



An Exelon Company

Richard G. Webster, Jr.
Vice President

PECO
Regulatory Policy and Strategy
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September 30, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

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, Securities Certificate No. S-

Dear Secretary Chiavetta:

Enclosed for filing in the above-captioned matter is PECO Energy Company's Securities Certificate.

This filing contains the following Exhibits: A-G-1, M-S. Exhibits G2-L will be filed later as described on page 11-12 of the Securities Certificates.

Please note that this is the first of four Securities Certificate filings that PECO is making today. All are being e-filed under separate cover letters.

PECO's check for the required filing fee is being filed under separate cover.

Should you have any questions concerning this filing, please contact me at 215-841-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "REW" followed by a long, wavy horizontal line.

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 Senior Secured	:	
	Debt in the form of First and Refunding	:	
	Mortgage Bonds	:	

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 corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Philadelphia, Pennsylvania. The Company provides electric delivery service to approximately 1.6 million customers and natural gas delivery service to approximately 503,000 customers in southeastern Pennsylvania. The Company furnishes electric services within its authorized service territory in Bucks, Chester, Delaware, Montgomery and York Counties and the City of Philadelphia. The Company is a "public utility," as defined in 66 Pa.C.S. § 2803.
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4. Control of the Company:

All of the common stock of the 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.

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 December 31, 2018. 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”), (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 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 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 October 24, 2012 pertaining to \$2.5 billion aggregate principal amount of Debt Securities (See Securities Certificates Nos. S-2012-2317815, S-2012-2317817, S-2012-2317819 and S-2012-2317820). To date, the Company has entered into long-term credit facilities with aggregate bank commitments of \$600,000,000 and issuances of \$550,000,000 and

\$300,000,000 and \$350,000,000¹ of Mortgage Bonds, respectively, under the Prior Securities Certificates, leaving a remaining capacity of \$700,000,000. Under the terms of the Prior Securities Certificates registered on October 24, 2012, the authority to issue debt securities thereunder expires on December 31, 2015. 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 longer, to finance capital 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.

¹ This financing priced on Monday, September 28, 2015 and is expected to close on Monday, October 5, 2015.

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 Mortgage Bonds will be designated as PECO Energy Company First and Refunding Mortgage Bonds, ___% Series due ___ in the case of Mortgage Bonds offered directly and PECO Energy Company First and Refunding Mortgage Bonds, ___% Collateralized Series due ___ in the case of Mortgage Bonds issued as collateral for Collateralized Notes. For additional information concerning the terms of the Mortgage Bonds to be issued as collateral for Collateralized Notes, see the Securities Certificate filed concurrently herewith with respect to the Collateralized Notes. The Mortgage Bonds will be issued as definitive fully registered bonds without coupons under one or more supplemental indentures to the Mortgage. The Mortgage Bonds will rank equally with all series of mortgage bonds presently outstanding under the Mortgage and will be secured by the Mortgage, which is a first lien on substantially all of the Company's property except securities which are not required to be pledged under the Mortgage. At December 31, 2014, approximately \$2.2 billion of Mortgage Bonds were outstanding under

the Mortgage. A copy of any Underwriting Agreement, Purchase Agreement or Agency Agreement pertaining to the Mortgage Bonds will be filed as Exhibit L.

For a more complete description of any series of Mortgage Bonds, reference is made to the supplemental indenture pertaining to such Mortgage Bonds that will be filed as Exhibit J-1.

AGGREGATE PRINCIPAL AMOUNT TO BE ISSUED:

The aggregate principal amount of Mortgage Bonds 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. See explanation beginning on page 2.

NOMINAL DATE OF ISSUE:

To be determined later. See explanation beginning on page 3.

DATE OF MATURITY:

To be determined later. See explanation beginning on page 3.

FEES PAYABLE IN CONNECTION WITH OFFERING OF MORTGAGE BONDS:

The Company will pay customary underwriting fees in connection with the offering of the Mortgage Bonds.

INTEREST RATE AND PAYMENT DATES:

To be determined later. See explanation beginning on page 3.

EXTENT TO WHICH TAXES ON MORTGAGE BONDS ARE ASSUMED BY THE ISSUER:

No taxes on the Mortgage Bonds 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 Mortgage Bonds or the interest thereon or any owner or holder thereof which the Company, the 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 3.

SINKING FUND PROVISIONS:

To be determined later. See explanation beginning on page 3.

NAME AND ADDRESS OF TRUSTEE:

U.S. Bank National Association
Two Liberty Place
50 South 16th Street, Suite 2000
Philadelphia, PA 19109

The 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 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 and Senior Unsecured Debt and from three to 50 years for Mortgage Bonds and from 30 to 60 years for Subordinated Debt. Actual interest rates or prices to the Company 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. 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.

