability discounts for margining provisions and notional size. Generation's remaining Level 3 balance generally consists of forward sales and purchases of power and natural gas, coal purchases, and transmission congestion contracts. Generation utilizes various inputs and factors including market data and assumptions that market participants would use in pricing assets or liabilities as well as assumptions about the risks inherent in the inputs to the valuation technique. The inputs and factors include forward commodity prices, commodity price volatility, contractual volumes, delivery location, interest rates, credit quality of counterparties, Generation and ComEd, and credit enhancements.

For commodity derivatives, the primary input to the valuation models is the forward commodity price curve for each instrument. Forward commodity price curves are derived by the traders and portfolio managers considering published exchange transaction prices, executed bilateral transactions, broker quotes, and other observable or public data sources. The relevant forward commodity curve used to value each of the derivatives depends on a number of factors including commodity type, delivery location, and delivery period. Price volatility varies by commodity and location. When appropriate, Generation discounts future cash flows using risk free interest rates with adjustments to reflect the credit quality of each counterparty for assets and Generation's own credit quality for liabilities. The level of observability of a forward commodity price is generally a product of the delivery location and delivery period. Certain delivery locations including PJM West Hub (for power) and Henry Hub (for natural gas) are highly liquid and prices are observable for up to three years in the future. The forward curve for a less liquid location is estimated by using the forward curve from the liquid location and applying a spread to represent the cost to transport the commodity to the delivery location. This spread does not substantiate the majority of the instrument's market price.

As a result, the change in fair value is closely tied to liquid market movements and not a change in the applied spread. The change in fair value associated with a change in the spread is generally immaterial. An average spread calculated across all Level 3 power and gas delivery locations is generally less than \$4 and \$.25 for power and natural gas respectively. Many of the commodity derivatives are short term in nature and thus a majority of the fair value may be based on observable inputs even though the contract as a whole must be classified as Level 3. See ITEM 3. — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK for information regarding the maturity by year of the Registrant's mark-to-market derivative assets and liabilities.

On December 17, 2010, ComEd entered into several 20-year floating to fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. See Note 7 — Derivative Financial Instruments for more information. The fair value of these swaps has been designated as a Level 3 valuation due to the long tenure of the positions and internal modeling assumptions. The modeling assumptions include using natural gas heat rates to project long term forward power curves adjusted by a renewable factor that incorporates time of day and seasonality factors to reflect accurate renewable energy pricing. In addition, marketability reserves are applied to the positions based on the tenor and supplier risk. The table below discloses the significant inputs to the forward curve used to value these positions.

Type of trade	Fair Value at March 31, 2012	Valuation Technique	Unobservable Input	Range
Mark-to-market derivatives — Economic Hedges (Generation)(a)	\$ 682	Discounted Cash Flow Discounted Cash Flow Option Model	Forward power price Forward gas price Volatility percentage	\$14 - \$ 71 \$1.95 - \$3.08 40% - 60%
Mark-to-market derivatives — Proprietary trading (Generation) (a)	\$ (145)	Discounted Cash Flow Option Model	Forward power price Volatility percentage	\$ 17 - \$ 71 20% - 60%
Mark-to-market derivatives — Transactions with affiliates (Generation and ComEd) (b)	\$ 682	Discounted Cash Flow	Marketability reserve	8.2% - 10.8%
Mark-to-market derivatives (ComEd)	\$ (141)	Discounted Cash Flow	Forward heat rate(c) Marketability reserve Renewable factor	6.5% - 8 % 3.5% - 8.2 % 84% - 121 %

- a) The valuation techniques, unobservable inputs and ranges are the same for the asset and liability positions.
b) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$590 million and \$92 million, respectively, related to the fair value of the five-year financial swap contract between Generation and ComEd, which eliminates in consolidation.
c) Quoted forward natural gas rates are utilized to project the forward power curve for the delivery of energy at specified future dates. The natural gas curve is extrapolated beyond its observable period to the end of the contract's delivery.

The inputs listed above would have a direct impact on the fair values of the above instruments if they were adjusted. The significant unobservable inputs used in the fair value measurement of Generation's commodity derivatives are forward commodity prices and for options is price volatility. Increases (decreases) in the forward commodity price in isolation would result in significantly higher (lower) fair values for long positions (contracts that give us the obligation or option to purchase a commodity), with offsetting impacts to short positions (contracts that give us the obligation or right to sell a commodity). Increases (decreases) in volatility would increase (decrease) the

value for the holder of the option (writer of the option). Generally, a change in the estimate of forward commodity prices is unrelated to a change in the estimate of volatility of prices. An increase to the reserves listed above would decrease the fair value of the positions. An increase to the heat rate or renewable factors would increase the fair value accordingly. Generally, interrelationships exist between market prices of natural gas and power. As such, an increase in natural gas pricing would potentially have a similar impact on forward power markets.

7. Derivative Financial Instruments (Exelon, Generation, ComEd, PECO and BGE)

The Registrants are exposed to certain risks related to ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk.

Commodity Price Risk (Exelon, Generation, ComEd, PECO and BGE)

To the extent the amount of energy Exelon generates differs from the amount of energy it has contracted to sell, the Registrants are exposed to market fluctuations in the prices of electricity, fossil fuels and other commodities. The Registrants employ established policies and procedures to manage their risks associated with market fluctuations by entering into physical contracts as well as financial derivative contracts including swaps, futures, forwards, options and short-term and long-term commitments to purchase and sell energy and energy-related products. The Registrants believe these instruments, which are classified as either economic hedges or non-derivatives, mitigate exposure to fluctuations in commodity prices.

Derivative accounting guidance requires that derivative instruments be recognized as either assets or liabilities at fair value, with changes in fair value of the derivative recognized in earnings each period. Other accounting treatments are available through special election and designation, provided they meet specific, restrictive criteria both at the time of designation and on an ongoing basis. These alternative permissible accounting treatments include normal purchase normal sale (NPNS), cash flow hedge, and fair value hedge. For commodity transactions, effective with the date of merger with Constellation, Generation will no longer utilize the special election provided for by the cash flow hedge designation and de-designated all of its existing cash flow hedges prior to the merger. None of Constellation's designated cash flow hedges for commodity transactions prior to the merger were re-designated as cash flow hedges. The effect of this decision is that all economic hedges for commodities will be recorded at fair value through earnings for the combined company going forward, referred to as economic hedges in the following tables. The Registrants have applied the normal purchases and normal sales scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements, and natural gas supply agreements. Non-derivative contracts for access to additional generation and certain sales to load-serving entities are accounted for primarily under the accrual method of accounting, which is further discussed in Note 18 of the Exelon 2011 Form 10-K. Additionally, Generation is exposed to certain market risks through its proprietary trading activities. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's overall energy marketing activities.

Economic Hedging. The Registrants are exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels, and other commodities associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies, and other factors. Within Exelon, Generation has the most exposure to commodity price risk. Generation uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including power sales, fuel and energy purchases, and other energy-related products marketed and purchased. In order to manage these risks, Generation may enter into fixed-price derivative or non-derivative contracts to hedge the variability in future cash flows from forecasted sales of energy and purchases of fuel and energy. The objectives for entering into such hedges include fixing the price for a portion of anticipated future electricity sales at a level that provides an acceptable return on electric generation operations, fixing the price of a portion of anticipated fuel purchases for the operation of power plants, and fixing the price for a portion of anticipated energy purchases to supply load-serving customers. The portion of forecasted transactions hedged may vary based upon management's policies and hedging objectives, the market, weather conditions, operational and other factors. Generation is also exposed to differences between the locational settlement prices of certain economic hedges and the hedged generating units. This price difference is actively managed through other instruments which include derivative congestion products, whose changes in fair value are recognized in earnings each period, and auction revenue rights.

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions that have not been hedged. Generation hedges commodity price risk on a ratable basis over three-year periods. As of March 31, 2012, the percentage of expected generation hedged was 95%-98%, 68%-71%, and 40%-43% for 2012, 2013 and 2014, respectively. The percentage of expected generation hedged is the amount of equivalent sales divided by the expected generation. Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted capacity. Equivalent sales represent all hedging products, which include economic hedges and certain non-derivative contracts including sales to ComEd, PECO and BGE to serve their retail load.

ComEd has locked in a fixed price for a significant portion of its commodity price risk through the five-year financial swap contract with Generation that expires on May 31, 2013, which is discussed in more detail below. In addition, the contracts that Generation has entered into with ComEd and that ComEd has entered into with Generation and other suppliers as part of the ComEd power procurement process, which are further discussed in Note 2 of the Exelon 2011 Form 10-K, qualify for the normal purchases and normal sales exception. Based on the Illinois Settlement Legislation and ICC-approved procurement methodologies permitting ComEd to recover its electricity procurement costs from retail customers with no mark-up, ComEd's price risk related to power procurement is limited.

In order to fulfill a requirement of the Illinois Settlement Legislation, Generation and ComEd entered into a five-year financial swap contract effective August 28, 2007. The financial swap is designed to hedge spot market purchases, which, along with ComEd's remaining energy procurement contracts, meet its load service requirements. The remaining swap contract volume is 3,000 MWs through May 2013. The terms of the financial swap contract require Generation to pay the around-the-clock market price for a portion of ComEd's electricity supply requirement, while ComEd pays a fixed price. The contract is to be settled net, for the difference between the fixed and market pricing, and the financial terms only cover energy costs and do not cover capacity or ancillary services. The financial swap contract is a derivative financial instrument that was originally designated by Generation as a cash flow hedge. As discussed previously, effective with the date of merger with Constellation, Generation de-designated this swap as a cash flow hedge and began recording changes in fair value through current earnings as of that date. Generation records the fair value of the swap on its balance sheet and originally recorded changes in fair value to OCI. The value frozen in OCI as of the date of merger for this swap will be reclassified into Generation's earnings as the swap settles. ComEd has not elected hedge accounting for this derivative financial instrument. Since the financial swap contract was deemed prudent by the Illinois Settlement Legislation, ComEd receives full cost recovery for the contract in rates, and therefore, the change in fair value each period is recorded as a regulatory asset or liability on ComEd's Consolidated Balance Sheets. See Note 2 of the Exelon 2011 Form 10-K for additional information regarding the Illinois Settlement Legislation. In Exelon's consolidated financial statements, all financial statement effects of the financial swap recorded by Generation and ComEd are eliminated.

On December 17, 2010, ComEd entered into several 20-year floating-to-fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. Delivery under the contracts begins in June 2012. These contracts are designed to lock in a portion of the long-term commodity price risk resulting from the renewable energy resource procurement requirements in the Illinois Settlement Legislation. ComEd has not elected hedge accounting for these derivative financial instruments. ComEd records the fair value of the swap contracts on its balance sheet. Because ComEd receives full cost recovery for energy procurement and related costs from retail customers, the change in fair value each period is recorded by ComEd as a regulatory asset or liability.

PECO has contracts to procure electric supply that were executed through the competitive procurement process outlined in its PAPUC-approved DSP Program, which is further discussed in Note 4 — Regulatory Matters: Based on Pennsylvania legislation and the DSP Program permitting PECO to recover its electric supply procurement costs from retail customers with no mark-up, PECO's price risk related to electric supply procurement is limited. PECO locked in fixed prices for a significant portion of its commodity price risk through full requirements contracts and block contracts. PECO's full requirements contracts and block contracts, which are considered derivatives, qualify for the normal purchases and normal sales scope exception under current derivative authoritative guidance. For block contracts designated as normal purchases after inception, the mark-to-market balances previously recorded on PECO's Consolidated Balance Sheet were amortized over the terms of the contracts, which ended on December 31, 2011.

PECO's natural gas procurement policy is designed to achieve a reasonable balance of long-term and short-term gas purchases under different pricing approaches in order to achieve system supply reliability at the least cost. PECO's reliability strategy is two-fold. First, PECO must assure that there is sufficient transportation capacity to satisfy delivery requirements. Second, PECO must ensure that a firm source of supply exists to utilize the capacity resources. All of PECO's natural gas supply and asset management agreements that are derivatives either qualify for the normal purchases and normal sales scope exception and have been designated as such, or have no mark-to-market balances because the derivatives are index priced. Additionally, in accordance with the 2011 PAPUC PGC settlement and to reduce the exposure of PECO and its customers to natural gas price volatility, PECO has continued its program to purchase natural gas for both winter and summer supplies using a layered approach of locking-in prices ahead of each season with long-term gas purchase agreements (those with primary terms of at least twelve months). Under the terms of the 2011 PGC settlement, PECO is required to lock in (i.e., economically hedge) the price of a minimum volume of its long-term gas commodity purchases. PECO's gas-hedging program is designed to cover 22% to 29% of planned natural gas purchases in support of projected firm sales. The hedging program for natural gas procurement has no direct impact on PECO's financial position or results of operations as natural gas costs are fully recovered from customers under the PGC.

Proprietary Trading. Generation also enters into certain energy-related derivatives for proprietary trading purposes. Proprietary trading includes all contracts entered into with the intent of benefiting from shifts or changes in market prices as opposed to those entered into with the intent of hedging or managing risk. Proprietary trading activities are subject to limits established by Exelon's RMC. The proprietary trading activities, which included settled physical sales volumes of 1,888 GWh and 1,333 GWh for the three months ended March 31, 2012 and 2011, respectively, are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's revenue from energy marketing activities. ComEd, PECO and BGE do not enter into derivatives for proprietary trading purposes.

Interest Rate Risk (Exelon, Generation, ComEd, PECO and BGE)

The Registrants use a combination of fixed-rate and variable-rate debt to manage interest rate exposure. The Registrants may also utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to manage their interest rate exposure. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings, which are typically designated as cash flow hedges. These strategies are employed to manage interest rate risks. For interest rate hedges that qualify and are designated as cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in value of the underlying exposure is deferred in accumulated OCI and later reclassified into earnings when the underlying interest rate transaction occurs. For interest rate hedges that qualify and are designated as fair value hedges, only the ineffective portion of the derivative gain or loss will impact earnings. Assuming the fair value and cash flow hedges are effective, a hypothetical 50 bps increase in the interest rates associated with variable-rate debt and interest rate swaps would result in less than a \$1 million decrease in each of Exelon's, Generation's and PECO's pre-tax income for the three months ended March 31, 2012. Below is a summary of the interest rate hedges as of March 31, 2012.

Description	Generation				Other	Exelon
	Derivatives Designated as Hedging Instruments	Economic Hedges (a)	Proprietary Trading (a)	Subtotal	Derivatives Designated as Hedging Instruments	Total
Mark-to-market derivative assets (Current Assets)	\$ —	\$ 3	\$ 18	\$ 21	\$ —	\$ 21
Mark-to-market derivative assets (Noncurrent Assets)	42	12	30	84	14	98
Total mark-to-market derivative assets	\$ 42	\$ 15	\$ 48	\$ 105	\$ 14	\$ 119
Mark-to-market derivative liabilities (Current Liabilities)	\$ —	\$ (2)	\$ (18)	\$ (20)	\$ —	\$ (20)
Mark-to-market derivative liabilities (Noncurrent Liabilities)	(3)	—	(31)	(34)	—	(34)
Total mark-to-market derivative	\$ (3)	\$ (2)	\$ (49)	\$ (54)	\$ —	\$ (54)

liabilities						
Total mark-to-market derivative net assets (liabilities)	\$ 39	\$ 13	\$ (1)	\$ 51	\$ 14	\$ 65

(a) Generation enters into interest rate derivative contracts to economically hedge risk associated with the interest rate component of commodity positions. The characterization of the interest rate derivative contracts between the economic hedge and proprietary trading activity in the above table is driven by the corresponding characterization of the underlying commodity position that gives rise to the interest rate exposure. The company does not utilize interest rate derivatives with the objective of benefiting from shifts or change in market interest rates.

Fair Value Hedges. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Exelon includes the gain or loss on the hedged items and the offsetting loss or gain on the related interest rate swaps in interest expense as follows:

Income Statement Classification	Gain (Loss) on Swaps Three Months Ended March 31,		Gain (Loss) on Borrowings Three Months Ended March 31,	
	2012	2011	2012	2011
	\$ (3)	\$ (2)	\$ 1	\$ 2
Interest expense(a)				

(a) For the period ended March 31, 2012, the (loss) on the swaps in the table above includes pre-tax losses of \$1 million related to changes in fair value hedges, which is excluded from hedge ineffectiveness.

At March 31, 2012 and December 31, 2011, Exelon had \$650 million and \$100 million, respectively, of notional amounts of fair value hedges outstanding related to interest rate swaps, with fair value assets of \$56 million and \$14 million, respectively, which expire in 2015. Upon merger closing, \$550 million of fixed-to-floating interest rate swaps previously at Constellation with a fair value of \$44 million, as of March 12, 2012, were re-designated as fair value hedges. During the three months ended March 31, 2012 and December 31, 2011, the impact of loss on the results of operations as a result of ineffectiveness from fair value hedges was \$1 million and \$0 million, respectively.

At March 31, 2012, Exelon had \$150 million of notional amounts related to interest rate swaps, with fair value assets of \$5 million as of March 12, 2012, which were acquired as part of the merger with Constellation. These swaps are marked to market and expire in 2014. During the period from March 12 to March 31, 2012, the impact on the results of operations was immaterial.

Cash Flow Hedges. In connection with the DOE — guaranteed loan for the Antelope Valley acquisition, as discussed in Note 8 — Debt and Credit Agreements, Generation entered into a floating-to-fixed interest rate swap with a notional amount of \$485 million, which hedges approximately 75% of Generation's future interest rate exposure associated with the financing. The swap was designated as a cash flow hedge. As such, the effective portion of the hedge will be recorded in other comprehensive income within Generation's Consolidated Balance Sheets, with any ineffectiveness recorded in Generation's Consolidated Statements of Operations and Comprehensive Income. Net gains (or losses) from settlement of the hedges, to the extent effective, will be amortized as an adjustment to the interest expense over the term of the DOE — guaranteed loan.

As Generation draws down on the loan, a portion of the cash flow hedge will be de-designated and the related gains or losses will be reflected in earnings. In order to mitigate this earnings impact, a series of offsetting hedge transactions will be executed as Generation draws on the loan. At March 31, 2012, Generation's mark-to-market non-current derivative liability relating to the interest rate swap in connection with the loan agreement to fund Antelope Valley as discussed above was immaterial.

As a result of the receipt of the Antelope Valley loan advance on April 5, 2012, as described in Note 8 — Debt and Credit Agreements, Generation entered into a fixed-to-floating interest rate swap with a notional amount of \$52 million, 75% of the loan advance amount to offset a portion of the original interest rate hedge, which is de-designated as a cash flow hedge. The remaining cash flow hedge has a notional amount of \$433 million.

During the third quarter of 2011, a subsidiary of Constellation entered into forward starting interest rate swaps to manage a portion of the interest rate exposure for anticipated long-term borrowings to finance a solar project. The swaps have a total notional amount of \$31 million as of March 31, 2012 and expire in 2027. Upon the closing of the merger with Constellation, the swaps were re-designated as cash flow hedges. At March 31, 2012, the subsidiary had a \$3 million non-current derivative liability related to these swaps.

During the three months ended March 31, 2012 and 2011, the impact on the results of operations as a result of ineffectiveness from cash flow hedges was immaterial.