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	100,000
Total Estimated Expenses	<hr/> \$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 \$550 million in 2015, \$525 million in 2016 and \$525 million in 2017, 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 \$300 million Mortgage Bond issue maturing on October 15, 2016 and a \$500 million Mortgage Bond issue maturing on March 1, 2018. 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, 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, 2014 and June 30, 2015 |
| Exhibit B | Income and Retained Earnings Statement of PECO Energy Company and Subsidiary Companies at December 31, 2014 and June 30, 2015 |
| Exhibit C | Statement in respect of the Company's Utility plant at December 31, 2014 and June 30, 2015 |
| Exhibit D | Statement of securities of other corporations owned by PECO Energy Company at December 31, 2014 and June 30, 2015 |
| Exhibit E | Statement showing status of the Company's funded debt outstanding at December 31, 2014 and June 30, 2015 |
| Exhibit F | Company's Consolidated Statement of Changes in Shareholders' Equity at December 31, 2014 and June 30, 2015 |
| Exhibit G-1 | Registration Statement No. 333-196220-02 |
| 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 Debt Securities (to be filed later) |
| Exhibit J | Form of indenture under which the proposed Debt Securities 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, 2014 and June 30, 2015
- Exhibit N Computation of Ratio of Earnings to Fixed Charges (SEC method) for the 12 months ended December 31, 2014 and June 30, 2015
- Exhibit O Annualized Interest on Mortgage Bonds as of December 31, 2014 and June 30, 2015
- 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, 2014 and June 30, 2015
- Exhibit Q Annualized Preferred Dividends as of December 31, 2014 and June 30, 2015
- Exhibit R Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends Combined (SEC method) for the 12 months ended December 31, 2014 and June 30, 2015
- Exhibit S Notes to Consolidated Financial Statements for the year ended December 31, 2014 and June 30, 2015

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
Senior Vice President, Chief Financial
Officer and Treasurer

VERIFICATION

I, Phillip S. Barnett, Senior Vice President, Chief Financial Officer and Treasurer 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: September 30, 2015



Phillip S. Barnett
Senior Vice President, Chief Financial
Officer and Treasurer

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA :
:
COUNTY OF PHILADELPHIA :

Phillip S. Barnett, being duly sworn according to law, deposes and says that he is Senior Vice President, Chief Financial Officer and Treasurer 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
Senior Vice President, Chief Financial
Officer and Treasurer
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101

Sworn to and subscribed
before me this 30TH day
of September, 2015.



Notary Public
(SEAL)

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DENISE M. KUCZEWSKI, Notary Public
City of Philadelphia, Phila. County
My Commission Expires December 15, 2018

PECO Energy Company and Subsidiary Companies
Consolidated Balance Sheet
June 30, 2015 & December 31, 2014

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25,534,054	\$ 30,267,986
Restricted Cash	2,814,016	2,118,216
Accounts Receivable, net		
Customer	301,276,894	320,358,796
Other	121,742,167	141,485,049
Affiliate	2,897,440	2,697,029
Inventories, at average cost		
Gas	29,891,162	56,967,215
Materials and Supplies	28,627,547	21,936,723
Deferred Income Taxes	69,457,938	68,826,141
Prepaid Utility Taxes	79,766,261	10,021,188
Regulatory Assets	42,159,275	29,351,699
Other	36,263,670	31,477,302
Total Current Assets	<u>740,430,424</u>	<u>715,507,344</u>
PROPERTY, PLANT AND EQUIPMENT, NET	6,957,125,617	6,800,745,978
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	1,551,800,658	1,528,511,166
Investments	20,471,356	23,030,193
Investments in Affiliates	7,912,999	7,996,084
Receivable from Affiliate	477,148,755	490,483,372
Prepaid Pension Asset	341,087,847	344,400,132
Other	30,843,776	34,279,067
Total Deferred Debits and Other Assets	<u>2,429,265,391</u>	<u>2,428,700,014</u>
TOTAL ASSETS	<u>10,126,821,432</u>	<u>9,944,953,336</u>

PECO Energy Company and Subsidiary Companies
Consolidated Balance Sheet
June 30, 2015 & December 31, 2014