Fair Value Measurement (Exelon, Generation, ComEd, PECO and BGE)

Fair value accounting guidance requires the fair value of derivative instruments to be shown in the Notes to the Consolidated Financial Statements on a gross basis, even when the derivative instruments are subject to master netting agreements and qualify for net presentation in the Consolidated Balance Sheet. In the table below, Generation's cash flow hedges, other derivatives and proprietary trading derivatives are shown gross and the impact of the netting of fair value balances with the same counterparty, as well as netting of collateral, is aggregated in the collateral and netting column. Excluded from the tables below are economic hedges that qualify for the normal purchases and normal sales scope exception and other non-derivative contracts that are accounted for under the accrual method of accounting.

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of March 31, 2012:

<u>Derivatives</u>	<u>Generation</u>				<u>ComEd</u>	<u>Other</u>	<u>Exelon</u>
	<u>Economic Hedges(a)</u>	<u>Proprietary Trading</u>	<u>Collateral and Netting(b)</u>	<u>Subtotal (c)</u>	<u>Economic Hedges (a)(d)</u>	<u>Intercompany Eliminations (a)</u>	<u>Total Derivatives</u>
Mark-to-market derivative assets (current assets)	\$ 6,707	\$ 7,904	\$(13,141)	\$ 1,470	\$ —	\$ —	\$ 1,470
Mark-to-market derivative assets with affiliate (current assets)	590	—	—	590	—	(590)	—
Mark-to-market derivative assets (noncurrent assets)	3,184	2,083	(3,976)	1,291	—	—	1,291
Mark-to-market derivative assets with affiliate (noncurrent assets)	92	—	—	92	—	(92)	—
Total mark-to-market derivative assets	<u>\$10,573</u>	<u>\$ 9,987</u>	<u>\$(17,117)</u>	<u>\$ 3,443</u>	<u>\$ —</u>	<u>\$ (682)</u>	<u>\$ 2,761</u>
Mark-to-market derivative liabilities (current liabilities)	\$(6,203)	\$ (7,939)	\$ 13,072	\$(1,070)	\$ (16)	\$ —	\$ (1,086)
Mark-to-market derivative liability with affiliate (current liabilities)	—	—	—	—	(590)	590	—
Mark-to-market derivative liabilities (noncurrent liabilities)	(2,291)	(2,028)	3,807	(512)	(125)	—	(637)
Mark-to-market derivative liability with affiliate (noncurrent liabilities)	—	—	—	—	(92)	92	—
Total mark-to-market derivative liabilities	<u>\$ (8,494)</u>	<u>\$ (9,967)</u>	<u>\$ 16,879</u>	<u>\$(1,582)</u>	<u>\$ (823)</u>	<u>\$ 682</u>	<u>\$ (1,723)</u>
Total mark-to-market derivative net assets (liabilities)	<u>\$ 2,079</u>	<u>\$ 20</u>	<u>\$ (238)</u>	<u>\$ 1,861</u>	<u>\$ (823)</u>	<u>\$ —</u>	<u>\$ 1,038</u>

- (a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$590 million and \$92 million, respectively, related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above.
- (b) Represents the netting of fair value balances with the same counterparty and the application of collateral.
- (c) Current and noncurrent assets are shown net of collateral of \$281 million and \$400 million, respectively, and current and noncurrent liabilities are shown inclusive of collateral of \$(212) million and \$(231) million, respectively. The total cash collateral received, net of cash collateral posted and offset against mark-to-market assets and liabilities was \$238 million at March 31, 2012.
- (d) Includes current and noncurrent liabilities relating to floating-to-fixed energy swap contracts with unaffiliated suppliers.

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of December 31, 2011:

Derivatives	Generation					ComEd	Other		Exelon
	Cash Flow Hedges (a)	Economic Hedges	Proprietary Trading	Collateral and Netting(b)	Subtotal (c)	Economic Hedges (a)(d)	Economic Hedges	Intercompany Eliminations (a)	Total Derivatives
Mark-to-market derivative assets (current assets)	\$ 438	\$ 1,195	\$ 217	\$ (1,418)	\$ 432	\$ —	\$ —	\$ —	\$ 432
Mark-to-market derivative assets with affiliate (current assets)	503	—	—	—	503	—	—	(503)	—
Mark-to-market derivative assets (noncurrent assets)	419	582	71	(437)	635	—	15	—	650
Mark-to-market derivative assets with affiliate (noncurrent assets)	191	—	—	—	191	—	—	(191)	—
Total mark-to-market derivative assets	<u>\$1,551</u>	<u>\$ 1,777</u>	<u>\$ 288</u>	<u>\$ (1,855)</u>	<u>\$1,761</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ (694)</u>	<u>\$ 1,082</u>
Mark-to-market derivative liabilities (current liabilities)	\$ (9)	\$ (965)	\$ (194)	\$ 1,065	\$ (103)	\$ (9)	\$ —	\$ —	\$ (112)

Mark-to-market derivative liability with affiliate (current liabilities)	—	—	—	—	—	(503)	—	503	—
Mark-to-market derivative liabilities (noncurrent liabilities)	(4)	(186)	(70)	250	(10)	(97)	—	—	(107)
Mark-to-market derivative liability with affiliate (noncurrent liabilities)	—	—	—	—	—	(191)	—	191	—
Total mark-to-market derivative liabilities	<u>\$ (13)</u>	<u>\$ (1,151)</u>	<u>\$ (264)</u>	<u>\$ 1,315</u>	<u>\$ (113)</u>	<u>\$ (800)</u>	<u>\$ —</u>	<u>\$ 694</u>	<u>\$ (219)</u>
Total mark-to-market derivative net assets (liabilities)	<u>\$ 1,538</u>	<u>\$ 626</u>	<u>\$ 24</u>	<u>\$ (540)</u>	<u>\$ 1,648</u>	<u>\$ (800)</u>	<u>\$ 15</u>	<u>\$ —</u>	<u>\$ 863</u>

- (a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$503 million and \$191 million, respectively, related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above. For Generation excludes \$19 million noncurrent liability relating to an interest rate swap in connection with a loan agreement to fund Antelope Valley as discussed above.
- (b) Represents the netting of fair value balances with the same counterparty and the application of collateral.
- (c) Current and noncurrent assets are shown net of collateral of \$338 million and \$187 million, respectively, and current and noncurrent liabilities are shown inclusive of collateral of \$15 million and \$0 million, respectively. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was \$540 million at December 31, 2011.
- (d) Includes current and noncurrent liabilities relating to floating-to-fixed energy swap contracts with unaffiliated suppliers.

Cash Flow Hedges (Exelon and Generation). Economic hedges that qualify as cash flow hedges primarily consist of forward power sales and power swaps on base load generation. As discussed previously, effective prior to the merger with Constellation, Generation de-designated all of its cash flow hedges relating to commodity price risk. Because the underlying forecasted transactions remain probable, the fair value of the effective portion of these cash flow hedges was frozen in accumulated OCI and will be reclassified to results of operations when the forecasted purchase or sale of the energy commodity occurs, or becomes probable of not occurring. Generation began recording prospective changes in the fair value of these instruments through current earnings from the date of de-designation. The net unrealized gains associated with the de-designated cash flow hedges prior to the merger was \$1,928 million including \$693 million related to the intercompany swap with ComEd. Approximately \$1,270

million of these net pre-tax unrealized gains within accumulated OCI are expected to be reclassified from accumulated OCI during the next twelve months by Generation, including approximately \$597 million related to the financial swap with ComEd. Generation expects the settlement of the majority of its cash flow hedges, including the ComEd financial swap contract, will occur during 2012 through 2014.

Exelon discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item, in the case of forward-starting hedges, or when it is no longer probable that the forecasted transaction will occur. For the three months ended March 31, 2012 and 2011, amounts reclassified into earnings as a result of the discontinuance of cash flow hedges were immaterial.

The tables below provide the activity of accumulated OCI related to cash flow hedges for the three months ended March 31, 2012 and 2011, containing information about the changes in the fair value of cash flow hedges and the reclassification from accumulated OCI into results of operations. The amounts reclassified from accumulated OCI, when combined with the impacts of the actual physical power sales, result in the ultimate recognition of net revenues at the contracted price.

	Income Statement Location	Total Cash Flow Hedge OCI Activity, Net of Income Tax	
		Generation Energy- Related Hedges	Exelon Total Cash Flow Hedges
<u>Three Months Ended March 31, 2012</u>			
Accumulated OCI derivative gain at December 31, 2011		\$ 925(a)(c)	\$ 488
Effective portion of changes in fair value		432(e)	317(d)
Reclassifications from accumulated OCI to net income	Operating Revenues	(194)(b)	(105)
Ineffective portion recognized in income	Operating Revenues	<u>3</u>	<u>3</u>
Accumulated OCI derivative gain at March 31, 2012		\$ 1,166(a)(c)	\$ 703

- (a) Includes \$419 million and \$420 million of gains, net of taxes, related to the fair value of the five-year financial swap contract with ComEd.
- (b) Includes \$89 million of losses, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to the settlements of the five-year financial swap contract with ComEd.
- (c) Excludes \$12 million of gains and \$10 million of losses, net of taxes, related to interest rate swaps and treasury rate locks for the three months ended March 31, 2012 and year ended December 31, 2011, respectively.
- (d) Includes \$12 million of losses, net of taxes, related to the effective portion of changes in fair value of interest rate swaps and treasury rate locks.
- (e) Includes \$88 million of gains, net of taxes, related to the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the period ended March 9, 2012.

		Total Cash Flow Hedge OCI Activity, Net of Income Tax	
	Income Statement Location	Generation Energy- Related Hedges	Exelon Total Cash Flow Hedges
<u>Three Months Ended March 31, 2011</u>			
Accumulated OCI derivative gain at December 31, 2010		\$ 1,011(a)	\$ 400
Effective portion of changes in fair value		63(b)	18
Reclassifications from accumulated OCI to net income	Operating Revenues	(132)(c)	(63)
Ineffective portion recognized in income	Purchased Power	<u>(1)</u>	<u>(1)</u>
Accumulated OCI derivative gain at March 31, 2011		<u>\$ 941(a)(d)</u>	<u>\$ 354</u>

- (a) Includes \$562 million and \$589 million of gains, net of taxes, related to the fair value of the five-year financial swap contract with ComEd, \$2 million and \$3 million of gains, net of taxes, related to the fair value of the block contracts with PECO as of March 31, 2011 and December 31, 2010, respectively.
- (b) Includes a \$41 million gain, net of taxes, related to the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the three months ended March 31, 2011. The PECO block contracts were designated as normal sales as of May 31, 2010. As such, there were no effective changes in fair value of the block contracts with PECO for the three months ended March 31, 2011 as the mark-to-market balances previously recorded will be amortized over the term of the contract.
- (c) Includes a \$68 million loss, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to the settlements of the five-year financial swap contract with ComEd, and a \$1 million loss, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to the fair value of the block contracts with PECO for the three months ended March 31, 2011.
- (d) Excludes \$2 million of gains, net of taxes, related to interest rate swaps and treasury rate locks.

During the three months ended March 31, 2012 and 2011, Generation's cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a \$320 million and a \$218 million pre-tax gain, respectively. Given that the cash flow hedges had primarily consisted of forward power sales and power swaps and did not include gas options or sales, the ineffectiveness of Generation's cash flow hedges was primarily the result of differences between the locational settlement prices of the cash flow hedges and the hedged generating units. This price difference was actively managed through other instruments, which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were decreases of \$5 million and increases of \$2 million through the date of de-designation in March of 2012 and for the three months ended March 31, 2011, respectively, none of which was related to Generation's financial swap contract with ComEd, Generation's block contracts with PECO or BGE. Cash flow hedge ineffectiveness resulted in a decrease \$3 million related to accumulated OCI on the balance sheet in order to reflect the effective portions of derivative gains or losses at March 31, 2011.

Exelon's energy-related cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a \$173 million and a \$105 million pre-tax gain for the three months ended March 31, 2012 and 2011, respectively. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were decreases of \$5 million and increases of \$2 million through the date of de-designation in March of 2012 and for the three months ended March 31, 2011, respectively. Cash flow hedge ineffectiveness resulted in a decrease of \$3 million related to accumulated OCI on the balance sheet in order to reflect the effective portions of derivative gains or losses at March 31, 2011.

Economic Hedges (Exelon and Generation). These instruments represent hedges that mitigate exposure to fluctuations in commodity prices and include financial options, futures, swaps, and physical forward sales and purchases. For the three months ended March 31, 2012 and 2011, the following net pre-tax mark-to-market gains (losses) of certain purchase and sale contracts were reported in operating revenues or purchased power and fuel expense at Exelon and Generation in the Consolidated Statements of Operations and Comprehensive Income and are included in "Net fair value changes related to derivatives" in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Generation			Intercompany Eliminations	Exelon
	Operating Revenues	Purchased Power and Fuel	Total	Operating Revenues(a)	Total
Three Months Ended March 31, 2012					
Change in fair value	\$ 138	\$ (40)	\$ 98	\$ 11	\$ 109
Reclassification to realized at settlement	(60)	27	(33)	—	(33)
Net mark-to-market gains (losses)	<u>\$ 78</u>	<u>\$ (13)</u>	<u>\$ 65</u>	<u>\$ 11</u>	<u>\$ 76</u>
Exelon and Generation					
Three Months Ended March 31, 2011 (As Reported)	Operating Revenues	Purchased Power	Total		

Change in fair value	\$ —	and Fuel \$ (3)	\$ (3)
Reclassification to realized at settlement	—	(145)	(145)
Net mark-to-market gains (losses)(b)	<u>\$ —</u>	<u>\$ (148)</u>	<u>\$ (148)</u>

	Exelon and Generation		
	Operating Revenues	Purchased Power and Fuel	Total
<u>Three Months Ended March 31, 2011</u>			
<u>(Pro Forma)</u>			
Change in fair value	\$ 1	\$ (4)	\$ (3)
Reclassification to realized at settlement	(132)	(13)	(145)
Net mark-to-market gains (losses)(b)	<u>\$ (131)</u>	<u>\$ (17)</u>	<u>\$ (148)</u>

- (a) Prior to the merger, the five year financial swap contract between Generation and ComEd was de-designated. As a result, all prospective changes in fair value are recorded to operating revenues and eliminated in consolidation.
- (b) Exelon and Generation have historically presented mark-to-market gains and losses within purchased power expense for all non-trading, energy-related derivatives that were not accounted for as cash flow hedges. In 2011, Exelon and Generation classified the mark-to-market gains and losses for contracts, where the underlying hedged transaction was an expected sale to hedge power, to operating revenues.

Proprietary Trading Activities (Exelon and Generation). For the three months ended March 31, 2012 and 2011, Exelon and Generation recognized the following net unrealized mark-to-market gains (losses), net realized mark-to-market gains (losses) and total net mark-to-market gains (losses) (before income taxes) relating to mark-to-market activity on derivative instruments entered into for proprietary trading purposes. Gains and losses associated with proprietary trading are reported as operating revenue in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and are included in "Net fair value changes related to derivatives" in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Location on Income Statement	Three Months Ended March 31, •	
		2012	2011
Change in fair value	Operating Revenues	\$ 2	\$ 4
Reclassification to realized at settlement	Operating Revenues	1	(6)
Net mark-to-market gains (losses)	Operating Revenues	<u>\$ 3</u>	<u>\$ (2)</u>

Credit Risk (Exelon, Generation, ComEd, PECO and BGE)

The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties that enter into derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. For energy-related derivative instruments, Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allow for cross product netting. In addition to payment netting language in the enabling agreement, Generation's credit department establishes credit limits, margining thresholds and collateral requirements for each counterparty, which are defined in the derivative contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

The following tables provide information on Generation's credit exposure for all derivative instruments, normal purchase and normal sales, and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of March 31, 2012. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties and an indication of the maturity of a company's credit risk by credit rating of the counterparties. The figures in the tables below do not include credit risk exposure from uranium procurement contracts or exposure through RTOs, ISOs, NYMEX, ICE and Nodal commodity exchanges, further discussed in ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. Additionally, the figures in the tables below do not include exposures with affiliates, including net receivables with ComEd, PECO and BGE of \$76 million, \$46 million and \$8 million, respectively.

<u>Rating as of March 31, 2012</u>	<u>Total Exposure Before Credit Collateral</u>	<u>Credit Collateral</u>	<u>Net Exposure</u>	<u>Number of Counterparties Greater than 10% of Net Exposure</u>	<u>Net Exposure of Counterparties Greater than 10% of Net Exposure</u>
Investment grade	\$ 2,835	\$ 895	\$ 1,940	—	\$ —
Non-investment grade	62	49	13	—	—
No external ratings					
Internally rated — investment grade	617	19	598	1	293
Internally rated — non-investment grade	41	4	37	—	—
Total	<u>\$ 3,555</u>	<u>\$ 967</u>	<u>\$ 2,588</u>	<u>1</u>	<u>\$ 293</u>

<u>Net Credit Exposure by Type of Counterparty</u>	<u>As of March 31, 2012</u>
Investor-owned utilities, marketers and power producers	\$ 1,206
Energy cooperatives and municipalities	798
Financial institutions	488
Other	96
Total	<u>\$ 2,588</u>

ComEd's power procurement contracts provide suppliers with a certain amount of unsecured credit. The credit position is based on forward market prices compared to the benchmark prices. The benchmark prices are the forward prices of energy projected through the contract term and are set at the point of supplier bid submittals. If the forward market price of energy exceeds the benchmark price, the suppliers are required to post collateral for the secured credit portion after adjusting for any unpaid deliveries and unsecured credit allowed under the contract. The unsecured credit used by the suppliers represents ComEd's net credit exposure. As of March 31, 2012, ComEd's credit exposure to suppliers was immaterial.

ComEd is permitted to recover its costs of procuring energy through the Illinois Settlement Legislation as well as the ICC-approved procurement tariffs. ComEd's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 2 of the Exelon 2011 Form 10-K for further information.

PECO's supplier master agreements that govern the terms of its electric supply procurement contracts, which define a supplier's performance assurance requirements, allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from the major credit rating agencies and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of March 31, 2012, PECO had no net credit exposure to suppliers.

PECO is permitted to recover its costs of procuring electric supply through its PAPUC-approved DSP Program. PECO's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 4 — Regulatory Matters for further information.

PECO's natural gas procurement plan is reviewed and approved annually on a prospective basis by the PAPUC. PECO's counterparty credit risk under its natural gas supply and asset management agreements is mitigated by its ability to recover its natural gas costs through the PGC, which allows PECO to adjust rates quarterly to reflect realized natural gas prices. PECO does not obtain collateral from suppliers under its natural gas supply and asset management agreements; however, the natural gas asset managers have provided \$14 million in parental guarantees related to these agreements. As of March 31, 2012, PECO had credit exposure of \$3 million under its natural gas supply and asset management agreements with investment grade suppliers.

BGE is permitted to recover its costs of procuring energy through the MDPSC-approved procurement tariffs. BGE's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 6 of BGE's 2011 Form 10-K for further information.

BGE's full requirement wholesale electric power agreements that govern the terms of its electric supply procurement contracts, which define a supplier's performance assurance requirements, allow a supplier, or its guarantor, to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from the major credit rating agencies and the supplier's tangible net worth, subject to an unsecured credit cap. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. The seller's credit exposure is calculated each business day. As of March 31, 2012, BGE had no net credit exposure to suppliers.

BGE's regulated gas business is exposed to market-price risk. This market-price risk is mitigated by BGE's recovery of its costs to procure natural gas through a gas cost adjustment clause approved by the MDPSC. BGE does make off-system sales after BGE has satisfied its customers' demand, which are not covered by the gas cost adjustment clause. At March 31, 2012, BGE had credit exposure of \$8 million related to off-system sales which is mitigated by parental guarantees, letters of credit, or right to offset clauses within other contracts with those third party suppliers.

Collateral and Contingent-Related Features (Exelon, Generation, ComEd, PECO and BGE)

As part of the normal course of business, Generation routinely enters into physical or financially settled contracts for the purchase and sale of electric capacity, energy, fuels and emissions allowances. Certain of Generation's derivative instruments contain provisions that require Generation to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Generation's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit-risk-related contingent features stipulate that if Generation were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. This incremental collateral requirement allows for the offsetting of derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master netting agreements. Generation also enters into commodity transactions on NYMEX, ICE and Nodal Exchange ("the exchanges"). The exchanges act as the counterparty to each trade. Transactions on the exchanges must adhere to comprehensive collateral and margining requirements.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features in a liability position that are not fully collateralized (excluding transactions on the exchanges that are fully collateralized) is detailed in the table below:

Credit-Risk Related Contingent Feature				March 31, 2012
Gross Fair Value of Derivative Contracts Containing this Feature(1)	Offsetting Fair Value of In-the- Money Contracts Under Master Netting Arrangements(2)	Net Fair Value of Derivative Contracts Containing This Feature(3)	Amount of Held/ (Posted) Collateral(4)	Contingent Collateral Obligation for Downgrade to BB+ or Ba1(5)
\$5,623	\$ 4,397	\$ 1,226	\$ (948)	\$ 2,772

Credit-Risk Related Contingent Feature				December 31, 2011
Gross Fair Value of Derivative Contracts Containing this Feature(1)	Offsetting Fair Value of In-the-Money Contracts Under Master Netting Arrangements(2)	Net Fair Value of Derivative Contracts Containing This Feature(3)	Amount of Held/ (Posted) Collateral(4)	Contingent Collateral Obligation for Downgrade to BB+ or Bal(5)
\$ 1,014	\$ 928	\$ 86	\$ 631	\$ 1,612

- (1) Amount represents the gross fair value of out-of-the-money derivative contracts containing credit-risk-related contingent features that are not fully collateralized by posted cash collateral on an individual, contract-by-contract basis ignoring the effects of master netting agreements.
- (2) Amount represents the offsetting fair value of in-the-money derivative contracts under legally-enforceable master netting agreements with the same counterparty, which reduces the amount of any liability for which Exelon could potentially be required to post collateral.
- (3) Amount represents the net fair value of out-of-the-money derivative contracts containing credit-risk related contingent features after considering the mitigating effects of offsetting positions under master netting arrangements and reflects the actual net liability upon which any potential contingent collateral obligations would be based.
- (4) Amount includes cash collateral held of \$215 million and letters of credit posted of (\$1,164) million at March 31, 2012 and cash collateral held of \$542 million and letters of credit held of \$89 million at December 31, 2011.
- (5) Amounts represent the additional collateral that Exelon Generation Company, LLC and Constellation Energy Commodities Group, Inc. could be required to post with counterparties, including both cash collateral and letters of credit, in the event of a credit downgrade to below investment grade after giving consideration to offsetting derivative and non-derivative positions under master netting agreements.

Generation's interest rate swaps contain provisions that, in the event of a merger, if Generation's debt ratings were to materially weaken, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity. Collateralization would not be required under any circumstance. Termination of the agreement could result in a settlement payment by Exelon or the counterparty on any interest rate swap in a net liability position. The settlement amount would be equal to the fair value of the swap on the termination date. As of March 31, 2012, Generation's interest rate swap was in an asset position, with a fair value of \$51 million.

See Note 18 of the Exelon 2011 Form 10-K for further information regarding the letters of credit supporting the cash collateral.

Generation entered into SFCs with certain utilities, including PECO and BGE, with one-sided collateral postings only from Generation. If market prices fall below the benchmark price levels in these contracts, the utilities are not required to post collateral. However, when market prices rise above the benchmark price levels, counterparty suppliers, including Generation, are required to post collateral once certain unsecured credit limits are exceeded. Under the terms of the financial swap contract between Generation and ComEd, if a party is downgraded below investment grade by Moody's or S&P, collateral postings would be required by that party depending on how market prices compare to the benchmark price levels. Under the terms of the financial swap contract, collateral postings will never exceed \$200 million from either ComEd or Generation. Under the terms of ComEd's standard block energy contracts, collateral postings are one-sided from suppliers, including Generation, should exposures between market prices and benchmark prices exceed established unsecured credit limits outlined in the contracts. As of March 31, 2012, ComEd held both cash and letters of credit for the purpose of collateral from suppliers in association with energy procurement contracts. These amounts were not material. Under the terms of ComEd's annual renewable energy contracts, collateral postings are required to cover a fixed value for RECs only. In addition, under the terms of ComEd's long-term renewable energy contracts, collateral postings are required from suppliers for both RECs and energy. The REC portion is a fixed value and the energy portion is one-sided from suppliers should the forward market prices exceed contract prices. As of March 31, 2012, ComEd held approximately \$19 million in the form of cash and letters of credit as margin for both the annual and long-term REC obligations. See Note 2 of the Exelon 2011 Form 10-K for further information.

PECO's natural gas procurement contracts contain provisions that could require PECO to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PECO's credit rating

from the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. As of March 31, 2012, PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of March 31, 2012, PECO could have been required to post approximately \$48 million of collateral to its counterparties.

PECO's supplier master agreements that govern the terms of its DSP Program contracts do not contain provisions that would require PECO to post collateral.

BGE's full requirements wholesale power agreements that govern the terms of its electric supply procurement contracts do not contain provisions that would require BGE to post collateral.

BGE's natural gas procurement contracts contain provisions that could require BGE to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon BGE's credit rating from the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. As of March 31, 2012, BGE was not required to post collateral for any of these agreements. If BGE lost its investment grade credit rating as of March 31, 2012, the amount that BGE would have been required to provide related to its natural gas procurement contracts is well within BGE's current available credit facility capacity of \$599 million.

Exelon's interest rate swaps contain provisions that, in the event of a merger, if Exelon's debt ratings were to materially weaken, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity. Collateralization would not be required under any circumstance. Termination of the agreement could result in a settlement payment by Exelon or the counterparty on any interest rate swap in a net liability position. The settlement amount would be equal to the fair value of the swap on the termination date. As of March 31, 2012, Exelon's interest rate swap was in an asset position, with a fair value of \$65 million.

Accounting for the Offsetting of Amounts Related to Certain Contracts (Exelon and Generation)

As of March 31, 2012 and December 31, 2011, \$22 million and \$2 million, respectively, of cash collateral received was not offset against derivative positions, because they were not associated with energy-related derivatives.

8. Debt and Credit Agreements (Exelon, Generation, ComEd, PECO and BGE)

Short-Term Borrowings

Exelon, ComEd and BGE meet their short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool. Exelon had bank lines of credit under committed credit facilities at March 31, 2012 for short-term financial needs, as follows:

<u>Type of Credit Facility</u>	<u>Amount(a)</u> <u>(In billions)</u>	<u>Expiration Dates</u>	<u>Capacity Type</u>
<u>Exelon Corporate</u>			
Syndicated Revolver	\$ 2.00	October 2013 to March 2016	Letters of credit and cash
Bilateral	1.56	September 2013 to December 2014	Letters of credit and cash
<u>Generation</u>			
Syndicated Revolver	5.30	March 2016	Letters of credit and cash
Bilateral	0.30	December 2015 and March 2016	Letters of credit and cash
<u>ComEd</u>			
Syndicated Revolver	1.00	March 2017	Letters of credit and cash
<u>PECO</u>			
Syndicated Revolver	0.60	March 2016	Letters of credit and cash
<u>BGE</u>			
Syndicated Revolver	0.60	March 2015	Letters of credit and cash
Total	<u><u>\$ 11.36</u></u>		

- (a) Excludes \$118 million of credit facility agreements arranged with minority and community banks at Generation, ComEd and PECO. These facilities, which expire in October 2012, are solely utilized to issue letters of credit.

As of March 31, 2012, there were no borrowings under the Registrants' credit facilities.

The Registrants had the following amounts of commercial paper borrowings outstanding as of March 31, 2012 and December 31, 2011:

<u>Commercial Paper Borrowings</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Exelon Corporate	\$ —	\$ 161
Generation	—	—
ComEd	302	—
PECO	—	—
BGE	—	—

ComEd Credit Facility

On March 28, 2012, ComEd replaced its unsecured revolving credit facility with a new facility with aggregate bank commitments of \$1.0 billion. Under this facility, ComEd may issue letters of credit in the aggregate amount of up to \$500 million. The credit agreement has an initial term expiring on March 28, 2017 and ComEd may request up to two, one-year extensions of that term. The credit facility also allows ComEd to request increases in the aggregate commitments of up to an additional \$500 million. Any such extensions or increases are subject to the approval of the lenders party to the credit agreement in their sole discretion. ComEd incurred \$3 million in costs related to the replacement of the credit facility. These costs included upfront arranger fees and filing costs, which will be amortized to interest expense over the term of the credit facility.

Borrowings under the credit agreement may bear interest at a rate based upon either the prime rate or a LIBOR-based rate, plus an adder based upon ComEd's credit rating. The maximum adders for prime rate borrowings and LIBOR-based rate borrowings are 65 basis points and 165 basis points, respectively. The credit agreement requires ComEd to pay a facility fee based upon the aggregate commitments under the agreement. The maximum facility fee is 35 basis points. The fee varies depending upon ComEd's credit rating. As of March 31, 2012, ComEd adders were 27.5 basis points and 127.5 basis points for prime rate and LIBOR-based rate borrowings, respectively.

Exelon Credit Facilities

In connection with the Upstream Merger, Exelon assumed all of Constellation's obligations under its three-year, unsecured revolving credit facility (the "Constellation Credit Agreement"). Effective as of the Initial Merger, the Constellation Credit Agreement was amended and restated to (1) permit Exelon and Constellation to consummate the Upstream Merger and the restructuring transaction, (2) reduce the aggregate commitments under the Constellation Credit Agreement from \$2.5 billion to \$1.5 billion, and (3) conform some of the representations, warranties, covenants and events of default in the Constellation Credit Agreement with representations, warranties, covenants and events of default in the Exelon credit agreement, dated as of March 23, 2011, as amended as of the Initial Merger. In connection with the Upstream Merger, Exelon also assumed Constellation's obligations under four separate bilateral credit facilities and a commodity-linked credit facility, which were also amended to conform with the Constellation Credit Agreement effective as of the Initial Merger. Effective as of the Initial Merger, the Exelon Credit Agreement and the Exelon Generation Credit Agreement were amended and restated pursuant to an amendment to conform some of the representations, warranties and covenants with provisions of the Constellation Credit Agreement, as amended effective as of the Initial Merger. See Note 3 — Merger and Acquisitions for further description of the merger transaction.

Long-Term Debt

In connection with the Upstream Merger, Exelon (parent company) assumed the following series of debt obligations originally issued by Constellation under either its 1999 Indenture, Second Supplemental Indenture to the 2006 Indenture, or First Supplemental Indenture to 2008 Indenture:

- \$700 million aggregate principal amount of 7.60% Fixed-Rate Notes due 2032, all of which was outstanding as of March 31, 2012;

- \$550 million aggregate principal amount of 4.55% Fixed-Rate Notes due 2015, all of which was outstanding as of March 31, 2012;
- \$450 million aggregate principal amount of 8.625% Series A Junior Subordinated Debentures due 2063, all of which was outstanding as of March 31, 2012; and
- \$550 million aggregate principal amount of 5.15% Notes due 2020, all of which was outstanding as of March 31, 2012.

In connection with the debt obligations assumed by Exelon as part of the merger, Exelon and subsidiaries of Generation (former Constellation subsidiaries) assumed intercompany loan agreements that mirror the terms and amounts of the external obligations held by Exelon, resulting in intercompany notes payable at Generation and an intercompany notes receivable at Exelon Corporate. Under the intercompany loan agreements, interest and principal repayment by the Generation subsidiaries align with the payment of the interest and principal to third parties under the assumed debt obligations.

Issuance of Long-Term Debt

During the three months ended March 31, 2012, there were no issuances of long-term debt.

During the three months ended March 31, 2011, the following long-term debt was issued:

<u>Company</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Use of Proceeds</u>
ComEd	First Mortgage Bonds	1.625%	January 15, 2014	\$ 600	Used as an interim source of liquidity for January 2011 contribution for Exelon-sponsored pension plans in which ComEd participates and for other general corporate purposes.

Retirement of Long-Term Debt

During the three months ended March 31, 2012, the following long-term debt was retired:

<u>Company</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
ComEd	First Mortgage Bond Series 98	6.15 %	March 15, 2012	\$ 450

During the three months ended March 31, 2011, the following long-term debt was retired:

<u>Company</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Generation	Kennett Square Capital Lease	7.83 %	September 20, 2020	\$ 1

Accounts Receivable Agreement

PECO is party to an agreement with a financial institution under which it transferred an undivided interest, adjusted daily, in its customer accounts receivable designated under the agreement in exchange for proceeds of \$225 million, which is classified as a short-term note payable on Exelon's and PECO's Consolidated Balance Sheets. As of March 31, 2012 and December 31, 2011, the financial institution's undivided interest in Exelon's and PECO's gross customer accounts receivable was equivalent to \$348 million and \$329 million, respectively, which represents the financial institution's interest in PECO's eligible receivables as calculated under the terms of the agreement. The agreement requires PECO to maintain eligible receivables at least equivalent to the financial institution's undivided interest. Effective April 30, 2012, PECO and the financial institution entered into an amendment to the agreement, which modifies certain eligibility criteria, which will increase the amount of PECO's receivables that will be considered eligible receivables under the agreement for purposes of satisfying this requirement. Upon termination or liquidation of this agreement, the financial institution is entitled to recover up to \$225 million plus the accrued yield

payable from its undivided interest in PECO's receivables. On September 2, 2011, PECO extended this agreement, which terminates on August 31, 2012 unless extended in accordance with its terms. As of March 31, 2012, PECO was in compliance with the requirements of the agreement. In the event the agreement is not extended, PECO has sufficient short-term liquidity and may seek alternate financing.

Antelope Valley Project Development Debt Agreement

On September 28, 2011, the DOE Loan Programs Office issued a guarantee for up to \$646 million for a non-recourse loan from the Federal Financing Bank to support the financing of the construction of the Antelope Valley facility. The project is expected to be completed at the end of 2013. The loan will mature on January 5, 2037. Interest rates on the loan will be fixed upon each advance at a spread of 37.5 basis points above U.S. Treasuries of comparable maturity. In connection with this agreement, Generation entered into a floating-to-fixed interest rate swap with a notional amount of \$485 million to mitigate interest rate risk associated with the financing prior to the advances. On April 5, 2012, Antelope Valley received the first DOE-guaranteed loan advance of \$69 million and terminated the put option that Generation had on the Antelope Valley project. As a result, Generation entered into a fixed-to-floating interest rate swap with a notional amount of \$52 million, 75% of the first loan advance amount to offset a portion of the original interest rate hedge. See Note 7 — Derivative Financial Instruments for additional information on the interest rate swap.

In addition, Generation has issued letters of credit to support its equity investment in the project. As of March 31, 2012, Generation had \$689 million in letters of credit outstanding related to the project. The letters of credit balance is expected to decline over time as scheduled equity contributions for the project are made.

9. Income Taxes (Exelon, Generation, ComEd, PECO and BGE)

The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

<u>For the Three Months Ended March 31, 2012</u>	<u>Exelon(a)</u>	<u>Generation(a)</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE(b)</u>
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:					
State income taxes, net of Federal income tax benefit	(27.4)	1.2	5.9	3.4	4.4
Qualified nuclear decommissioning trust fund income	16.0	14.7	—	—	—
Domestic production activities deduction	(1.2)	(1.2)	—	—	—
Tax exempt income	(0.4)	(0.4)	—	—	—
Health Care Reform Legislation	0.2	—	0.4	—	—
Amortization of investment tax credit	(0.8)	(0.5)	(0.3)	(0.3)	0.9
Plant basis differences	(3.0)	—	—	(3.5)	2.7
Production tax credits	(0.5)	(3.1)	—	—	—
Fines & Penalties	13.3	11.9	—	—	—
Merger Expenses	13.2	—	—	—	(8.5)
Other	(0.3)	0.5	0.2	(0.1)	0.3
Effective income tax rate	<u>44.1%</u>	<u>58.1%</u>	<u>41.2%</u>	<u>34.5%</u>	<u>34.8%</u>
<u>For the Three Months Ended March 31, 2011</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE(b)</u>
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:					
State income taxes, net of Federal income tax benefit	5.5	6.1	7.3	(3.9)	4.6
Qualified nuclear decommissioning trust fund income	2.3	3.2	—	—	—
Domestic production activities deduction	(0.9)	(1.3)	—	—	—

Tax exempt income	(0.1)	(0.1)	—	—	—
Health Care Reform Legislation	—	—	—	—	(1.9)
Amortization of investment tax credit	(0.2)	(0.2)	(0.4)	(0.3)	(0.2)
Plant basis differences	—	—	—	(0.2)	(0.8)
Production tax credits	(0.9)	(1.3)	—	—	—
Other	(0.7)	(1.0)	0.1	0.2	—
Effective income tax rate	<u>40.0%</u>	<u>40.4%</u>	<u>42.0%</u>	<u>30.8%</u>	<u>36.7%</u>

- (a) Exelon activity for the three months ended March 31, 2012 includes the results of Constellation and PGE for March 12, 2012 — March 31, 2012. Generation activity for the three months ended March 31, 2012 includes the results of Constellation for March 12, 2012 — March 31, 2012.
- (b) PGE activity represents the activity for the three months ended March 31, 2012 and 2011. PGE recognized a loss before income taxes for the three months ended March 31, 2012. As a result, positive percentages represent an income tax benefit for PGE for the three months ended March 31, 2012.
- (c) Prior to the close of the merger, the Registrants recorded the applicable taxes on merger transaction costs assuming the merger would not be completed. Upon closing of the merger, the Registrants reversed such taxes for those merger transaction costs that were determined to be non tax-deductible upon successful completion of a merger.

Accounting for Uncertainty in Income Taxes

Exelon, Generation, ComEd, PECO, and PGE have \$1,040 million, \$874 million, \$69 million, \$48 million, and \$1 million, respectively, of unrecognized tax benefits as of March 31, 2012. Exelon's, Generation's, ComEd's, PECO's and PGE's uncertain tax positions have not significantly changed since December 31, 2011. See Note 11 of the Exelon 2011 Form 10-K and Note 10 of the 2011 Form 10-K for Constellation and PGE for further discussion of reasonably possible changes that could occur in unrecognized tax benefits during the next twelve months.