	June 30, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Borrowings from Exelon intercompany money pool	\$ 41,000,000	\$ -
Accounts Payable	318,552,062	337,130,323
Accrued Expenses	115,910,063	90,989,403
Payables to Affiliates	49,833,529	51,830,560
Customer Deposits	54,182,100	52,244,557
Regulatory Liabilities	117,398,130	90,271,378
Other	41,134,039	30,769,113
Total Current Liabilities	738,009,923	653,235,334
LONG-TERM DEBT	2,246,113,577	2,245,922,266
LONG-TERM DEBT TO OTHER AFFILIATES	184,418,609	184,418,609
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes & Unamortized ITC	2,724,508,356	2,671,059,857
Asset Retirement Obligation	29,638,357	29,513,682
Non-Pension Postretirement Benefits Obligation	287,241,266	286,703,967
Regulatory Liabilities	633,061,422	657,398,583
Other	92,760,474	95,434,234
Total Deferred Credits and Other Liabilities	3,767,209,875	3,740,110,323
Total Liabilities	6,935,751,984	6,823,686,532
SHAREHOLDER'S EQUITY		
Common Stock	2,439,397,649	2,439,397,649
Retained Earnings	750,378,223	680,433,157
Accumulated Other Comprehensive Income	1,293,576	1,435,998
Total Shareholders' Equity	3,191,069,448	3,121,266,804
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,126,821,432	9,944,953,336

PECO Energy Company and Subsidiary Companies
Income and Retained Earnings Statement
For the Six Months Ended June 30, 2015 and the Twelve Months Ended December 31, 2014

	June 30, 2015	December 31, 2014
OPERATING REVENUES		
Operating Revenues	\$ 1,644,876,297	\$ 3,091,996,268
Operating Revenues from Affiliates	561,295	1,716,218
Total Operating Revenues	<u>1,645,437,592</u>	<u>3,093,712,486</u>
OPERATING EXPENSES		
Purchased Power & Fuel	564,981,168	1,067,852,434
Purchased Power from Affiliate	109,868,206	193,172,896
Operating and Maintenance	363,023,063	766,947,872
Operating and Maintenance from Affiliates	50,611,068	99,120,580
Depreciation and Amortization	130,537,259	235,713,760
Taxes Other than Income	80,144,094	158,924,156
Total Operating Expenses	<u>1,299,164,858</u>	<u>2,521,731,698</u>
GAIN ON SALE OF ASSETS	705,274	489,663
OPERATING INCOME	<u>346,978,008</u>	<u>572,470,451</u>
OTHER INCOME AND DEDUCTIONS		
Interest Expense	(49,729,257)	(100,918,291)
Interest Expense to Affiliates	(5,966,034)	(11,913,556)
Other, Net	2,842,873	6,660,771
Total Other Income and Deductions	<u>(52,852,418)</u>	<u>(106,171,076)</u>
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	294,125,590	466,299,375
INCOME TAXES	85,296,630	114,323,086
EQUITY IN EARNINGS	<u>116,106</u>	<u>258,326</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	208,945,066	352,234,615
NET INCOME	208,945,066	352,234,615
Preferred Stock Dividends	-	-
NET INCOME ON COMMON STOCK	<u>208,945,066</u>	<u>352,234,615</u>
Comprehensive Income, Net of Income Taxes		
Net Income	208,945,066	352,234,615
Other Comprehensive Income, Net of Income Taxes		
Change in Unrealized Gain on Marketable Securities	1,293,576	1,435,998
Other Comprehensive Income	1,293,576	1,435,998
Comprehensive Income	<u>210,238,642</u>	<u>353,670,613</u>
STATEMENT OF CHANGES IN RETAINED EARNINGS		
Balance as of January 1, 2014		648,198,542
Net Income		352,234,615
Common Stock Dividends		(320,000,000)
Preferred Stock Dividends		-
Other		-
Balance as of December 31, 2014	<u>\$</u>	<u>680,433,157</u>
Net Income		208,945,066
Common Stock Dividends		(139,000,000)
Preferred Stock Dividends		-
Other		-
Balance as of June 30, 2015	<u>\$</u>	<u>750,378,223</u>

PECO Energy Company and Subsidiary Companies
Statement of Utility Plant
June 30, 2015 & December 31, 2014

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
ELECTRIC		
Plant in Service		
Intangible	97,703,881	87,460,705
Transmission	1,345,655,948	1,302,210,681
Distribution	5,438,790,990	5,290,494,830
General	211,672,033	205,762,686
Construction Work in Progress	91,018,874	133,949,353
Plant Held for Future Use	6,346,528	6,780,900
Total	<u>7,191,188,254</u>	<u>7,026,659,155</u>
GAS		
Plant in Service		
Intangible	9,363,486	6,364,895
Manufactured Gas Production	15,174,244	15,174,244
Storage Plant	39,845,365	39,061,743
Distribution	2,061,207,424	1,994,939,235
General	16,233,507	15,849,863
Construction Work in Progress	9,497,106	11,525,158
Plant Held for Future Use	-	-
Total	<u>2,151,321,132</u>	<u>2,082,915,138</u>
COMMON		
Plant in Service	625,534,049	617,587,529
Construction Work in Progress	3,177,571	8,981,812
Plant Held for Future Use	-	-
	<u>628,711,620</u>	<u>626,569,341</u>
NON-UTILITY PLANT	<u>14,085,651</u>	<u>14,085,643</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	9,985,306,657	9,750,229,277
ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>(3,028,181,040)</u>	<u>(2,949,483,300)</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>6,967,125,617</u>	<u>6,800,745,978</u>