Other Income Tax Matters

IRS Appeals 1999-2001 (Exelon, ComEd and PECO)

1999 Sale of Fossil Generating Assets (Exelon and ComEd). Exelon, through its ComEd subsidiary, took two positions on its 1999 income tax return to defer approximately \$2.8 billion of tax gain on the 1999 sale of ComEd's fossil generating assets. Exelon deferred approximately \$1.6 billion of the gain under the involuntary conversion provisions of the IRC. The remaining approximately \$1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the IRC. Exelon received the IRS audit report for 1999 through 2001, which reflected the full disallowance of the deferral of gain associated with both the involuntary conversion position and the like-kind exchange transaction.

Competitive Transition Charges (Exelon, ComEd, and PECO). Exelon filed refund claims with the IRS taking the position that CTCs collected during ComEd's and PECO's transition periods represented compensation for a taking of their respective properties and, accordingly, were excludible from taxable income as proceeds from an involuntary conversion. The tax basis of property acquired with the funds provided by the CTCs would be reduced such that the benefits of the position are temporary in nature. The IRS disallowed the refund claims for the 1999/2001 tax years.

Status of Tax Positions. In the second quarter of 2010, Exelon concluded that it had sufficient new information that a remeasurement of the involuntary conversion and CTC positions was required in accordance with applicable accounting standards. As a result, Exelon recorded \$65 million (after-tax) of interest expense, of which \$36 million (after-tax) and \$22 million (after-tax) were recorded at ComEd and PECO, respectively. ComEd also recorded a current tax expense of \$70 million offset with a tax benefit recorded at Generation of \$70 million. In the third quarter of 2010, Exelon and IRS Appeals reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and CTC positions. The agreement is consistent with IRS Appeals' second quarter 2010 offer to settle the involuntary conversion and CTC positions and also includes IRS Appeals' agreement to withdraw its assertion of the \$10 million substantial understatement penalty with respect to Exelon's involuntary conversion position. Final resolution of the involuntary conversion and CTC disputes remains subject to finalizing terms and

calculations and executing definitive agreements satisfactory to both parties and is subject to the review of the Joint Committee on Taxation. As a result of the preliminary agreement, Exelon and ComEd eliminated any liability for unrecognized tax benefits associated with the settled positions and established a current tax payable to the IRS. In the second Quarter of 2012, IRS Appeals submitted the final terms, calculations, and definitive agreements to the Joint Committee on Taxation for its review.

Under the terms of the agreement, Exelon estimates that the IRS will assess tax and interest of approximately \$300 million in 2012 for the years for which there is a resulting tax deficiency, of which \$405 million would be paid by ComEd, \$35 million would be received by PECO, \$0 million would be paid by Generation and the remainder received by Exelon. These amounts are net of approximately \$300 million of refunds due from the settlement of the 2001 tax method of accounting change for certain overhead costs under the SSCM as well as other agreed upon audit adjustments. In order to stop additional interest from accruing on the expected assessment, Exelon made a payment in December 2010 to the IRS of \$302 million.

Exelon and IRS Appeals to date have failed to reach a settlement with respect to the like-kind exchange position. The IRS has asserted that the Exelon purchase and leaseback transaction is substantially similar to a leasing transaction, known as a SILO, which the IRS does not respect as the acquisition of an ownership interest in property. A SILO is a listed transaction that the IRS has identified as a potentially abusive tax shelter under guidance issued in 2005. Accordingly, the IRS has asserted that the sale of the fossil plants followed by the purchase and leaseback of the municipal-owned generation facilities does not qualify as a like-kind exchange and the gain on the sale is fully subject to tax. Exelon continues to believe that its like-kind exchange transaction is not the same as or substantially similar to a SILO and does not believe that the concession demanded by the IRS in its settlement offer reflects the strength of Exelon's position. IRS Appeals also continues to assert an \$86 million penalty for a substantial understatement of tax with respect to the like-kind exchange position.

While Exelon has been and remains willing to settle the issue in a manner generally commensurate with its hazards of litigation, the IRS has thus far been unwilling to settle the issue without requiring a nearly complete concession of the issue by Exelon. Accordingly, to continue to contest the IRS's disallowance of the like-kind exchange position and its assertion of the \$86 million substantial understatement penalty, Exelon expects to initiate litigation in 2012 after the final resolution of the involuntary conversion and CTC settlement. Given that Exelon has determined settlement is not a realistic outcome, it has assessed, in accordance with applicable accounting standards, whether it will prevail in litigation. While Exelon recognizes the complexity and hazards of this litigation, it believes that it is more likely than not that it will prevail in such litigation and, therefore, eliminated any liability for unrecognized tax benefits. Further, Exelon believes it is unlikely that the penalty assertion will ultimately be sustained. Exelon and ComEd have not recorded a liability for penalties. However, should the IRS prevail in asserting the penalty, it would result in an after-tax charge of \$86 million to Exelon's and ComEd's results of operations.

As of March 31, 2012, assuming Exelon's settlement of the involuntary conversion position is finalized, the potential tax and interest, exclusive of penalties, that could become currently payable in the event of a fully successful IRS challenge to Exelon's like-kind exchange position could be as much as \$40 million, of which \$20 million would be paid by ComEd and the remainder by Exelon. If the IRS were to prevail in litigation on the like-kind exchange position, Exelon's results of operations could be negatively affected due to increased interest expense, as of March 31, 2012, by as much as \$40 million, net of tax, of which \$10 million would be recorded at ComEd and the remainder by Exelon. Litigation could take several years such that the estimated cash and interest impacts would likely change by a material amount.

Long-Term State Tax Apportionment (Exelon and Generation)

Exelon and Generation periodically review events that may significantly impact how income is apportioned among the states and, therefore, the calculation of their respective deferred state income taxes. Events that may require Exelon and Generation to update their long-term state tax apportionment include significant changes in tax law and/or significant operational changes, such as the merger with Constellation. As a result of the merger, Exelon and Generation reevaluated their long-term state tax apportionment for all states where they have state income tax obligations, which include Illinois, Maryland and Pennsylvania, as well as other states. The total effect of revising the long-term state tax apportionment resulted in the recording of a deferred state tax asset of \$2 million (net of Federal taxes) for Exelon. Of this, a benefit in the amount of \$16 million and \$4 million (net of Federal taxes) was

recorded for Exelon and Generation, respectively, for the three months ended March 31, 2012. Further, Exelon and Generation recorded deferred state tax liabilities of \$44 million and \$14 million (net of Federal taxes), respectively, as part of purchase accounting during the three months ended March 31, 2012.

Interest Expense on Income Taxes (BGE)

For the three months ended March 31, 2012, BGE recorded an adjustment to interest expense of approximately \$5 million to reflect the impacts of anticipated amendments of tax positions previously taken on prior-year consolidated income tax returns. BGE has concluded this adjustment is not material to its results of operations or cash flows for the three months ended March 31, 2012, or any prior period.

100 Clear Decommissioning (Exelon and Generation)

Nuclear Decommissioning Asset Retirement Obligations

Generation has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. To estimate its decommissioning obligation related to its nuclear generating stations, Generation uses a probability-weighted, discounted cash flow model which, on a unit-by-unit basis, considers multiple outcome scenarios that include significant estimates and assumptions, and are based on decommissioning cost studies, cost escalation rates, probabilistic cash flow models and discount rates.

The following table provides a rollforward of the nuclear decommissioning ARO reflected on Exelon's and Generation's Consolidated Balance Sheets from December 31, 2011 to March 31, 2012:

Nuclear decommissioning ARO at December 31, 2011(a)	\$3,680
Accretion expense	55
Net increase due to changes in estimated cash flows	80
Costs incurred to decommission retired plants	(1)
Nuclear decommissioning ARO at March 31, 2012(a)	<u>\$3,814</u>

(a) Includes \$5 million as the current portion of the ARO at March 31, 2012 and December 31, 2011, which is included in other current liabilities on Exelon's and Generation's Consolidated Balance Sheets.

During the first Quarter of 2012, Generation's ARO increased by \$134 million, primarily due to increases for accretion and a net increase of \$80 million due to changes in estimated cash flows primarily related to increased costs resulting from an updated decommissioning cost study received for the Quad Cities generating station. The increase due to the changes in estimated cash flows had no impact to Exelon's or Generation's Consolidated Statements of Operations and Comprehensive Income.

Nuclear Decommissioning Trust Fund Investments

EDT funds have been established for each generating station unit to satisfy Generation's nuclear decommissioning obligations. EDT funds established for a particular unit may not be used to fund the decommissioning obligations of any other unit.

The EDT funds associated with the former ComEd, former PECO and former AmerGen units have been funded with amounts collected from ComEd customers, PECO customers and the previous owners of the former AmerGen plants, respectively. Based on an ICC order, ComEd ceased collecting amounts from its customers to pay for decommissioning costs. PECO currently collects funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections may continue through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the EDT funds. Every five years, PECO files a rate adjustment with the PAPUC that reflects PECO's calculations of the estimated amount needed to decommission each of the former PECO units based on updated fund balances and estimated decommissioning costs. The rate adjustment is used to determine the amount collectible from PECO customers. On March 30, 2012, PECO filed its Nuclear Decommissioning Cost Adjustment with the PAPUC proposing an annual recovery from customers of \$24 million which, if approved by the PAPUC, will be effective January 1, 2013. This amount reflects a reduction from the current approved annual collections of \$29 million. See Note 12 of the Exelon

2011 Form 10-K for information regarding amounts collected from PECO customers for decommissioning costs. See below for discussion of CRC minimum funding requirements.

At March 31, 2012 and December 31, 2011, Exelon and Generation had CDT fund investments totaling \$6,927 million and \$6,507 million, respectively. The following table provides unrealized gains (losses) on CDT funds for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
Net unrealized gains on decommissioning trust funds — Regulatory Agreement Units(a)	\$ 247	\$ 111
Net unrealized gains on decommissioning trust funds — Non-Regulatory Agreement Units(b)(c)	65	43

- (a) Net unrealized gains related to Generation's CDT funds associated with Regulatory Agreement Units are included in regulatory liabilities on Exelon's Consolidated Balance Sheets and noncurrent payables to affiliates on Generation's Consolidated Balance Sheets.
- (b) Excludes \$5 million and \$3 million of net unrealized gains related to the Zion Station pledged assets for the three months ended March 31, 2012 and March 31, 2011, respectively. Net unrealized gains related to Zion Station pledged assets are included in the payable for Zion Station decommissioning on Exelon's and Generation's Consolidated Balance Sheets.
- (c) Net unrealized gains related to Generation's CDT funds associated with Non-Regulatory Agreement Units are included within Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Interest and dividends on CDT fund investments are recognized when earned and are included in Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. Interest and dividends earned on the CDT fund investments for the Regulatory Agreement Units, which are subject to regulatory accounting, are eliminated within Other, net in Exelon's and Generation's Consolidated Statement of Operations and Comprehensive Income.

See Note 2 of the Exelon 2011 Form 10-K for information regarding regulatory liabilities at ComEd and PECO and intercompany balances between Generation, ComEd and PECO reflecting the obligation to refund the customers any decommissioning-related assets in excess of the related decommissioning obligations.

Zion Station Decommissioning. On September 1, 2010, Generation completed an Asset Sale Agreement (ASA) with EnergySolutions Inc. and its wholly owned subsidiaries, EnergySolutions, LLC (EnergySolutions) and ZionSolutions under which ZionSolutions has assumed responsibility for decommissioning Zion Station, which is located in Zion, Illinois and ceased operation in 1998. See Note 12 of the Exelon 2011 Form 10-K for information regarding the specific treatment of assets, including CDT funds, and decommissioning liabilities transferred in the transaction. On July 14, 2011, three people filed a purported class action lawsuit in the United States District Court for the Northern District of Illinois naming ZionSolutions and Randolph Lew Brown as defendants and seeking, among other things, an accounting for use of CDT funds, an injunction against the use of CDT funds, the appointment of a trustee for the CDT funds, and the return of CDT funds to customers of ComEd to the extent legally entitled thereto.

ZionSolutions is subject to certain restrictions on its ability to request reimbursements from the Zion Station CDT funds as defined within the ASA. Therefore, the transfer of the Zion Station assets did not qualify for asset sale accounting treatment and, as a result, the related CDT funds were reclassified to pledged assets for Zion Station decommissioning within Generation's and Exelon's Consolidated Balance Sheets and will continue to be measured in the same manner as prior to the completion of the transaction. Additionally, the transferred ARO for decommissioning was replaced with a payable to ZionSolutions in Generation's and Exelon's Consolidated Balance Sheets. Changes in the value of the Zion Station CDT assets, net of applicable taxes, will be recorded as a change in the payable to ZionSolutions. At no point will the payable to ZionSolutions exceed the project budget of the costs remaining to decommission Zion Station. Any Zion Station CDT funds remaining after the completion of all decommissioning activities will be returned to ComEd customers. Generation has retained its obligation to transfer the SCF at Zion Station to the DOE for ultimate disposal and has a liability of approximately \$66 million, which is

included within the nuclear decommissioning ARO at March 31, 2012. Generation also has retained a requisite level of DDT assets to fund its obligation to maintain and transfer the SCF at Zion Station. As of March 31, 2012, the carrying value of the Zion Station pledged assets and the payable to Zion Solutions was approximately \$708 million and \$660 million, respectively. The payable excludes a liability recorded within Generation's Consolidated Balance Sheets related to the tax obligation on the unrealized activity associated with the Zion Station DDT funds. The DDT funds will be utilized to satisfy the tax obligations as gains and losses are realized. The current portion of the payable to Zion Solutions, included in other current liabilities within Generation's Consolidated Balance Sheets at March 31, 2012 and December 31, 2011 was \$86 million and \$128 million, respectively.

NRC Minimum Funding Requirements. NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in specified minimum amounts to decommission the facility at the end of its life. On March 31, 2011, Generation, in its NRC required biennial decommissioning funding status report, provided data from which the NRC concluded that the amount of decommissioning funding as of December 31, 2010 for Limerick Unit 1 was less than the amount required by the NRC regulations. Generation performed the calculations again in early 2012, which reflected that the amount of decommissioning funding as of December 31, 2011 for Limerick Unit 1 was less than the amount required by the NRC regulations. In February 2012, Generation obtained a parent guarantee in the amount of \$15 million to cover the NRC minimum funding assurance requirements for Limerick Unit 1 and informed the NRC that it had addressed the minimum funding issues by obtaining the parent guarantee.

11 Retirement Benefits (Exelon, Generation, ComEd, PECO and BGE)

Exelon sponsors defined benefit pension plans and other postretirement benefit plans for essentially all Generation, ComEd, PECO, BGE and BSC employees. Effective March 12, 2012, Exelon became the sponsor of all of Constellation's defined benefit pension and other postretirement benefit plans and defined contribution savings plans. As of that date, the legacy Constellation pension and other postretirement benefits plans were remeasured using current assumptions including the discount rate.

Defined Benefit Pension and Other Postretirement Benefits

During the first quarter of 2012, Exelon received an updated valuation of its December 31, 2011 legacy pension and other postretirement benefit obligations to reflect actual census data as of January 1, 2012. This valuation resulted in an increase to the pension and other postretirement obligations of \$86 million and \$25 million, respectively. Additionally, accumulated other comprehensive loss decreased by approximately \$8 million (after tax) and regulatory assets increased by \$98 million.

The following tables present the components of Exelon's net periodic benefit costs for the three months ended March 31, 2012 and 2011. The 2012 pension benefit cost is calculated using an expected long-term rate of return on plan assets of 7.50% for all plans and discount rates of 4.74% and 4.27% for legacy Exelon and Constellation plans, respectively. The 2012 other postretirement benefit cost is calculated using an expected long-term rate of return on plan assets of 6.68% for funded plans, and a discount rate of 4.80% and 4.28% for legacy Exelon and Constellation plans, respectively. Legacy Constellation other postretirement plans are not funded. A portion of the net periodic benefit cost is capitalized within the Consolidated Balance Sheets.

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2012	2011	2012	2011
Service cost	\$ 61	\$ 53	\$ 37	\$ 36
Interest cost	164	162	51	52
Expected return on assets	(232)	(235)	(29)	(28)
Amortization of:				
Transition obligation	—	—	3	2
Prior service cost (benefit)	4	4	(3)	(9)
Actuarial loss	106	83	19	16
Net periodic benefit cost	<u>\$ 103</u>	<u>\$ 67</u>	<u>\$ 78</u>	<u>\$ 69</u>

The following amounts were included in capital additions and operating and maintenance expense during the three months ended March 31, 2012 and 2011, for Generation, ComEd, PECO, OGE and SC allocated portion of the pension and postretirement benefit plans:

Pension and Other Postretirement Benefit Costs	Three Months Ended March 31,	
	2012	2011
Generation	\$ 81	\$ 62
ComEd	69	54
PECO	13	8
OGE(a)	16	11
SC(b)	14	12

- (a) OGE pension and postretirement benefit costs for the three months ended March 31, 2012 and 2011 include \$2 million and \$1 million, respectively, of costs incurred prior to the closing of Exelon merger with Constellation on March 12, 2012. These amounts are not included in Exelon net periodic benefit cost for the three months ended March 31, 2012 and 2011 shown in the first table of the Defined Benefit Pension and Other Postretirement Benefits section above.
- (b) These amounts primarily represent amounts billed to Exelon subsidiaries through intercompany allocations. These amounts are not included in the Generation, ComEd, PECO or OGE amounts above.

Management considers various factors when making pension funding decisions, including actuarially determined minimum contribution requirements under ERISA, contributions required to avoid benefit restrictions and at-risk status as defined by the Pension Protection Act of 2006, management of the pension obligation and regulatory implications. Exelon expects to contribute \$100 million to its qualified pension plans in 2012, of which Generation, ComEd and PECO will contribute \$59 million, \$2 million, and \$16 million, respectively. Legacy Constellation 2011 pension contributions included an acceleration of estimated calendar year 2012 contributions. Therefore, OGE does not anticipate any qualified pension contributions in 2012. Unlike the qualified pension plans, Exelon non-qualified pension plans are not funded. Exelon expects to make non-qualified pension plan benefit payments of \$61 million in 2012, of which Generation, ComEd, PECO and OGE will make payments of \$9 million, \$4 million, \$1 million and \$1 million, respectively.

Unlike qualified pension plans, other postretirement plans are not subject to regulatory minimum contribution requirements. Exelon management has historically considered several factors in determining the level of contributions to its other postretirement benefit plans, including levels of benefit claims paid and regulatory implications (amounts deemed prudent to meet regulator expectations and best assure continued recovery). In 2012, Exelon anticipates funding its other postretirement benefit plans based on the funding considerations discussed above, with the exception of those plans previously sponsored by Constellation and AmerGen, which remain unfunded. Exelon expects to make other postretirement benefit plan contributions, including benefit payments related to unfunded plans, of approximately \$21 million in 2012, of which Generation, ComEd, PECO and OGE expect to contribute \$12 million, \$16 million, \$4 million and \$7 million, respectively. This total excludes \$4 million in 2012 other postretirement benefit plan contributions by OGE prior to the closing of Exelon merger with Constellation on March 12, 2012.

Plan Assets

Investment Strategy. On a regular basis, Exelon evaluates its investment strategy to ensure that plan assets will be sufficient to pay plan benefits when due. As part of this ongoing evaluation, Exelon may make changes to its targeted asset allocation and investment strategy.