PECO Energy Company and Subsidiary Companies
Statement of Securities of Other Corporations Owned
June 30, 2015 and December 31, 2014

<u>Name of Issuer</u>	<u>Type of Security</u>	<u>Amount Owned</u> <u>Shares or Percentage</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
			<u>Book Value</u>	<u>Book Value</u>
<u>Nonconsolidated Subsidiaries *</u>				
PECO Energy Capital Trust IV	Common Capital Stock	1,000 shares/100%	4,238,092	4,269,716
PECO Energy Capital Corporation and Subsidiary	Common Capital Stock	1,000 shares/100%	3,674,907	3,726,368
Total Investments			<u>7,912,999</u>	<u>7,996,084</u>

PECO Energy Company and Subsidiary Companies
Statement of Funded Debt Outstanding
June 30, 2016 and December 31, 2014

Description of Obligation	Interest Rates	Interest Payment Dates	Term (Years)	Dates of Maturity	June 30, 2016	December 31, 2014
					Total Principal Outstanding	Total Principal Outstanding
First and Refunding Mortgage Bonds:						
FRMB due 5/1/34	5.900%	May 1; Nov 1	30	May 1, 2034	75,000,000	75,000,000
FRMB due 10/15/43	4.800%	Apr 15; Oct 15	30	October 15, 2043	250,000,000	250,000,000
FRMB due 9/15/22	2.375%	Mar 15; Sep 15	10	September 15, 2022	350,000,000	350,000,000
FRMB due 10/1/36	5.950%	Oct 1; Apr 1	30	October 1, 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 10/15/16	1.200%	Apr 15; Oct 15	3	October 15, 2016	300,000,000	300,000,000
FRMB due 10/1/44	4.150%	Oct 1; Apr 1	30	October 1, 2044	300,000,000	300,000,000
Total First and Refunding Mortgage Bonds					2,250,000,000	2,250,000,000
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	805,206	805,206
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					(3,886,423)	(4,077,734)
Total Funded Debt Outstanding					\$ 2,430,532,186	\$ 2,430,340,875

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

*** Subsidiary of Peco Energy Capital Corporation

PECO Energy Company and Subsidiary Companies
Statement of Changes in Shareholders' Equity
At June 30, 2015 and December 31, 2014

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Common Stock	Retained Earnings	Accumulated OCI	Total Shareholder's Equity
Balance as of January 1, 2014	2,415,098,813	648,198,542	1,111,853	3,084,409,208
Net Income		352,234,615		352,234,615
Common Stock Dividends		(320,000,000)		(320,000,000)
Preferred Stock Dividends		-		-
Allocation of tax benefit from parent	-			-
Other comprehensive income		-	324,145	324,145
Balance as of December 31, 2014	<u>\$ 2,415,098,813</u>	<u>\$ 680,433,157</u>	<u>\$ 1,435,998</u>	<u>\$ 3,096,967,968</u>
Net Income		208,945,066		208,945,066
Common Stock Dividends		(139,000,000)		(139,000,000)
Preferred Stock Dividends		-		-
Other comprehensive income		-	(142,422)	(142,422)
Balance as of June 30, 2015	<u>\$ 2,415,098,813</u>	<u>\$ 750,378,223</u>	<u>\$ 1,293,576</u>	<u>\$ 3,168,770,612</u>

S-3ASR 1 d732256ds3asr.htm S-3ASR

Table of Contents

As filed with the Securities and Exchange Commission on May 23, 2014

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 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
Kennett 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.)

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)

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.)

Exhibit G-1

**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)

**2 Center Plaza, 110 West Fayette Street,
Baltimore, Maryland 21201
410-234-5000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**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)

Table of Contents

With copies to:

Bruce G. 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

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.

	<u>Large Accelerated</u>	<u>Accelerated</u>	<u>Non-Accelerated</u>	<u>Small Reporting Company</u>
Exelon Corporation	x			
Exelon Generation Company, LLC			x	
Commonwealth Edison Company			x	
PECO Energy Company			x	
Baltimore Gas and Electric Company			x	

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered/ Proposed maximum offering price per unit/ Amount of registration fee
Exelon Corporation senior debt securities	(1)
Exelon Corporation subordinated 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 Corporation depository shares	(1)
Exelon Generation Company, LLC senior debt securities	(1)
Exelon Generation Company, LLC preferred securities	(1)
Commonwealth Edison Company first mortgage bonds	(1)
Commonwealth Edison Company notes	(1)
PECO Energy Company first and refunding mortgage bonds	(1)
PECO Energy Company preferred stock	(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	Exhibit G-1 (1)
<p>(1) There are being registered hereunder such presently indeterminate principal amount or number of (a) senior debt securities, subordinated debt securities, shares of common stock, stock purchase contracts, stock purchase units, shares of preferred stock and depository shares, which may be sold from time to time by Exelon Corporation, (b) senior debt securities and preferred securities, which may be sold from time to time by Exelon Generation Company, LLC, (c) first mortgage bonds and notes, which may be sold from time to time by Commonwealth Edison Company, (d) shares of preferred stock and first and refunding mortgage bonds, which may be sold from time to time by PECO Energy Company and (e) 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.</p> <p>(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.</p>	