Exelon has developed and implemented an investment strategy for its qualified pension plans that has reduced the volatility of its pension assets relative to its pension liabilities. Exelon is likely to continue to gradually increase the liability hedging portfolio as the funded status of its plans improves. The overall objective is to achieve attractive risk-adjusted returns that will balance the liquidity requirements of the plans' liabilities while striving to minimize the risk of significant losses. This investment strategy would tend to result in a lower expected rate of return on plan assets in future years. Trust assets for Exelon other postretirement plans are managed in a diversified investment strategy that prioritizes maximizing liquidity and returns while minimizing asset volatility.

Defined Contribution Savings Plans

The Registrants participate in various 401(k) defined contribution savings plans that are sponsored by Exelon. The plans are qualified under applicable sections of the IRC and allow employees to contribute a portion of their pretax income in accordance with specified guidelines. All Registrants match a percentage of the employee contributions up to certain limits. The following table presents the matching contributions to the savings plans during the three months ended March 31, 2012 and 2011:

Exelon's Plan Matching Contributions	Three Months Ended March 31,	
	2012	2011
Exelon	\$ 16	\$ 16
Generation	8	8
ComEd	4	4
PECO	2	2
BGE(a)	2	2
BGE(b)	1	2

- (a) BGE's matching contributions for the three months ended March 31, 2012 include \$1 million of costs incurred prior to the closing of Exelon's merger with Constellation on March 12, 2012, which is not included in Exelon's matching contributions for the three months ended March 31, 2012.
- (b) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations. These costs are not included in the Generation, ComEd, PECO or BGE amounts above.

12 Plant Retirements (Exelon and Generation)

In 2009, Exelon announced its intention to permanently retire three coal-fired generating units and one oil/gas-fired generating unit, effective May 31, 2011, in response to the economic outlook related to the continued operation of these four units. However, FERC determined that transmission reliability upgrades would be necessary to alleviate reliability impacts and that those upgrades would be completed in a manner that will permit Generation's retirement of two of the units on that date and two of the units subsequent to May 31, 2011. On May 31, 2011, Cromby Generating Station (Cromby) Unit 1 and Eddystone Generating Station (Eddystone) Unit 1 were retired. Cromby Unit 2 retired on December 31, 2011 and Eddystone Unit 2 will retire on May 31, 2012. On May 27, 2011, the FERC approved a settlement providing for a reliability-must-run rate schedule, which defines compensation to be paid to Generation for continuing to operate these units. The monthly fixed-cost recovery during the reliability-must-run period for Eddystone Unit 2 is approximately \$6 million. Such revenue is intended to recover total expected operating costs, plus a return on net assets, of the unit during the reliability-must-run period. In addition, Generation is reimbursed for variable costs, including fuel, emissions costs, chemicals, auxiliary power and for project investment costs during the reliability-must-run period. Eddystone Unit 2 began operating under the reliability-must-run agreement effective June 1, 2011. See Note 14 of the Exelon 2011 Form 10-K for additional information.

The following table presents the activity of severance obligations for the announced Cromby and Eddystone retirements from December 31, 2011 through March 31, 2012:

Severance Benefits Obligation	Exelon and Generation
Balance at December 31, 2011	\$ 7
Cash payments	(1)
Balance at March 31, 2012	<u>\$ 6</u>

13 Stock-Based Compensation Plans (Exelon, Generation, ComEd, PECO and BGE)

Exelon grants stock-based awards through its LTIP, which primarily includes stock options, restricted stock units and performance share awards. At March 31, 2012, there were approximately 21 million shares authorized for issuance under the LTIP. For the three months ended March 31, 2012 and 2011, exercised and distributed stock-based awards were primarily issued from authorized but unissued common stock shares.

In connection with the acquisition of Constellation in March 2012, Exelon assumed Constellation's 1995 Long-Term Incentive Plan, 2002 Senior Management Long-Term Incentive Plan, Amended and Restated 2007 Long-Term Incentive Plan, Amended and Restated Management Long-Term Incentive Plan and Executive Long-Term Incentive Plan (collectively and as amended, if applicable, the "Constellation Plans"). Stock-based awards granted under the Constellation Plans and held by Constellation employees were generally converted into outstanding Exelon stock-based compensation awards with the estimated fair value determined to be \$1 million using the Black-Scholes model. Refer to Note 3 — Merger and Acquisitions for further information regarding the merger transaction. Specifically, as of the merger closing: (1) Exelon converted 12,037,093 outstanding shares that were subject to Constellation stock options into 11,194,151 Exelon stock options valued at \$65 million and (2) Exelon converted 165,219 Constellation non-sale restricted stock units into 153,654 Exelon non-sale restricted stock units valued at \$6 million.

Exelon generally grants most of its stock options in the first quarter of each year. In connection with the merger with Constellation, the Compensation Committee of Exelon's Board of Directors elected to delay the annual equity award grant from January 2012 to the effective date of the merger on March 12, 2012, in order to ensure that a majority of eligible employees receive grants on the same date and at the same market price.

The following table presents the stock-based compensation expense included in Exelon's Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011:

Components of Stock-Based Compensation Expense	Three Months Ended March 31,	
	2012	2011
Performance share awards	\$ 16	\$ 6
Stock options	7	5
Restricted stock units	19	16
Other stock-based awards	1	1
Total stock-based compensation expense included in operating and maintenance expense	43	28
Income tax benefit	(16)	(11)
Total after-tax stock-based compensation expense	<u>\$ 27</u>	<u>\$ 17</u>

The following table presents stock-based compensation expense (pre-tax) for the three months ended March 31, 2012 and 2011:

Subsidiaries	Three Months Ended March 31,	
	2012	2011
Generation	\$ 14	\$ 13
ComEd	5	2
PECO	3	2
OOE(a)	2	—
SC(b)	19	11
Total	<u>\$ 43</u>	<u>\$ 28</u>

- (a) OOE's stock-based compensation expense (pre-tax) for the three months ended March 31, 2012 includes \$2 million of cost incurred prior to the closing of Exelon's merger with Constellation on March 12, 2012. This amount is not included in Exelon's stock-based compensation expense for the three months ended March 31, 2012 shown in the table titled Components of Stock-Based Compensation Expense above. OOE's stock-based compensation expense (pre-tax) for the three months ended March 31, 2011 was \$2 million.
- (b) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations. These amounts are not included in the Generation, ComEd, PECO and OOE amounts above.

There were no significant stock-based compensation costs capitalized during the three months ended March 31, 2012 and 2011.

Stock Options

Non-qualified stock options are granted under the LTIP with exercise prices equal to the fair market value of the underlying stock at the date of grant. Generally, the stock options vest ratably over a four-year vesting period and expire ten years from the date of grant.

The following table presents the weighted average assumptions used to value Exelon stock options at their grant date for the three months ended March 31, 2012 and 2011:

	Three Months Ended	
	2012	2011
Dividend yield	5.28%	4.84%
Expected volatility	23.20%	24.40%
Risk-free interest rate	1.30%	2.65%
Expected life (years)	6.25	6.25

The assumptions above relate to Exelon stock options granted during the period and therefore do not include stock options that were converted in connection with the merger with Constellation during the three months ended March 31, 2012.

The following table summarizes Exelon's stock option activity for the three months ended March 31, 2012:

	Shares	Weighted Average Exercise Price (Per share)
Balance of shares outstanding at December 31, 2011	11,553,761	48.49
Granted	1,840,000	39.79
Converted Constellation options	11,194,151	41.35
Exercised	(237,490)	25.29
Forfeited	(4,625)	53.51
Expired	(70,098)	45.28
Balance of shares outstanding at March 31, 2012	<u>24,275,699</u>	44.78
Exercisable at March 31, 2012(a)	<u>21,404,105</u>	45.33

(a) Includes stock options issued to retirement eligible employees.

The following table summarizes Exelon's nonvested stock option activity for the three months ended March 31, 2012:

	Shares	Weighted Average Exercise Price (Per share)
Nonvested at December 31, 2011(a)	877,050	48.66
Granted(b)	1,840,000	39.79
Converted Constellation options	11,194,151	41.35
Tested(b)(c)	(10,969,509)	41.85
Forfeited	(70,098)	45.28
Nonvested at March 31, 2012(a)	<u>2,871,594</u>	40.58

(a) Excludes 2,141,000 and 1,348,000 of stock options issued to retirement-eligible employees as of March 31, 2012 and December 31, 2011, respectively, as they are fully vested.

(b) Includes 8,684,709 of converted Constellation options that were vested prior to the Merger on March 12, 2012.

(c) Includes 1,013,000 of stock options issued to retirement-eligible employees in 2012 that vested immediately upon the employee reaching retirement eligibility.

At March 31, 2012, \$4 million of total unrecognized compensation costs related to nonvested stock options are expected to be recognized over the remaining weighted-average period of 3.10 years.

Restricted Stock Units

Restricted stock units are granted under the LTIP with the majority being settled in a specific number of shares of common stock after the service condition has been met. The corresponding cost of services is measured based on the grant date fair value of the restricted stock unit issued. The requisite service period for restricted stock units is generally three to five years. However, certain restricted stock unit awards become fully vested upon the employee reaching retirement eligibility.

The following table summarizes Exelon's nonvested restricted stock unit activity for the three months ended March 31, 2012:

	Shares	Estimated Grant Date Fair Value (Per share)
Unvested at December 31, 2011(a)	1,074,484	48.08
Granted	1,035,280	39.81
Converted Constellation restricted stock	825,735	38.91
Vested	(292,923)	47.71
Forfeited	(10,784)	44.63
Undistributed vested awards(b)	(518,064)	39.68
Unvested at March 31, 2012(a)	<u>2,113,728</u>	<u>42.57</u>

(a) Excludes 610,398 and 448,827 of restricted stock units issued to retirement-eligible employees as of March 31, 2012 and December 31, 2011, respectively, as they are fully vested

(b) Represents restricted stock units that vested but were not distributed to retirement-eligible employees during 2012.

At March 31, 2012, Exelon had obligations related to outstanding restricted stock units not yet settled of \$47 million, which are included in common stock in Exelon's Consolidated Balance Sheets. In addition, Exelon had obligations related to outstanding restricted stock units that will be settled in cash of \$1 million at March 31, 2012, which are included in deferred credits and other liabilities in Exelon's Consolidated Balance Sheets.

During the three months ended March 31, 2012 and 2011, Exelon settled restricted stock units with a fair value totaling \$20 million and \$5 million, respectively. At March 31, 2012, \$70 million of total unrecognized compensation costs related to nonvested restricted stock units are expected to be recognized over the remaining weighted-average period of 2.52 years.

Performance Share Awards

Performance share awards are granted under the LTIP with the 2012 and 2011 performance share awards being settled entirely in stock over the three-year vesting term. The performance shares granted prior to 2011 generally vest and settle over a three-year period with the holders receiving shares of common stock and/or cash annually during the vesting period.

These awards are recorded at fair value at the date of grant with the estimated grant date fair value based on the expected payout of the award, which may range from 75% to 125% of the payout target. The portion of the award pertaining to the 75% payout floor is valued based on Exelon's stock price on the grant date. The expected payout in excess of the 75% floor is remeasured each reporting period based on Exelon's current stock price and changes in the expected payout of the award—therefore this portion of the award is subject to volatility until the payout is established.

For nonretirement-eligible employees, stock-based compensation costs are recognized over the vesting period of three years using the graded-vesting method. For performance shares granted to retirement-eligible employees, the value of the performance shares is recognized ratably over the vesting period, which is the year of grant.

The following table summarizes Exelon's nonvested performance share awards activity for the three months ended March 31, 2012:

	Shares	Estimated Grant Date Fair Value (Per share)
Unvested at December 31, 2011(a)	346,848	45.37
Granted	1,036,603	39.84
Vested	(151,700)	47.87
Forfeited	(2,183)	43.40
Undistributed vested awards(b)	(172,991)	40.37
Unvested at March 31, 2012(a)	<u>1,056,577</u>	<u>40.41</u>

(a) Excludes 274,813 and 455,418 of performance share awards issued to retirement-eligible employees as of March 31, 2012 and December 31, 2011, respectively, as they are fully vested.

(b) Represents performance share awards that vested but were not distributed to retirement-eligible employees during 2012.

During the three months ended March 31, 2012 and 2011, Exelon settled performance shares with a fair value totaling \$8 million and \$21 million, respectively, of which \$3 million and \$10 million was paid in cash, respectively. As of March 31, 2012, \$41 million of total unrecognized compensation costs related to nonvested performance shares are expected to be recognized over the remaining weighted average period of 2.75 years.

1. Earnings Per Share and Earnings (Exelon)

Earnings per Share

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, including shares to be issued upon exercise of stock options, performance share awards and restricted stock outstanding under Exelon's LTIPs considered to be common stock equivalents. The following table sets forth the components of basic and diluted earnings per share and shows the effect of these stock options, performance share awards and restricted stock on the weighted average number of shares outstanding (in millions) used in calculating diluted earnings per share:

	Three Months Ended March 31,	
	2012	2011
Net income	<u>\$ 200</u>	<u>\$ 668</u>
Weighted average common shares outstanding — basic	705	662
Assumed exercise and/or distributions of stock-based awards	<u>2</u>	<u>2</u>
Weighted average common shares outstanding — diluted	<u>707</u>	<u>664</u>

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 11 million and 9 million for the three months ended March 31, 2012 and 2011, respectively.

Under share repurchase programs, 35 million shares of common stock are held as treasury stock with a cost of \$327 billion as of March 31, 2012. In 2008, Exelon management decided to defer indefinitely any share repurchases.

1. Commitments and Contingencies (Exelon, Generation, ComEd, PECO and BGE)

For information regarding commitments and contingencies at December 31, 2011, see Note 18 of the Exelon 2011 Form 10-K and Note 12 of Constellation's and BGE's 2011 Form 10-K.

Commitments

Energy Commitments

As of March 31, 2012, Generation's short- and long-term commitments relating to the purchases from unaffiliated utilities and others of energy, capacity and transmission rights, are as indicated in the following table:

	Net Capacity Purchases(a)	Power Purchases(b)	Transmission Rights Purchases(c)	Purchased Energy from CEQG	Total
2012	391	61	26	677	1,155
2013	360	67	32	583	1,042
2014	354	34	26	351	765
2015	351	9	13	—	373
2016	265	4	2	—	271
Thereafter	668	6	36	—	710
Total	2,389	181	135	1,611	4,316

- (a) Net capacity purchases include PPAs and other capacity contracts including those that are accounted for as operating leases. Amounts presented in the commitments represent Generation's expected payments under these arrangements at March 31, 2012, net of fixed capacity payments expected to be received by Generation under contracts to resell such acquired capacity to third parties under long-term capacity sale contracts. Expected payments include certain capacity charges which are contingent on plant availability.
- (b) Excludes renewable energy PPA contracts that are contingent in nature.
- (c) Transmission rights purchases include estimated commitments for additional transmission rights that will be required to fulfill firm sales contracts.

As part of reaching a comprehensive agreement with EDF in October 2010, the existing power purchase agreement with CEQG was modified to be unit-contingent through the end of its original term in 2014. Additionally, beginning in 2015 and continuing to the end of the life of the respective plants, Generation agreed to purchase 50.01% of the available output of CEQG's nuclear plants at market prices. Generation discloses in the table commitments to purchase from CEQG at fixed prices. All commitments to purchase at market prices, which include all purchases subsequent to December 31, 2014, are excluded from the table. Further, while CEQG purchases from the balance sheet date through December 31, 2014 will eventually be purchased at a fixed price, only those portions of purchases that have been locked in with a fixed price have been disclosed in the table. Generation continues to own a 50.01% membership interest in CEQG that is accounted for as an equity method investment. See Note 5 for more details on this arrangement.

ComEd's, PECO's and OGE's electric supply procurement, curtailment services and REC and AEC purchase commitments as of March 31, 2012 are as follows:

	Total	Expiration Within					2015 and beyond
		2012	2013	2014	2015	2016	
ComEd:							
Electric supply procurement(a)	1,182	95	367	309	134	137	140
Renewable energy and RECs(b)	1,697	36	71	74	74	81	1,361
PECO							
Electric supply procurement(c)	1,208	675	416	93	24	—	—
AECs	39	7	11	9	2	2	8
Curtailment services	12	12	—	—	—	—	—
OGE							
Electric supply procurement(d)	1,299	646	544	109	—	—	—
Curtailment services	144	31	49	46	18	—	—

- (a) ComEd entered into various contracts for the procurement of electricity that expire between 2012 and 2017. ComEd is permitted to recover its electric supply procurement costs from retail customers with no markup. See Note 4 — Regulatory Matters for additional information.
- (b) ComEd entered into various contracts for the procurement of renewable energy and RECs that expire between 2012 and 2032. ComEd is permitted to recover its renewable energy and REC costs from retail customers with no markup. See Note 4 — Regulatory Matters for additional information.
- (c) PECO entered into various contracts for the procurement of electric supply to serve its default service customers that expire between 2012 and 2015. PECO is permitted to recover its electric supply procurement costs from default service customers with no markup in accordance with its PAPUC-approved DSP Program. See Note 4

— Regulatory Matters for additional information.

- (d) BGE entered into various contracts for the procurement of electricity that expire between 2012 and 2014. The cost of power under these contracts is recoverable under MDPSC approved fuel clauses. See Note 4 — Regulatory Matters for additional information.

Fuel Purchase Obligations

In addition to the energy commitments described above, Generation has commitments to purchase fuel supplies for nuclear and fossil generation (and with respect to coal, commitments to sell coal) and PECO and BGE have commitments to purchase natural gas, related to transportation, storage capacity and services to serve customers in their gas distribution service territory. As of March 31, 2012, these net commitments were as follows:

	<u>Total</u>	<u>Expiration Within</u>					<u>2012 and beyond</u>
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
Generation	\$8,343	\$975	\$1,076	\$1,097	\$1,129	\$732	\$3,334
PECO	494	137	97	78	55	34	93
BGE	656	85	84	70	52	51	314

Other Purchase Obligations

Exelon, Generation, ComEd, PECO and BGE other purchase obligations as of March 31, 2012, which primarily represent commitments for services, materials and information, are as follows:

	<u>Total</u>	<u>Expiration Within</u>					<u>2012 and beyond</u>
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
Exelon	\$1,043	\$525	\$167	\$127	\$87	\$25	\$112
Generation	597	308	99	90	67	5	28
ComEd	90	85	5	—	—	—	—
PECO	105	60	18	17	1	1	8
BGE	18	7	11	—	—	—	—

Construction Commitments

Generation has committed to the construction of a solar PV facility in Los Angeles County, California. Generation's estimated commitments are \$43 million and \$45 million for the years 2012 and 2013, respectively. See Note 3 of the Exelon 2011 Form 10-K for additional information.

Generation has committed to the construction of approximately 404 MW of new wind facilities during 2012. Generation's estimated commitments are approximately \$460 million primarily related to the procurement of the turbines.

Refer to Note 4 — Regulatory Matters for information on investment programs associated with regulatory mandates such as ComEd's Infrastructure Investment Plan under EIMA, PECO's Smart Meter Procurement and Installation Plan and BGE's comprehensive smart grid initiative.

Constellation Merger Commitments

The preceding tables do not include the merger commitments made to the State of Maryland in conjunction with the Constellation merger. See Note 3 — Merger and Acquisitions for additional information on the merger commitments.

Contingencies

Commercial Commitments

The Registrant's commercial commitments as of March 31, 2012, representing commitments potentially triggered by future events were as follows:

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Letters of credit (non-debt)(a)	\$2,623	\$1,381	\$23	\$21	\$1

Guarantees	10,696(b)	1,448(c)	209(d)	181(e)	253(f)
Nuclear insurance premiums	2,098	2,098	—	—	—
Total commercial commitments	<u>15,417</u>	<u>4,927</u>	<u>232</u>	<u>202</u>	<u>254</u>

- (a) Standby letters of credit maintained to provide credit support for certain transactions as requested by third parties. As of March 31, 2012, guarantees of \$1 million have been issued by Exelon to provide support for certain letters of credit as required by third parties.
- (b) Primarily reflects parental guarantees issued on behalf of Generation to allow the flexibility needed to conduct business with counterparties without having to post other forms of collateral. Also reflects guarantees issued to ensure performance under specific contracts, preferred securities of financing trusts, property leases, indemnifications, NRC minimum funding assurance requirements and \$11 million on behalf of CE's nuclear generating facilities for credit support and miscellaneous guarantees. The estimated net exposure for obligations under commercial transactions covered by these guarantees was \$1.6 billion at March 31, 2012, which represents the total amount Exelon could be required to fund based on March 31, 2012 market prices.
- (c) Primarily reflects guarantees issued to ensure performance under energy marketing and other specific contracts and \$205 million on behalf of CE's nuclear generating facilities for credit support. The estimated net exposure for obligations under commercial transactions covered by these guarantees was \$0.3 billion at March 31, 2012, which represents the total amount Generation could be required to fund based on March 31, 2012 market prices.
- (d) Primarily reflects guarantees of \$200 million Trust Preferred Securities of ComEd Financing III.
- (e) Primarily reflects guarantees of \$178 million Trust Preferred Securities of PECO Trust III and I.
- (f) Primarily reflects guarantees of \$250 million Trust Preferred Securities of E Capital Trust II.

Nuclear Insurance (Exelon and Generation)

The Price-Anderson Act requires mandatory participation in a retrospective rating plan for power reactors (currently 104 reactors) resulting in \$2.2 billion in funds available for public liability claims for any single incident at any power reactor site that exceeds the primary level of financial protection currently required (\$75 million). Additionally, Generation is also required each year to report to the NRC the current levels and sources of property insurance that demonstrates Generation possesses sufficient financial resources to stabilize and decontaminate a reactor and reactor station site in the event of an accident. The property insurance maintained for each facility is currently provided through insurance policies purchased from EIL, an industry mutual insurance company of which Generation is a member. Premiums paid to EIL by its members are subject to assessment for adverse loss experience (the retrospective premium obligation). The maximum combined retrospective premium amount that Generation could be required to pay due to participation in the Price-Anderson Act retrospective rating plan for power reactors and the EIL retrospective premium obligation was \$2.1 billion at March 31, 2012, which is included above in the Commercial Commitments table and which does not include the potential maximum combined retrospective premium obligations of CE. See the Nuclear Insurance section within Note 18 of the Exelon 2011 Form 10-K and Note 12 of Constellation's and E's 2011 Form 10-K for additional details on Generation's nuclear insurance premiums.

Indemnifications Related to Sithe (Exelon and Generation)

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

In connection with the sale, Generation recorded liabilities related to certain indemnifications provided to Dynegy and other guarantees directly resulting from the transaction. The estimated maximum possible exposure to Exelon related to the guarantees provided as part of the sales transaction to Dynegy was approximately \$200 million at March 31, 2012 and is set to expire in 2014. The guarantee is included above in the Commercial Commitments table under Guarantees.

Indemnifications Related to Sale of TEG and TEP (Exelon and Generation)

On February 9, 2007, Tamu International Inc. (TII), a wholly owned subsidiary of Generation, sold its 49.5% ownership interests in TEG and TEP to a subsidiary of AES Corporation for \$95 million in cash plus certain purchase price adjustments. In connection with the transaction, Generation entered into a guarantee agreement under which Generation guarantees the timely payment of TII's obligations to the subsidiary of AES Corporation pursuant

to the terms of the purchase and sale agreement relating to the sale of TII's ownership interests. Generation would be required to perform in the event that TII does not pay any obligation covered by the guarantee that is not otherwise subject to a dispute resolution process. Generation's maximum obligation under the guarantee is \$95 million as of March 31, 2012. Generation has not recorded a liability associated with this guarantee. The exposures covered by this guarantee expired in part during 2008. Generation expects that the remaining exposure will expire by 2014. The guarantee of \$95 million is included above in the Commercial Commitments table under Guarantees.

Environmental Issues

General. The Registrants' operations have in the past, and may in the future, require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, the Registrants are generally liable for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances generated by them. The Registrants own or lease a number of real estate parcels, including parcels on which their operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. In addition, the Registrants are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

ComEd, PECO and BGE have identified sites where former MGP activities have or may have resulted in actual site contamination. For almost all of these sites, ComEd, PECO or BGE is one of several PRPs that may be responsible for ultimate remediation of each location.

- ComEd has identified 42 sites, 13 of which have been approved for cleanup by the Illinois EPA or the US EPA and 27 that are currently under some degree of active study and/or remediation. ComEd expects the majority of the remediation at these sites to continue through at least 2016.
- PECO has identified 27 sites, 16 of which have been approved for cleanup by the PA DEP and 9 that are currently under some degree of active study and/or remediation. PECO expects the majority of the remediation at these sites to continue through at least 2019.
- BGE has identified and investigated 12 sites that BGE had owned. Two sites remain active and require some level of remediation under the direction of the Maryland Department of the Environment. The required remediation cost at these two remaining sites is not considered material.

Pursuant to orders from the ICC, PAPUC and MDPSC, respectively, ComEd, PECO and BGE are authorized to and are currently recovering environmental costs for the remediation of former MGP facility sites from customers, for which they have recorded regulatory assets. See Note 4 Regulatory Matters for additional information regarding the associated regulatory assets.

As of March 31, 2012 and December 31, 2011, the Registrants had accrued the following undiscounted amounts for environmental liabilities in other deferred credits and other liabilities within their respective Consolidated Balance Sheets:

	Total Environmental Contamination and Remediation Reserves	Portion of Total Related to MGP Contamination and Remediation
<u>March 31, 2012</u>		
Exelon	\$ 223	\$ 163
Generation	51	—
ComEd	123	116
PECO	49	46
<u>December 31, 2011</u>		
Exelon	\$ 224	\$ 168
Generation	47	—
ComEd	127	121
PECO	50	47

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

Water

Section 316(b) of the Clean Water Act. Section 316(b) requires that the cooling water intake structures at electric power plants reflect the best technology available to minimize adverse environmental impacts, and is implemented through state-level NPDES permit programs. All of Generation III and CE III power generation facilities with cooling water systems are subject to the regulations. Facilities without closed-cycle recirculating systems (e.g., cooling towers) are potentially most affected. For Generation III those facilities are C.P. Crane, Clinton, Dresden, Eddystone, Fairless Hills, Gould Street, H.A. Wagner, Handley, Mountain Creek, Mystic 7, Oyster Creek, Peach Bottom, Quad Cities, Riverside, Salem and Schuylkill. For CE III, those facilities are Calvert Cliffs, Nine Mile Point Unit 1 and R.E. Ginna. See ITEM 2. PROPERTIES of the Exelon 2011 Form 10-K for a description of these facilities.

On March 28, 2011, the EPA issued the proposed regulation under Section 316(b). The proposal does not require closed-cycle cooling (e.g., cooling towers) as the best technology available to address impingement and entrainment. The proposal provides the state permitting agency with discretion to determine the best technology available to limit entrainment (drawing aquatic life into the plants cooling system) mortality, including application of a cost-benefit test and the consideration of a number of site-specific factors. After consideration of these factors, the state permitting agency may require closed cycle cooling, an alternate technology, or determine that the current technology is the best available. The rule also imposes limits on impingement (trapping aquatic life on screens) mortality, which likely will be accomplished by the installation of screens or another technology at the intake. Exelon filed comments on the proposed regulation on August 18, 2011, stating its support for a number of its provisions (e.g., cooling towers not required as best technology available, and the use of site-specific and cost benefit analysis) while also noting a number of technical provisions that require revision to take into account existing unit operations and practices within the industry. The EPA has announced that it will publish a Notice of Data Availability to obtain public comments on the national benefits of the proposed rule and alternative compliant impingement technologies. Pursuant to a court approved Settlement Agreement, the EPA is required to approve the final rule by July 27, 2012. Until the rule is finalized, the state permitting agencies will continue to apply their best professional judgment to address impingement and entrainment.

Oyster Creek. On January 7, 2010, the NJDEP issued a draft NPDES permit for Oyster Creek that would have required, in the exercise of its best professional judgment, the installation of cooling towers as the best technology available within seven years after the effective date of the permit. On December 8, 2010, Exelon announced that Generation III will permanently cease generation operations at Oyster Creek no later than December 31, 2019. The current NJRC license for Oyster Creek expires in 2029. In reliance upon Exelon's determination to cease generation operations no later than December 31, 2019, the NJDEP determined that closed cycle cooling is not the best technology available for Oyster Creek given the length of time that would be required to retrofit from the existing once-through cooling system to a closed-cycle cooling system and the limited life span of the plant after installation of a closed-cycle cooling system. Based on its consideration of these and other factors, NJDEP determined that the existing measures at the plant represent the best technology available for the facility's cooling water intake through cessation of generation operations.

On December 9, 2010, Generation executed an Administrative Consent Order (ACO) with the NJDEP regarding Oyster Creek. The ACO sets forth, among other things, the agreement by Generation to permanently cease generation operations at Oyster Creek if the conditions of the ACO are satisfied. In accordance with the ACO, on December 21, 2011, the NJDEP agreed to issue a final NPDES permit that became effective on April 12, 2012 that does not require the construction of cooling towers or other closed-cycle cooling facilities. The ACO and the final permit apply only to Oyster Creek based on its unique circumstances and does not set any precedent for the ultimate compliance requirements for Section 316(b) at Exelon's other plants.

As a result of the decision and the ACO, the expected economic useful life of Oyster Creek was reduced by 10 years to correspond to Exelon's current best estimate as to the timing of ceasing generation operations at the Oyster Creek unit in 2019. The financial impacts relate primarily to accelerated depreciation and accretion expense

associated with the changes in decommissioning assumptions related to Generation3 asset retirement obligation over the remaining expected economic useful life of Oyster Creek.

Salem and Other Power Generation Facilities. In June 2001, the NJDEP issued a renewed NPDES permit for Salem, allowing for the continued operation of Salem with its existing cooling water intake flow commensurate with closed-cycle cooling as a compliance option for Salem. PSE submitted an application for a renewal of the permit on February 1, 2006. In the permit renewal application, PSE analyzed closed-cycle cooling and other options and demonstrated that the continuation of the Estuary Enhancement Program, an extensive environmental restoration program at Salem, is the best technology to meet the Section 316(b) requirements. PSE continues to operate Salem under the approved June 2001 NPDES permit while the NPDES permit renewal application is being reviewed. If the final permit or Section 316(b) regulations ultimately requires the retrofitting of Salem's cooling water intake structure to reduce cooling water intake flow commensurate with closed-cycle cooling, Exelon's and Generation3 share of the total cost of the retrofit and any resulting interim replacement power would be approximately \$430 million, based on a 2006 estimate, and would result in increased depreciation expense related to the retrofit investment.

It is unknown at this time whether the NJDEP permit programs will require closed-cycle cooling at Salem. In addition, the economic viability of Generation3 other power generation facilities, as well as CEQR's, without closed-cycle cooling water systems will be called into question by any requirement to construct cooling towers.

Should the final rule not require the installation of cooling towers, and retain the flexibility afforded the state permitting agencies in applying a cost benefit test and to consider site-specific factors, the impact of the rule would be minimized even though the costs of compliance could be material to Generation and CEQR.

Given the uncertainties associated with the requirements that will be contained in the final rule, Generation cannot predict the eventual outcome or estimate the effect that compliance with any resulting Section 316(b) or interim state requirements will have on the operation of its and CEQR's generating facilities and its future results of operations, cash flows and financial position.

Groundwater Contamination. In October 2007, a subsidiary of Constellation entered into a consent decree with the Maryland Department of the Environment relating to groundwater contamination at a third party facility that was licensed to accept fly ash, a byproduct generated by coal-fired plants. The consent decree required the payment of a \$1 million penalty, remediation of groundwater contamination resulting from the ash placement operations at the site, replacement of drinking water supplies in the vicinity of the site, and monitoring of groundwater conditions. Constellation recorded a liability in its Consolidated Balance Sheets of approximately \$23 million to comply with the consent decree. As of March 31, 2012, approximately \$5 million of these costs were paid, resulting in a remaining liability at March 31, 2012 of \$18 million.

Alleged Conemaugh Clean Streams Violation by PA DEP. The PA DEP has alleged that GenOn Northeast Management Company (GenOn), the operator of Conemaugh Generating Station (CGS), violated the Clean Streams Law. GenOn is engaged in discussions with PA DEP and anticipates that the parties will reach a settlement pursuant to which GenOn will be obligated to pay a civil penalty of \$500,000, of which Generation3 responsibility would be approximately \$200,000.

Air

Cross State Air Pollution Rule. On July 11, 2008, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) vacated the CAIR, which had been promulgated by the U.S. EPA to reduce power plant emissions of SO₂ and NO_x. The D.C. Circuit Court later remanded the CAIR to the U.S. EPA, without invalidating the entire rulemaking, so that the U.S. EPA could correct CAIR in accordance with the D.C. Circuit Court's July 11, 2008 opinion. On July 6, 2010, the U.S. EPA published the proposed Transport Rule as the replacement to the CAIR. On July 7, 2011, the U.S. EPA published the final rule, now known as the CSAPR. The CSAPR requires 28 states in the eastern half of the United States to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. The final rule maintains the January 1, 2012 and January 1, 2014 phase-in dates that were in the proposed Transport Rule. However, the CSAPR imposes tighter emissions caps than the proposed Transport Rule and includes six additional

states under the summertime CO_2 reduction requirements. These emissions limits may be further reduced as the U.S. EPA finalizes more restrictive ozone and particulate matter NAAQS in the 2012 — 2013 timeframe.

Under the CSAPR, generation units will receive allowances based on historic heat input. Intrastate, and limited interstate, trading of allowances is permitted, subject to certain limitations. The CSAPR restricts entirely the use of pre-2012 allowances. Existing SO_2 allowances under the ARP would remain available for use under ARP. During the third quarter of 2010, generation recognized a lower of cost or market impairment charge of \$7 million on its ARP SO_2 allowances that are not expected to be used by generation's fossil fuel power plants and that have not been sold forward. The impairment was recorded due to the significant decline of allowance market prices because CSAPR regulations would restrict entirely the use of ARP SO_2 allowances beginning in 2012. As of March 31, 2012, generation had \$6 million of emission allowances carried at the lower of weighted average cost or market.

On October 6, 2011 and February 7, 2012, the EPA proposed for public comment certain technical corrections to CSAPR, including correction of data errors in determining generation unit allowances and state allowance budgets. These corrections will increase the number of emission allowances available under the CSAPR. In addition, the proposal defers until 2014 penalties that will involve surrender of additional allowances should states not meet certain levels of emission reductions. This deferral is intended to increase the liquidity of allowances during the initial years of transition from CAIR to the CSAPR.

Numerous entities challenged the CSAPR in the D.C. Circuit Court, and some requested a stay of the rule pending the Court's consideration of the matter on the merits. The D.C. Circuit Court granted permission for Exelon, as well as a number of other parties, to intervene in the litigation in support of the rule. On December 30, 2011, the Court granted a stay of the CSAPR, and directed the U.S. EPA to continue the administration of CAIR in the interim. Subsequently the Court ordered an expedited case management schedule that resulted in oral argument on April 13, 2012. It is unknown when the Court will issue its decision on the merits. Exelon believes that the CSAPR is a valid exercise of the U.S. EPA's authority and discretion under the Clean Air Act.

EPA Mercury and Air Toxics Standards (MATS). On April 16, 2012, the MATS rule to reduce emissions of toxic air pollutants from electric generating units (EGUs) became final. The MATS rule also finalized the new source performance standards for EGUs. The MATS rule resulted from a finding by the D.C. Circuit of Appeals that the prior rule, known as the Clean Air Mercury Rule (CAMR), was invalid because it did not regulate mercury as a HAP. The MATS rule requires coal-fired EGUs to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (uncontrolled coal units) will have to make capital investments and incur higher operating expenses. It is expected that smaller, older, uncontrolled coal units will retire rather than make these investments. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. In addition, the new standards will cause oil units to achieve high removal rates of metals. Owners of oil units not currently meeting the proposed emission standards may choose to convert the units to light oils or natural gas, install control technologies or retire the units. The MATS rule requires generating stations to meet the new standards three years after the rule takes effect, April 16, 2015, with specific guidelines for an additional one or two years in limited cases. Numerous entities have challenged MATS in the D.C. Circuit Court, and Exelon has petitioned the Court to intervene in support of the rule. Exelon, along with the other co-owners of Conemaugh Generating Station are moving forward with plans to improve the existing scrubbers and install Selective Catalytic Reduction (SCR) controls to meet the mercury removal requirements of MATS.

In addition, generation owns three base-load, coal-fired generation units in Maryland that were acquired in the merger with Constellation — Brandon Shores, H.A. Wagner and C.P. Crane. However, in connection with certain of the regulatory approvals required for the merger Exelon agreed to divest these generating stations. It is anticipated that these plants are well positioned to comply with CSAPR and MATS since Maryland has adopted SO_2 , CO_2 , and mercury emission limits under its Healthy Air Act and Clean Power Rule that are generally consistent with the requirements of CSAPR and MATS.

In addition, as of March 31, 2012, Exelon had a \$663 million net investment in coal-fired plants in Georgia and Texas subject to long-term leases extending through 2028-2032. While Exelon currently estimates the value of these plants at the end of the lease term will be in excess of the recorded residual lease values, final applications of the CSAPR and MATS regulations could negatively impact the end-of-lease term values of these assets, which could result in a future impairment loss that could be material.

NAAQS. The U.S. EPA previously announced that it would complete a review of "AAQS in the 2011 — 2012 timeframe for particulate matter, nitrogen dioxide, sulfur dioxide, and lead. This review could result in more stringent emissions limits on fossil-fired electric generating stations. In September 2011, the U.S. EPA withdrew its reconsideration of the "AAQS standard for ozone, which is next scheduled for reconsideration in 2013.

Notices and Finding of Violations Related to Electric Generation Stations. On August 6, 2007, ComEd received a "O", addressed to it and Midwest Generation, LLC (Midwest Generation) from the U.S. EPA, alleging that ComEd and Midwest Generation have violated and are continuing to violate several provisions of the Clean Air Act as a result of the modification and/or operation of six electric generation stations located in northern Illinois that have been owned and operated by Midwest Generation since 1999.

The generating stations are currently owned and operated by Midwest Generation, which purchased the stations in December 1999 from ComEd. Under the terms of the sale agreement, Midwest Generation and its affiliate, Edison Mission Energy (EME), assumed responsibility for environmental liabilities associated with the ownership, occupancy, use and operation of the stations, including responsibility for compliance of the stations with environmental laws before the purchase of the stations by Midwest Generation. Midwest Generation and EME additionally agreed to indemnify and hold ComEd and its affiliates harmless from claims, fines, penalties, liabilities and expenses arising from third party claims against ComEd resulting from or arising out of the environmental liabilities assumed by Midwest Generation and EME under the terms of the agreement governing the sale.