Table of Contents

PROSPECTUS

EXELON CORPORATION

Senior Debt Securities
 Subordinated Debt Securities
 Common Stock
 Stock Purchase Contracts
 Stock Purchase Units
 Preferred Stock
 Depositary Shares

EXELON GENERATION COMPANY, LLC

Senior Debt Securities
 Preferred Securities

COMMONWEALTH EDISON COMPANY

First Mortgage Bonds
 Notes

PECO ENERGY COMPANY

First and Refunding Mortgage Bonds
 Preferred Stock

BALTIMORE GAS AND ELECTRIC COMPANY

Unsecured Debt Securities
 Senior Secured Bonds
 Preferred Stock

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

- senior debt securities;
- subordinated debt securities;
- common stock;
- stock purchase contracts;
- stock purchase units;
- preferred stock in one or more series;
- depositary shares.

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

- 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:

- first mortgage bonds; and
- unsecured notes.

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

- first and refunding mortgage bonds; and
- preferred stock in one or more series

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."

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 "EXC."

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.

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 23, 2014.

Table of Contents

TABLE OF CONTENTS

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	2
<u>RISK FACTORS</u>	2
<u>EXELON CORPORATION</u>	2
<u>EXELON GENERATION COMPANY, LLC</u>	2
<u>COMMONWEALTH EDISON COMPANY</u>	3
<u>PECO ENERGY COMPANY</u>	3
<u>BALTIMORE GAS AND ELECTRIC COMPANY</u>	3
<u>USE OF PROCEEDS</u>	3
<u>RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE SECURITY DIVIDENDS</u>	4
<u>DESCRIPTION OF SECURITIES</u>	5
<u>PLAN OF DISTRIBUTION</u>	5
<u>LEGAL MATTERS</u>	8
<u>EXPERTS</u>	8
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	8
<u>DOCUMENTS INCORPORATED BY REFERENCE</u>	9

Table of Contents**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that Exelon, Generation, ComEd, PECO and BGE 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 BGE (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.

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.
- BGE with respect to Securities issued by BGE.

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.

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.

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.

Table of Contents**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.

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by the registrants include those factors discussed herein, as well as the items discussed in (1) each registrant’s 2013 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; and (2) 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 the combined Annual Reports on Form 10-K of Exelon, Generation, ComEd, PECO, and BGE, as applicable, for the year ended December 31, 2013, filed with the SEC on February 13, 2014. 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, incorporated in Pennsylvania in February 1999, is a utility services holding company engaged, through Generation, in the energy generation business, and through ComEd, PECO and BGE, in the energy delivery businesses. Exelon’s principal executive offices are located at 10 South Dearborn Street, Chicago, Illinois 60603, and its telephone number is 312-394-7398.

EXELON GENERATION COMPANY, LLC

Generation’s integrated business consists of its owned and contracted electric generating facilities and investments in generation ventures that are marketed through its leading customer-facing activities. These customer-facing activities include, wholesale energy marketing operations and its competitive retail customer

Table of Contents

supply of electric and natural gas products and services, including renewable energy products, risk management services and natural gas exploration and production activities. Generation has six reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and Other Regions.

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, Kennett Square, Pennsylvania 19348, and its telephone number is 610-765-5959.

COMMONWEALTH EDISON COMPANY

ComEd's energy delivery business consists of the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to retail customers in northern Illinois, including the City of Chicago.

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, Chicago, Illinois 60605, and its telephone number is 312-394-4321.

PECO ENERGY COMPANY

PECO's energy delivery business consists of 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 natural gas distribution services to retail customers in the Pennsylvania counties surrounding the City of Philadelphia.

PECO was incorporated in Pennsylvania in 1929. PECO's principal executive offices are located at 2301 Market Street, Philadelphia, Pennsylvania 19103, and its telephone number is 215-841-4000.

BALTIMORE GAS AND ELECTRIC COMPANY

BGE's energy delivery business consists of the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to retail customers in central Maryland, including the City of Baltimore, as well as the purchase and regulated retail sale of natural gas and the provision of gas distribution services to retail customers in central Maryland, including the City of Baltimore.

BGE was incorporated in Maryland in 1906. BGE's principal executive offices are located at 110 West Fayette Street, Baltimore, Maryland 21201, and its telephone number is 410-234-5000.