In August 2009, the DOJ and the Illinois Attorney General filed a complaint against Midwest Generation with the U.S. District Court for the Northern District of Illinois initiating enforcement proceedings with respect to the alleged Clean Air Act violations set forth in the "O". Neither ComEd nor Exelon were named as a defendant in this original complaint. In March 2010, the District Court granted Midwest Generation's partial motion to dismiss all but one of the claims against Midwest Generation. The Court held that Midwest Generation cannot be liable for any alleged violations relating to construction that occurred prior to Midwest Generation's ownership of the stations. In May 2010, the government plaintiffs filed an amended complaint substantially similar to the original complaint, and added ComEd and EME as defendants. The amended complaint seeks injunctive relief and civil penalties against all defendants, although not all of the claims specifically pertain to ComEd. On March 16, 2011, the U.S. District Court granted ComEd's motion to dismiss the May 2010 complaint. On January 3, 2012, upon leave of the U.S. District Court, the government parties appealed the dismissal of ComEd to the U.S. Circuit Court of Appeals.

In connection with Exelon's 2001 corporate restructuring, Generation assumed ComEd's rights and obligations with respect to its former generation business. Exelon, Generation and ComEd are unable to predict the ultimate resolution of the claims alleged in the amended complaint, the costs that might be incurred or the amount of indemnity that may be available from Midwest Generation and EME; however, Exelon, Generation and ComEd have concluded that in light of the District Court decision the likelihood of loss is remote. Therefore, no reserve has been established. Further, Generation believes that it would be reimbursed by Midwest Generation and EME for any losses under the terms of the indemnification agreement, subject to the credit worthiness of Midwest Generation and EME.

Solid and Hazardous Waste.

Cotter Corporation. The U.S. EPA has advised Cotter Corporation (Cotter), a former ComEd subsidiary, that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability arising in connection with the West Lake Landfill. In connection with Exelon's 2001 corporate restructuring, this responsibility to indemnify Cotter was transferred to Generation. On May 29, 2008, the U.S. EPA issued a Record of Decision approving the remediation option submitted by Cotter and the two other PRPs that required additional landfill cover. The current estimated cost of the anticipated landfill cover remediation for the site is approximately \$2 million, which will be allocated among all PRPs. Generation has accrued what it believes to be an adequate amount to cover its anticipated share of such liability. By letter dated January 11, 2010, the U.S. EPA requested that the PRPs perform a supplemental feasibility study for a remediation alternative that would involve excavation of the radiological contamination. On September 30, 2011, the PRPs submitted the final supplemental feasibility study to the EPA for review. It is anticipated that the EPA will propose a remedy in the second quarter of 2012, which will be subject to public comment. Thereafter the EPA will select a final remedy and enter into a Consent Decree with the PRPs to effectuate the remedy. An excavation remedy would

be significantly more expensive than the previously selected additional cover remedy; however, Generation believes the likelihood that the U.S. EPA would require the use of an excavation remedy is remote.

On August 8, 2011, Cotter was notified by the DOE that Cotter is considered a PRP with respect to the government's clean-up costs for contamination attributable to low level radioactive residues at a former storage and reprocessing facility named Latty Avenue near St. Louis, Missouri. The Latty Avenue site is included in ComEd's indemnification responsibilities discussed above as part of the sale of Cotter. The radioactive residues had been generated initially in connection with the processing of uranium ores as part of the U.S. government's Manhattan Project. Cotter purchased the residues in 1969 for initial processing at the Latty Avenue facility for the subsequent extraction of uranium and metals. In 1976, the CRC found that the Latty Avenue site had radiation levels exceeding CRC criteria for decontamination of land areas. Latty Avenue was investigated and remediated by the United States Army Corps of Engineers pursuant to funding under the Formerly Utilized Sites Remedial Action Program. The DOE has not yet formally advised the PRPs of the amount that it is seeing, but it is believed to be approximately \$100 million. The DOE and the PRPs have agreed to toll the statute of limitations until August 2012 so that settlement discussions can proceed. Based on Exelon's preliminary review, it appears probable that Exelon has liability to Cotter under the indemnification agreement and has established an appropriate accrual for this liability.

On February 28, 2012, and April 12, 2012, two lawsuits were filed in the U.S. District Court for the Eastern District of Missouri against 15 and 14 defendants respectively, including Exelon, Generation and ComEd (the "Exelon defendants"). The suits allege that individuals living in the North St. Louis area developed some form of cancer due to the defendants' negligent or reckless conduct in processing, transporting, storing, handling and/or disposing of radioactive materials. Plaintiffs have asserted claims for negligence, strict liability, emotional distress, medical monitoring, and violations of the Price-Anderson Act. The complaints do not contain specific damage claims. The Exelon defendants are parties to the actions based on their prior ownership of Cotter Corporation as described above. Due to the early stage of the litigation, Exelon is unable to determine the extent of its potential liability, if any.

68th Street Dump. In 1999, the EPA proposed to add the 68th Street Dump in Baltimore, Maryland to the Superfund National Priorities List, and notified DOE and 19 others that they are PRPs at the site. In March 2004, DOE and other PRPs formed the 68th Street Coalition and entered into consent order negotiations with the EPA to investigate clean-up options for the site under the Superfund Alternative Sites Program. In May 2006, a settlement among the EPA and 19 of the PRPs, including DOE, with respect to investigation of the site became effective. The settlement requires the PRPs, over the course of several years, to identify contamination at the site and recommend clean-up options. The potentially responsible parties submitted their investigation of the range of clean-up options in the first quarter of 2011. Although the investigation and options provided to the EPA are still subject to EPA review and selection of a remedy, the range of estimated clean-up costs to be allocated among all of the PRPs is in the range of \$50 million and \$64 million. The EPA is expected to make a final selection of one of the alternatives in 2012. Since the EPA has not selected the remedy and the allocation of the clean-up costs among the PRPs has not been determined, an estimate of the range of DOE's possible loss cannot be determined. DOE is indemnified by a wholly owned subsidiary of Generation for most of the costs related to this settlement and clean-up of the site.

Climate Change Regulation. Exelon is subject to climate change regulation or legislation at the international, Federal, regional and state levels. In 2007, the U.S. Supreme Court ruled that GHG emissions are pollutants subject to regulation under the new motor vehicle provisions of the Clean Air Act. Consequently, on December 7, 2009, the U.S. EPA issued an endangerment finding under Section 202 of the Clean Air Act regarding GHGs from new motor vehicles and on April 1, 2010 issued final regulations limiting GHG emissions from cars and light trucks effective on January 2, 2011. While such regulations do not specifically address stationary sources, such as a generating plant, it is the U.S. EPA's position that the regulation of GHGs under the mobile source provisions of the Clean Air Act has triggered the permitting requirements under the Prevention of Significant Deterioration (PSD) and Title I operating permit sections of the Clean Air Act for new and modified stationary sources effective January 2, 2011. Therefore, on May 13, 2010, the U.S. EPA issued final regulations relating to these provisions of the Clean Air Act for major stationary sources of GHG emissions that apply to new sources that emit greater than 100,000 tons per year, on a CO₂ equivalent basis, and to modifications to existing sources that result in emissions increases greater than 75,000 tons per year on a CO₂ equivalent basis. These thresholds became effective January 2, 2011, apply for six years and will be reviewed by the U.S. EPA for future applicability thereafter. On April 13, 2012, the U.S. EPA published proposed regulations for new source performance standards (NSPS) for GHG emissions from new fossil-fueled power plants, greater than 25 MW, that would require the plants to limit CO₂

emissions to a thirty-year average of less than 1000 pounds per MWh (less than 1800 pounds per MWh for the first ten years and less than 600 pounds per MWh thereafter). Under the regulations, new and modified major stationary sources could be required to install best available control technology, to be determined on a case-by-case basis. Generation could be significantly affected by the regulations if it were to build new plants or modify existing plants.

Litigation and Material Matters

Except to the extent noted below, the circumstances set forth in Note 18 of the Exelon 2011 Form 10-K and Note 12 of Constellation's and BGE's 2011 Form 10-K describe, in all material respects, the current status of litigation matters. The following is an update to that discussion.

Asbestos Personal Injury Claims (Exelon, Generation and BGE)

Exelon and Generation. Generation maintains a reserve for claims associated with asbestos-related personal injury actions in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. The reserve is recorded on an undiscounted basis and excludes the estimated legal costs associated with handling these matters, which could be material.

At March 31, 2012 and December 31, 2011, Generation had reserved approximately \$47 million and \$49 million, respectively, in total for asbestos-related bodily injury claims. As of March 31, 2012, approximately \$3 million of this amount related to 172 open claims presented to Generation, while the remaining \$4 million of the reserve is for estimated future asbestos-related bodily injury claims anticipated to arise through 2050, based on actuarial assumptions and analyses, which are updated on an annual basis. On a quarterly basis, Generation monitors actual experience against the number of forecasted claims to be received and expected claim payments and evaluates whether an adjustment to the reserve is necessary.

BGE. Since 1993, BGE and certain Constellation subsidiaries have been involved in several actions concerning asbestos. The actions are based upon the theory of premises liability, alleging that BGE and

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Constellation knew of and exposed individuals to an asbestos hazard. In addition to BGE and Constellation, numerous other parties are defendants in these cases.

Approximately 480 individuals who were never employees of BGE or Constellation have pending claims each seeking several million dollars in compensatory and punitive damages. Cross-claims and third party claims brought by other defendants may also be filed against BGE and former Constellation subsidiaries now owned by Generation in these actions. To date, most asbestos claims which have been resolved have been dismissed or resolved without any payment by BGE or Constellation and a small minority of these cases has been resolved for amounts that were not material to its financial results.

Discovery begins in these cases once they are placed on the trial docket. At present, none of the pending cases are set for trial. Given the limited discovery, BGE and Generation do not know the specific facts that are necessary to provide an estimate of the possible loss relating to these claims. The specific facts not known include:

- the identity of the facilities at which the plaintiffs allegedly worked as contractors
- the names of the plaintiffs' employers
- the dates on which and the places where the exposure allegedly occurred and
- the facts and circumstances relating to the alleged exposure.

Insurance and hold harmless agreements from contractors who employed the plaintiffs may cover a portion of any awards in the actions.

Gain on U.S. Department of Energy Settlements (Exelon and Generation)

CEC is currently in negotiations with the DOE to recover damages caused by the DOE's failure to comply with legal and contractual obligations to dispose of spent nuclear fuel related to the Nine Mile Point nuclear power plant. Any funds received from the DOE related to costs incurred prior to November 6, 2009 will belong to

Generation. We have recorded a pre-acquisition contingent asset of approximately \$25 million related to Constellation's share of the potential settlement. See Note 3 — Mergers and Acquisitions for additional information on the merger.

Federal Energy Regulatory Commission Investigation (Exelon and Generation)

On January 30, 2012, FERC published a notice on its website regarding a non-public investigation of certain of Constellation's power trading activities in and around the New York ISO from September 2007 through December 2008. Prior to the merger, Constellation announced on March 9, 2012, that it had resolved the FERC investigation. Under the settlement, Constellation agreed to pay a \$35 million civil penalty and \$10 million in disgorgement. The disgorgement amount will be disbursed in two ways. First, Constellation will provide \$1 million each to six U.S. regional grid operators for the purpose of improving their surveillance and analytic capabilities. The remainder of the disgorgement amount was deposited in a fund that will be administered by a FERC ALJ. State agencies in New York, New England and PJM (the regional grid operator for 13 states and the District of Columbia) will be eligible to make claims against the fund on behalf of electric energy consumers in those states.

During the three months ended March 31, 2012, Generation recorded expense of \$95 million in operating and maintenance expense, with the remaining \$50 million recorded as a Constellation pre-acquisition contingency. As of March 31, 2012, the full amount of the civil penalty and disgorgement was paid. See Note 3 — Merger and Acquisitions for additional information on the merger.

Continuous Power Interruption (ComEd)

The Illinois Public Utilities Act provides that in the event an electric utility, such as ComEd, experiences a continuous power interruption of four hours or more that affects (in ComEd's case) 30,000 or more customers, the utility may be liable for actual damages suffered by customers as a result of the interruption and may be responsible for reimbursement of local governmental emergency and contingency expenses incurred in connection with the interruption. Recovery of consequential damages is barred. The affected utility may seek from the ICC a waiver of these liabilities when the utility can show that the cause of the interruption was unpreventable damage due to weather events or conditions, customer tampering, or certain other causes enumerated in the law.

On August 18, 2011, ComEd sought from the ICC a determination that ComEd is not liable for damage compensation to customers in connection with the July 11, 2011 storm system that produced multiple power interruptions that in the aggregate affected more than 900,000 customers in ComEd's service territory, as well as for five other storm systems that affected ComEd's customers during June and July 2011. The ICC is currently conducting a proceeding to assess ComEd's request. In the absence of a favorable determination from the ICC, some ComEd customers affected by the outages could seek recovery of their actual, non-consequential damages, and the local governments in the areas in which those customers are located could seek recovery of emergency and contingency expenses. On January 27, 2012, the ICC Staff and the Illinois Attorney General (AG) filed testimony in the ICC proceeding. They both disagree with ComEd's interpretation that the statute does not apply to any of the individual continuous power interruptions caused by the 2011 storms. Additionally, the ICC witness supports granting a waiver for three of the six storms, while the AG asserts that ComEd should be held responsible for the damages from all the storms. On March 30, 2012, ComEd filed responsive testimony in the ICC proceeding to further support its position that no compensation is required.

In addition, on September 29, 2011, ComEd sought from the ICC a determination that it was not liable for damage compensation related to the February 1, 2011 blizzard. On February 14, 2012, the ICC Staff and the AG filed testimony in the proceeding. ICC staff has recommended that the ICC issue ComEd a waiver based on the extreme weather conditions. The AG has taken the same position as that filed in the summer storm system waiver noted above. Additional active proceedings related to storms of lesser collective impact are also pending. Both of the above proceedings have been set for hearing in July 2012. The ultimate outcomes of these proceedings are uncertain, and the amount of damages, if any, which might be asserted, cannot be reasonably estimated at this time, but may be material to ComEd's results of operations and cash flows.

Securities Class Action (Exelon)

Three federal securities class action lawsuits were filed in the United States District Courts for the Southern District of New York and the District of Maryland between September 2008 and November 2008 against

Constellation. The cases were filed on behalf of a proposed class of persons who acquired publicly traded securities, including the Series A Junior Subordinated Debentures (Debentures), of Constellation between January 30, 2008 and September 16, 2008, and who acquired Debentures in an offering completed in June 2008. The securities class actions generally allege that Constellation, a number of its former officers or directors, and the underwriters violated the securities laws by issuing a false and misleading registration statement and prospectus in connection with Constellation's June 27, 2008 offering of Debentures. The securities class actions also allege that Constellation, issued false or misleading statements or was aware of material undisclosed information which contradicted public statements including in connection with its announcements of financial results for 2007, the fourth quarter of 2007, the first quarter of 2008 and the second quarter of 2008 and the filing of its first quarter 2008 Form 10-Q. The securities class actions seek among other things, certification of the cases as class actions, compensatory damages, reasonable costs and expenses, including counsel fees, and rescission damages.

The Southern District of New York granted the defendants' motion to transfer the two securities class actions filed in Maryland to the District of Maryland, and the actions have since been transferred for coordination with the securities class action filed there. On June 18, 2009, the court appointed a lead plaintiff, who filed a consolidated amended complaint on September 17, 2009. On November 17, 2009, the defendants moved to dismiss the consolidated amended complaint in its entirety. On August 13, 2010, the District Court of Maryland issued a ruling on the motion to dismiss, holding that the plaintiffs failed to state a claim with respect to the claims of the common shareholders under the Securities Exchange Act of 1934 and limiting the suit to those persons who purchased Debentures in the June 2008 offering. In August 2011, plaintiffs requested permission from the court to file a third amended complaint in an effort to attempt to revive the claims of the common shareholders. Constellation filed an objection to the plaintiffs' request for permission to file a third amended complaint and on March 28, 2012, the District Court of Maryland denied the plaintiffs' request for permission to revive the claims of the common shareholders. Given that limited discovery has occurred, that the court has not certified any class and the plaintiffs have not quantified their potential damage claims, Exelon is unable at this time to provide an estimate of the range of possible loss relating to these proceedings or to determine the ultimate outcome of the securities class actions or their possible effect on its financial results.

General (Exelon, Generation, ComEd, PECO and BGE)

The Registrants are involved in various other litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. The Registrants maintain accruals for losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of reasonably possible loss, particularly where (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

Income Taxes (Exelon, Generation, ComEd, PECO and BGE)

See Note 9 — Income Taxes for information regarding the Registrants' income tax refund claims and certain tax positions, including the 1999 sale of fossil generating assets.

10 Supplemental Financial Information (Exelon, Generation, ComEd, PECO and BGE)

Supplemental Statement of Operations Information

The following tables provide additional information about the Registrants' Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Other, Net					
Decommissioning-related activities:					
Net realized income on decommissioning trust funds(a)					
Regulatory Agreement Units	\$ 60	\$ 60	\$ —	\$ —	\$ —
Non-Regulatory Agreement Units	48	48	—	—	—

Net unrealized income on decommissioning trust funds					
Regulatory Agreement Units	247	247	—	—	—
Non-Regulatory Agreement Units	65	65	—	—	—
Net unrealized income on pledged assets					
Non-Station decommissioning	35	35	—	—	—
Regulatory offset to decommissioning trust fund related activities(b)	(277)	(277)	—	—	—
Total decommissioning related activities	178	178	—	—	—
Investment income	4	—	1	1	3
Long-term lease income	7	—	—	—	—
AFUDC — Equity	3	—	1	1	3
Other	2	—	2	—	—
Other, net	194	178	4	2	6
Three Months Ended March 31, 2011					
	Exelon	Generation	ComEd	PECO	BGE
Other, Net					
Decommissioning related activities:					
Net realized income on decommissioning trust funds(a)					
Regulatory Agreement Units	43	43	—	—	—
Non-Regulatory Agreement Units	10	10	—	—	—
Net unrealized income on decommissioning trust funds					
Regulatory Agreement Units	111	111	—	—	—
Non-Regulatory Agreement Units	43	43	—	—	—
Net unrealized gains on pledged assets					
Non-Station decommissioning	23	23	—	—	—
Regulatory offset to decommissioning trust fund related activities(b)	(151)	(151)	—	—	—
Total decommissioning related activities	79	79	—	—	—
Investment income	1	—	—	1	4
Long-term lease income	7	—	—	—	—
Interest income related to uncertain income tax provisions	3	—	1	—	—
AFUDC — Equity	5	—	1	4	4
Other	(1)	(4)	2	1	—
Other, net	94	75	4	6	8

(a) Includes investment income and realized gains and losses on sales of investments of the trust funds.

(b) Includes the elimination of DDT fund related activity for the Regulatory Agreement Units, including the elimination of net realized income taxes related to all DDT fund activity for those units. See Note 12 of the Exelon 2011 Form 10-K for additional information regarding the accounting for nuclear decommissioning.