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. 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

Table of Contents

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:

	Years Ended December 31,					Three Months Ended
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to fixed charges	5.4	4.9	4.9	2.3	2.6	1.1

The following are Exelon'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
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to combined fixed charges and preference stock dividends	5.4	4.8	4.9	2.3	2.5	1.1

Generation

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

	Years Ended December 31,					Three Months Ended
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to fixed charges	10.4	8.5	7.3	2.6	3.3	(a)

(a) The ratio coverage was less than 1:1. Generation required additional earnings of \$380 million in order to achieve a coverage ratio of 1:1.

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:

	Years Ended December 31,					Three Months Ended
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to fixed charges	2.9	2.8	3.0	3.0	1.7	3.0

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.

Table of Contents**PECO**

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

	Years Ended December 31,					Three Months Ended
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to fixed charges	3.7	3.3	4.7	4.9	5.6	5.1

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,				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Ratio of earnings to combined fixed charges and preferred stock dividends	3.6	3.2	4.5	4.7	5.2

On May 1, 2013, PECO redeemed all of its outstanding preferred securities; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges for PECO for the three months ended March 31, 2014.

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
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to fixed charges	2.0	2.7	2.4	1.0	3.6	5.8

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
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31, 2014</u>
Ratio of earnings to combined fixed charges and preference stock dividends	1.7	2.4	2.1	(a)	3.1	5.0

(a) The ratio coverage was less than 1:1. BGE required additional earnings of \$14 million in order to achieve a coverage ratio of 1:1.

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.

Table of Contents

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 applicable prospectus supplement. Such institutions may 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

Table of Contents

- 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.

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.

Table of Contents**LEGAL MATTERS**

Ballard Spahr LLP, Philadelphia, Pennsylvania, will render an opinion as to the validity of the Securities for us.

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, PECO and BGE incorporated in this prospectus by reference to the combined Annual Reports on Form 10-K for the year ended December 31, 2013 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.

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.

Table of Contents**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, as amended (known as the 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, 2013;
- Exelon’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014;
- 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; and
- Exelon’s Current Reports on Form 8-K filed with the SEC on February 12, 2014, February 13, 2014, February 28, 2014, April 1, 2014, April 30, 2014 and May 7, 2014.

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

- Generation’s Annual Report on Form 10-K for the year ended December 31, 2013;
- Generation’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014; and
- Generation’s Current Reports on Form 8-K filed with the SEC on February 12, 2014 and April 1, 2014.

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

- ComEd’s Annual Report on Form 10-K for the year ended December 31, 2013;
- ComEd’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014; and
- ComEd’s Current Reports on Form 8-K filed with the SEC on January 10, 2014 and February 28, 2014.

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

- PECO’s Annual Report on Form 10-K for the year ended December 31, 2013; and
- PECO’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014.

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, 2013;
- BGE’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014; and
- BGE’s Current Reports on Form 8-K filed with the SEC on February 13, 2014 and May 16, 2014.

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

Table of Contents

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.

Table of Contents**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	\$	**
Accounting fees and expenses	\$	**
Printing and engraving expenses	\$	**
Legal fees and expenses	\$	**
Trustee fees	\$	**
Miscellaneous	\$	**
Total	\$	**

* 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 PBCL), contains provisions permitting indemnification of officers and directors of a business corporation incorporated in Pennsylvania. Sections 1741 and 1742 of the PBCL 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 PBCL 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 PBCL 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 PBCL 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

Table of Contents

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 PBCL 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 PBCL), 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 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.

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.

Table of Contents

(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 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 has entered into indemnification agreements with each of its directors. ComEd also 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 PBCL, contains provisions permitting indemnification of officers and directors of a business corporation incorporated in Pennsylvania. Sections 1741 and 1742 of the PBCL 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 PBCL provides that the corporation is required to indemnify

Table of Contents

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 PBCL 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 PBCL 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.

As permitted by PBCL 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 PBCL), 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

Table of Contents

(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.

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 V of BGE's Charter reads as follows:

"A 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 IV of BGE'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

Table of Contents

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.”

BGE has entered into indemnification agreements with each of its directors. The directors and officers of BGE 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 BGE's share of the premium being reimbursed by BGE.

ITEM 16. EXHIBITS.

Reference is made to the Exhibit Index filed herewith at page II-19, 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

Table of Contents

(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; and

(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 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.

Table of Contents**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 23rd day of May, 2014.

EXELON CORPORATIONBy: /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
Senior Vice President and Corporate Controller
(Principal Accounting Officer)

Table of Contents

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 23, 2014
<u>/s/ Anthony K. Anderson</u> Anthony K. Anderson	Director	May 23, 2014
<u>/s/ Ann C. Berzin</u> Ann C. Berzin	Director	May 23, 2014
<u>/s/ John A. Canning, Jr.</u> John A. Canning, Jr.	Director	May 23, 2014
<u>/s/ Yves C. de Balmann</u> Yves C. de Balmann	Director	May 23, 2014
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Director	May 23, 2014
<u>/s/ Nelson A. Diaz</u> Nelson A. Diaz	Director	May 23, 2014
<u>/s/ Sue L. Gin</u> Sue L. Gin	Director	May 23, 2014
<u>/s/ Paul L. Joskow</u> Paul L. Joskow	Director	May 23, 2014
<u>/s/ Robert J. Lawless</u> Robert J. Lawless	Director	May 23, 2014
<u>/s/ Richard W. Mies</u> Richard W. Mies	Director	May 23, 2014

Table of Contents

<u>/s/ William C. Richardson</u> William C. Richardson	Director	May 23, 2014
<u>/s/ John W. Rogers, Jr.</u> John W. Rogers, Jr.	Director	May 23, 2014
<u>/s/ Stephen D. Steinour</u> Stephen D. Steinour	Director	May 23, 2014

Table of Contents**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 23rd day of May, 2014.

EXELON GENERATION COMPANY, LLCBy: /s/ Kenneth W. Cornew

Kenneth W. Cornew
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bryan P. Wright

Bryan P. Wright
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Robert Aiken

Robert Aiken
Vice President and
Controller
(Principal Accounting Officer)

Table of Contents**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 23rd day of May, 2014.

COMMONWEALTH EDISON COMPANYBy: /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/ Gerald Kozel

Gerald Kozel
Vice President and Controller
(Principal Accounting Officer)

Table of Contents

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(e) 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 23, 2014
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director and Vice Chairman	May 23, 2014
<u>/s/ James W. Compton</u> James W. Compton	Director	May 23, 2014
<u>/s/ A. Steven Crown</u> A. Steven Crown	Director	May 23, 2014
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Director	May 23, 2014
<u>/s/ Peter V. Fazio, Jr.</u> Peter V. Fazio, Jr.	Director	May 23, 2014
<u>/s/ Sue L. Gin</u> Sue L. Gin	Director	May 23, 2014
<u>/s/ Michael Moskow</u> Michael Moskow	Director	May 23, 2014
<u>/s/ Jesse H. Ruiz</u> Jesse H. Ruiz	Director	May 23, 2014

Table of Contents**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 23rd day of May, 2014.

PECO ENERGY COMPANYBy: /s/ Craig L. Adams

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

By: /s/ Phillip S. Barnett

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

By: /s/ Scott A. Bailey

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

Table of Contents

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Craig L. 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 23, 2014
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director and Vice Chairman	May 23, 2014
<u>/s/ M. Walter D'Alessio</u> M. Walter D'Alessio	Director	May 23, 2014
<u>/s/ Nelson A. Diaz</u> Nelson A. Diaz	Director	May 23, 2014
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Director	May 23, 2014
<u>/s/ Rosemarie B. Greco</u> Rosemarie B. Greco	Director	May 23, 2014
<u>/s/ Charisse R. Lillie</u> Charisse R. Lillie	Director	May 23, 2014
<u>/s/ Ronald Rubin</u> Ronald Rubin	Director	May 23, 2014

Table of Contents**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 23rd day of May, 2014.

**BALTIMORE GAS AND ELECTRIC
COMPANY**By: /s/ Calvin Butler

Calvin Butler
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ David M. Vahos

David M. Vahos
Vice President, Controller, Chief Financial
Officer and Treasurer (Principal Financial
Officer and Principal Accounting Officer)

Table of Contents

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Calvin Butler and David M. Vahos 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 23, 2014
<u>/s/ Denis P. O'Brien</u> Denis P. O'Brien	Director and Vice Chairman	May 23, 2014
<u>/s/ Ann C. Berzin</u> Ann C. Berzin	Director	May 23, 2014
<u>/s/ Michael E. Cryor</u> Michael E. Cryor	Director	May 23, 2014
<u>/s/ James R. Curtiss</u> James R. Curtiss	Director	May 23, 2014
<u>/s/ Joseph L. Haskins</u> Joseph L. Haskins	Director	May 23, 2014
<u>/s/ Carla D. Hayden</u> Carla D. Hayden	Director	May 23, 2014
<u>/s/ Michael D. Sullivan</u> Michael D. Sullivan	Director	May 23, 2014

Table of Contents**INDEX TO EXHIBITS**

Exhibit No.	Description
1.1*	Form of Underwriting Agreement with respect to Securities.
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 (incorporated by reference to 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-K, 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 (Incorporated by reference to Exhibit 3.11 to the Annual Report on Form 10-k for the year ended December 31, 2013 File No. 1-1910).
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-K, File No. 1-1839).
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 of Exelon Corporation relating to subordinated debt securities.
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).