Supplemental Cash Flow Information

The following tables provide additional information regarding the Registrants' Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012					
	Exelon	Generation	ComEd	PECO	BGE
Depreciation, amortization, accretion and depletion					
Property, plant and equipment	354	150	131	51	61
Regulatory assets	25	—	18	2	18

Amortization of intangible assets	3	3	—	—	—
Amortization of energy contract assets and liabilities(a)	131	131	—	—	—
Nuclear fuel(a)	207	207	—	—	—
Asset retirement obligation accretion(b)	56	56	—	—	—
Total depreciation, amortization and accretion	<u>776</u>	<u>547</u>	<u>149</u>	<u>53</u>	<u>79</u>

Three Months Ended March 31, 2011

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Depreciation, amortization and accretion					
Property, plant and equipment	313	139	122	46	57
Regulatory assets	14	—	12	2	20
Nuclear fuel(a)	174	174	—	—	—
Asset retirement obligation accretion(b)	51	51	—	—	—
Total depreciation, amortization and accretion	<u>552</u>	<u>364</u>	<u>134</u>	<u>48</u>	<u>77</u>

(a) Included in purchased power and fuel expense on the Registrants' Consolidated Statements of Operations and Comprehensive Income.

(b) Included in operating and maintenance expense on the Registrants' Consolidated Statements of Operations and Comprehensive Income.

Three Months Ended March 31, 2012

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Other non-cash operating activities					
Pension and non-pension postretirement benefit costs	181	81	69	13	16
Provision for uncollectible accounts	40	(9)	22	24	8
Stock-based compensation costs	39	—	—	—	—
Other decommissioning-related activity(a)	(71)	(71)	—	—	—
Energy-related options(b)	28	28	—	—	—
Amortization of regulatory asset related to debt costs	6	—	4	1	1
Amortization of rate stabilization deferral	3	—	—	—	13
Discrete impacts from EIMA(c)	(38)	—	(38)	—	—
Merger-related commitments(d)	331	35	—	—	141
Equity in loss of unconsolidated subsidiaries	22	22	—	—	—
Other	(11)	4	3	2	(1)
Total other non-cash operating activities	<u>530</u>	<u>90</u>	<u>60</u>	<u>40</u>	<u>178</u>
Changes in other assets and liabilities					
Under/over-recovered energy and transmission costs	(25)	—	(38)	13	(10)
Other regulatory assets and liabilities	(97)	—	(16)	3	(16)
Other current assets	(18)	(122)	1	(134)(e)	31
Other noncurrent assets and liabilities	18	42	(19)	8	7
Total changes in other assets and liabilities	<u>(122)</u>	<u>(80)</u>	<u>(72)</u>	<u>(110)</u>	<u>12</u>
Non-cash investing and financing activities					
Merger with Constellation, common stock issued	7,365	5,272	—	—	—

Three Months Ended March 31, 2011

	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Other non-cash operating activities					
Pension and non-pension postretirement benefit costs	136	62	54	8	11
Provision for uncollectible accounts	45	—	19	26	9
Stock-based compensation costs	28	—	—	—	—
Other decommissioning-related activity(a)	(32)	(32)	—	—	—
Energy-related options(b)	34	34	—	—	—

Amortization of regulatory asset related to debt costs	6	—	5	1	1
Uncollectible accounts recovery, net	4	—	4	—	—
Amortization of rate stabilization deferral	—	—	—	—	14
Deferral of storm costs	—	—	—	—	(16)
Other	2	8	—	—	(3)
Total other non-cash operating activities	<u>223</u>	<u>72</u>	<u>82</u>	<u>35</u>	<u>16</u>
Changes in other assets and liabilities					
Under-recovered energy and transmission costs	(60)	—	(29)	(31)	3
Other regulatory assets and liabilities	3	—	5	(2)	(3)
Other current assets	(169)	(20)	(8)	(136)(e)	31
Other noncurrent assets and liabilities	8	—	(3)	7	(5)
Total changes in other assets and liabilities	<u>(218)</u>	<u>(20)</u>	<u>(35)</u>	<u>(162)</u>	<u>26</u>

- (a) Includes the elimination of DDT fund-related activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARO accretion, ARC amortization, investment income and income taxes related to all DDT fund activity for these units. See Note 12 of the Exelon 2011 Form 10-K for additional information regarding the accounting for nuclear decommissioning.
- (b) Includes option premiums reclassified to realized at the settlement of the underlying contracts and recorded to results of operations.
- (c) Includes the establishment of a regulatory asset, pursuant to EIMA, for the 2012 annual reconciliation in ComEd's distribution formula rate tariff. This amount was partially offset by a reduction recorded in 2012 to the regulatory asset for the 2011 annual reconciliation previously established. See Note 4 — Regulatory Matters for more information.
- (d) See Note 3 — Mergers and Acquisitions for more information on merger-related commitments.
- (e) Relates primarily to prepaid utility taxes.

DOE Smart Grid Investment Grant (Exelon, PECO and BGE). For the three months ended March 31, 2012, Exelon, PECO and BGE have included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$0 million, \$0 million and \$0 million, respectively, and reimbursements of \$5 million, \$1 million and \$4 million, respectively, related to PECO's and BGE's DOE SGI programs. For the three months ended March 31, 2011, Exelon, PECO and BGE have included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$5 million, \$9 million and \$6 million, respectively, and reimbursements of \$8 million, \$5 million and \$3 million, respectively, related to PECO's and BGE's DOE SGI programs. See Note 4 — Regulatory Matters for additional information regarding the DOE SGI.

Supplemental Balance Sheet Information

The following tables provide additional information about assets and liabilities of the Registrants as of March 31, 2012 and December 31, 2011.

March 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Property, Plant and Equipment					
Accumulated depreciation	\$11,244(a)	\$5,563(a)	\$2,769	\$2,691	\$2,508
Accounts receivable					
Allowance for uncollectible accounts	317	82	90	111	34
December 31, 2011	Exelon	Generation	ComEd	PECO	BGE
Property, Plant and Equipment					
Accumulated depreciation	\$10,959(b)	\$5,313(b)	\$2,750	\$2,662	\$2,465
Accounts receivable					
Allowance for uncollectible accounts	199	29	78	92	38

- (a) Includes accumulated amortization of nuclear fuel in the reactor core of \$1,851 million.
 (b) Includes accumulated amortization of nuclear fuel in the reactor core of \$1,784 million.

PECO Installment Plan Receivables (Exelon and PECO)

PECO enters into payment agreements with certain delinquent customers, primarily residential, seeking to restore their service, as required by the PAPUC. Customers with past due balances that meet certain income criteria are provided the option to enter into an installment payment plan, some of which have terms greater than one year, to repay past due balances in addition to paying for their ongoing service on a current basis. The receivable balance for these payment agreement receivables is recorded in accounts receivable for the current portion and other deferred debits and other assets for the noncurrent portion. The net receivable balance for installment plans with terms greater than one year was \$7 million and \$1 million as of March 31, 2012 and December 31, 2011, respectively. The allowance for uncollectible accounts reserve methodology and assessment of the credit quality of the installment plan receivables are consistent with the customer accounts receivable methodology discussed in Note 1 of the Exelon 2011 Form 10-K. The allowance for uncollectible accounts balance associated with these receivables at March 31, 2012 of \$3 million consists of \$1 million, \$4 million and \$8 million for low risk, medium risk and high risk segments, respectively. The allowance for uncollectible accounts balance at December 31, 2011 of \$7 million consists of \$1 million, \$3 million and \$3 million for low risk, medium risk and high risk segments, respectively. The balance of the payment agreement is billed to the customer in equal monthly installments over the term of the agreement. Installment receivables outstanding as of March 31, 2012 and December 31, 2011 include balances not yet presented on the customer bill, accounts currently billed and an immaterial amount of past due receivables. When a customer defaults on their payment agreement, the terms of which are defined by plan type, the entire balance of the agreement becomes due and the balance is reclassified to current customer accounts receivable and reserved for in accordance with the methodology discussed in Note 1 of the Exelon 2011 Form 10-K.

Accumulated Other Comprehensive Income (Loss)

The following tables provide information about accumulated OCI (loss) recorded (after tax) within the Consolidated Balance Sheets of the Registrants as of March 31, 2012 and December 31, 2011:

<u>March 31, 2012</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Accumulated other comprehensive income (loss)					
Net unrealized gain on cash flow hedges	\$ 703	\$ 1,167	\$ —	\$ —	\$ —
Pension and nonpension postretirement benefit plans	(2,904)	—	—	—	—
Unrealized gain on marketable securities	2	—	—	1	—
Total accumulated other comprehensive income (loss)	<u>\$(2,199)</u>	<u>\$ 1,167</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>
<u>December 31, 2011</u>	<u>Exelon</u>	<u>Generation</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>
Accumulated other comprehensive income (loss)					
Net unrealized gain on cash flow hedges	\$ 488	\$ 915	\$ —	\$ —	\$ —
Pension and nonpension postretirement benefit plans	(2,938)	—	—	—	—
Unrealized loss on marketable securities	—	—	(1)	—	—
Total accumulated other comprehensive income (loss)	<u>\$(2,450)</u>	<u>\$ 915</u>	<u>\$(1)</u>	<u>\$ —</u>	<u>\$ —</u>

Segment Information (Exelon, Generation, ComEd, PECO and BGE)

Exelon has nine reportable segments, ComEd, PECO, NRE and Generation's six power marketing reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and an aggregate of other regions not considered individually significant referred to collectively as "Other Regions" including the South, West and Canada. Generation's expanded number of reportable segments is the result of the acquisition of Constellation on March 12, 2012. ComEd, PECO and NRE each represent a single reportable segment as such, no separate segment information is provided for these Registrants. Exelon evaluates the performance of ComEd, PECO and NRE based on net income.

The foundation of Generation's six reportable segments is based on the geographic location of its assets, and is largely representative of the footprints of an Independent System Operator (ISO) or Regional Transmission

Operator (RTO) and the North American Electric Reliability Corporation (NERC) region. Descriptions of each of Generation's six reportable segments are as follows:

- MidAtlantic represents operations in the eastern half of PJM, which includes Pennsylvania, New Jersey, Maryland, Virginia, West Virginia, Delaware, the District of Columbia and parts of North Carolina.
- Midwest represents operations in the western half of PJM, which includes portions of Illinois, Indiana, Ohio, Michigan, Kentucky and Tennessee, and the entire United States footprint of MISO, which covers all or most of North Dakota, South Dakota, Nebraska, Minnesota, Iowa, Wisconsin, the remaining parts of Illinois, Indiana, Michigan and Ohio not covered by PJM, and parts of Montana, Missouri and Kentucky.
- New England represents the operations within ISO-NE covering the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- New York represents operations within New York ISO, which covers the state of New York in its entirety.
- ERCOT represents operations within Electric Reliability Council of Texas, covering most of the state of Texas.
- Other Regions not considered individually significant:
 - South represents operations in the Florida Reliability Coordinating Council (FRCC) and the remaining portions of the SERC Reliability Corporation (SERC) not included within MISO or PJM, which includes all or most of Florida, Arkansas, Louisiana, Mississippi, Alabama, Georgia, Tennessee, North Carolina, South Carolina and parts of Missouri, Kentucky and Texas. Generation's South region also includes operations in the Southwest Power Pool (SPP), covering Kansas, Oklahoma, most of Nebraska and parts of New Mexico, Texas, Louisiana, Missouri, Mississippi and Arkansas.
 - West represents operations in the Western Electric Coordinating Council (WECC), which includes California ISO, and covers the states of California, Oregon, Washington, Arizona, Nevada, Utah, Idaho, Colorado, and parts of New Mexico, Wyoming and South Dakota.
 - Canada represents operations across the entire country of Canada and includes the Alberta Electric Systems Operator (AESO), Ontario Independent Electricity System Operator (OIESO) and the Canadian portion of MISO.

Exelon and Generation do not use a measure of total assets in making decisions regarding allocating resources to or assessing the performance of these regional reportable segments. Exelon and Generation evaluate the performance of Generation's power marketing activities based on revenue net of purchased power and fuel expense. Generation believes that revenue net of purchased power and fuel expense is a useful measurement of operational performance. Revenue net of purchased power and fuel expense is not a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Generation's operating revenues include all sales to third parties and affiliated sales to ComEd, PECO and NEE. Purchased power costs include all costs associated with the procurement and supply of electricity including capacity, energy and ancillary services. Fuel expense includes the fuel costs for internally generated energy and fuel costs associated with tolling agreements. Generation's other business activities, including retail and wholesale gas, upstream natural gas, proprietary trading, energy efficiency and demand response, the design, construction, and operation of renewable energy, heating, cooling, and cogeneration facilities, and home improvements, sales of electric and gas appliances, servicing of heating, air conditioning, plumbing, electrical, and indoor quality systems, are not allocated to regions. Further, Generation's compensation under the reliability must-run rate schedule, results of operations from the clean coal assets held for sale—Grand Shores, Wagner, and C.P. Crane, and other miscellaneous revenues, market-to-market impact of economic hedging activities, and amortization of certain intangible assets relating to commodity contracts recorded at fair value as a result of the merger are also not allocated to a region.

An analysis and reconciliation of the Registrants' reportable segment information to the respective information in the consolidated financial statements for the three months ended March 31, 2012 and 2011 is as follows:

<u>Generation(a)</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE(b)</u>	<u>Other(c)</u>	<u>Intersegment Eliminations</u>	<u>Exelon</u>

Total revenues(d)							
2012	2,739	1,388	875	52	351	(719)	4,686
2011	2,643	1,466	1,153		186	(492)	4,956
Intersegment revenues(e)							
2012	366	1	1	1	350	(719)	—
2011	306	1	1		186	(493)	1
Net income (loss)							
2012	166	87	97	(65)	(85)	—	200
2011	495	69	126		(21)	—	669
Total assets							
March 31, 2012	41,723	22,589	9,215	7,369	10,876	(14,144)	77,628
December 31, 2011	27,433	22,638	9,156		6,162	(10,394)	54,995

- (a) Generation includes the six power marketing reportable segments shown below: Mid-Atlantic, Midwest, New England, New York, ERCOT and Other Regions. Intersegment revenues for Generation for the three months ended March 31, 2012 include revenue from sales to PECO of \$11 million and sales to CCE of \$9 million in the Mid-Atlantic region, and sales to ComEd of \$247 million in the Midwest region, net of \$11 million related to the unrealized mark-to-market losses related to the ComEd swap, which eliminate upon consolidation. For the three months ended March 31, 2011 intersegment revenues for Generation include revenue from sales to PECO of \$43 million in the Mid-Atlantic region, and sales to ComEd of \$63 million in the Midwest region.
- (b) Amounts represent activity recorded at CCE from March 12, 2012, the closing date of the merger, through March 31, 2012.
- (c) Other primarily includes Exelon's corporate operations, shared service entities and other financing and investment activities.
- (d) For the three months ended March 31, 2012 and 2011, utility taxes of \$3 million and \$6 million, respectively, are included in revenues and expenses for Generation. For the three months ended March 31, 2012 and 2011, utility taxes of \$61 million and \$64 million, respectively, are included in revenues and expenses for ComEd. For the three months ended March 31, 2012 and 2011, utility taxes of \$34 million and \$48 million, respectively, are included in revenues and expenses for PECO. For the period of March 12, 2012 through March 31, 2012, utility taxes of \$3 million are included in revenues and expenses for CCE.
- (e) The intersegment profit associated with Generation's sale of AECs to PECO is not eliminated in consolidation due to the recognition of intersegment profit in accordance with regulatory accounting guidance. See Note 2 of the Exelon 2011 Form 10-K for additional information on AECs. For Exelon, these amounts are included in operating revenues in the Consolidated Statements of Operations.

Generation total revenues

	2012			2011		
	Revenues from external customers(a)	Intersegment revenues	Total Revenues	Revenues from external customers(a)	Intersegment revenues(b)	Total Revenues
Mid-Atlantic	\$970	\$(4)	\$966	\$1,075	—	\$1,075
Midwest	1,215	4	1,219	1,427	—	1,427
New England	91	2	93	3	—	3
New York	45	(2)	43	—	—	—
ERCOT	128	—	128	101	—	101
Other Regions(c)	75	4	79	37	—	37
Total Revenues for Reportable Segments	\$2,524	\$4	\$2,528	\$2,643	—	\$2,643
Other(d)	215	(4)	211	—	—	—
Total Generation Consolidated Operating Revenues	\$2,739	—	\$2,739	\$2,643	—	\$2,643

(a) Includes all wholesale and retail electric sales from third parties and affiliated sales to ComEd, PECO and CCE.

- (b) There were no transactions among Generation's reportable segments which would result in intersegment revenue for Generation for the three months ended March 31, 2011.
- (c) Other regions includes the South, West and Canada, which are not considered individually significant.
- (d) Other represents activities not allocated to a region and includes retail and wholesale gas, upstream natural gas, proprietary trading, demand response, energy efficiency, the design, construction, and operation of renewable energy, heating, cooling, and cogeneration facilities, home improvements, sales of electric and gas appliances, servicing of heating, air conditioning, plumbing, electrical, and indoor quality systems, marketing activities associated with Generation's economic hedging activities. In addition, includes generation under the reliability must-run rate schedule and generation of Grandon Shores, H.A. Wagner, and C.P. Crane, the generating facilities planned for divestiture as a result of the Exelon and Constellation merger. Also includes amortization of intangible assets related to commodity contracts recorded at fair value at the merger date.

Generation total revenues net of purchased power and fuel expense

	2012			2011		
	From external customers(a)	Intersegment	Total	From external customers(a)	Intersegment	Total
		Revenue	Revenue		Revenue	Revenue
Mid-Atlantic	\$ 774	\$(4)	\$ 770	\$ 914	—	\$ 914
Midwest	813	4	817	965	—	965
New England	37	2	39	2	—	2
New York	10	(2)	8	—	—	—
ERCOT	34	—	34	4	—	4
Other Regions(c)	10	4	14	(8)	—	(8)
Total Revenues net of purchased power and fuel expense for Reportable Segments	\$ 1,678	\$ 4	\$ 1,682	\$ 1,877	\$ —	\$ 1,877
Other(d)	17	(4)	13	(117)	—	(117)
Total Generation Revenues net of purchased power and fuel expense	\$ 1,695	\$ —	\$ 1,695	\$ 1,760	\$ —	\$ 1,760

(a) Includes purchases and sales from third parties and affiliated sales to ComEd, PECO and OGE.

(b) There were no transactions among Generation's reportable segments which would result in intersegment revenue net of purchased power and fuel expense for Generation for the three months ended March 31, 2011.

(c) Other regions includes the South, West and Canada, which are not considered individually significant.

(d) Other represents activities not allocated to a region and includes retail and wholesale gas, upstream natural gas, proprietary trading, demand response, energy efficiency, the design, construction, and operation of renewable energy, heating, cooling, and cogeneration facilities, home improvements, sales of electric and gas appliances, servicing of heating, air conditioning, plumbing, electrical, and indoor quality systems, marketing activities associated with Generation's economic hedging activities. In addition, includes generation under the reliability must-run rate schedule and generation of Grandon Shores, H.A. Wagner, and C.P. Crane, the generating facilities planned for divestiture as a result of the Exelon and Constellation merger. Also includes amortization of intangible assets related to commodity contracts recorded at fair value at the merger date.