Table of Contents

- 4.4 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).
- 4.5 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).
- 4.6** Baltimore Gas and Electric Company Preferred Stock certificate.
- 4.7 Form of Baltimore Gas and Electric Company Unsecured Debt Security (Fixed Rate) (Included in Exhibit 4.4).
- 4.8 Form of Baltimore Gas and Electric Company Unsecured Debt Security (Floating Rate) (Included in Exhibit 4.4).
- 4.9 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).
- 4.10 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).
- 4.11 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).
- 4.12 Mortgage of Commonwealth Edison Company to Illinois Merchants Trust Company, Trustee (BNY 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).
- 4.13 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
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

Table of Contents

Dated as of	File Reference	Exhibit No.
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-K dated May 21, 1993	4-1
January 15, 1994	1-1839, 1993 Form 10-K	4-15
June 1, 1996	1-1839, 1996 Form 10-K	4-16
March 1, 2002	1-1839, 2001 Form 10-K	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-K dated January 22, 2003	4-4
March 14, 2003	1-1839, Form 8-K dated April 7, 2003	4-4
August 13, 2003	1-1839, Form 8-K dated August 25, 2003	4-4
February 15, 2005	1-1839, Form 10-Q for the quarter ended March 31, 2005	4-3-1
February 22, 2006	1-1839, Form 8-K dated March 6, 2006	4.1
August 1, 2006	1-1839, Form 8-K dated August 28, 2006	4.1
September 15, 2006	1-1839, Form 8-K dated October 2, 2006	4.1
December 1, 2006	1-1839, Form 8-K dated December 19, 2006	4.1
March 1, 2007	1-1839, Form 8-K dated March 23, 2007	4.1
August 30, 2007	1-1839, Form 8-K dated September 10, 2007	4.1
December 20, 2007	1-1839, Form 8-K dated January 16, 2008	4.1
March 10, 2008	1-1839, Form 8-K dated March 27, 2008	4.1
April 23, 2008	001-01839, Form 8-K dated May 12, 2008	4.1
June 12, 2008	001-01839, Form 8-K dated June 27, 2008	4.1
July 12, 2010	001-01839, Form 8-K dated August 2, 2010	4.1
January 4, 2011	001-01839, Form 8-K dated January 18, 2011	4.1
August 22, 2011	001-01839, Form 8-K dated September 7, 2011	4.1
September 17, 2012	001-01839, Form 8-K dated October 1, 2012	4.1
August 1, 2013	001-01839, Form 8-K dated August 19, 2013	4.1
January 2, 2014	001-01839, Form 8-K dated January 10, 2014	4.1

- 4.14 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-K, File No. 1-1839).
- 4.15 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-K, File No. 1-1839).
- 4.16 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).

Table of Contents

- 4.17 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

- 4.18**** Form of Supplemental Indenture relating to the Commonwealth Edison Company First Mortgage Bonds.
- 4.19**** Form of Supplemental Indenture relating to the Commonwealth Edison Company Notes.
- 4.20 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), (incorporated by reference to Registration No. 2-2281, Exhibit B-1).
- 4.21 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-K	4-2(b)
March 1, 1993	1-01401, 1992 Form 10-K	4(e)-86
May 1, 1993	1-01401, March 31, 1993 Form 10-Q	4(e)-88
May 1, 1993	1-01401, March 31, 1993 Form 10-Q	4(e)-89
September 15, 2002	1-01401, September 30, 2002 Form 10-Q	4-1
October 1, 2002	1-01401, September 30, 2002 Form 10-Q	4-2
April 15, 2003	00-16844, March 31, 2003 Form 10-Q	4.1
April 15, 2004	00-16844, September 30, 2004 Form 10-Q	4-1-1
September 15, 2006	000-16844, Form 8-K dated September 25, 2006	4.1
March 15, 2007	000-1684, Form 8-K dated March 3, 2008	4.1
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
September 1, 2012	000-1684, Form 8-K dated September 17, 2012	4.1
September 15, 2013	000-1684, Form 8-K dated September 23, 2013	4.1
September 15, 2013	000-1684, Form 8-K dated September 23, 2013	4.1

- 4.22 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).
- 4.23 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).
- 5.1 Opinion of Ballard Spahr LLP regarding the legality of the Securities.

Table of Contents

- 12.1 Statement regarding computation of ratio of earnings to fixed charges for Exelon and statement regarding computation of consolidated ratios of earnings to combined fixed charges and preferred stock dividends 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 for ComEd.
- 12.4 Statement regarding computation of ratio of earnings to fixed charges for PECO and statement regarding computation of consolidated ratios of earnings to combined fixed charges and preferred stock dividends for PECO.
- 12.5 Statement regarding computation of ratio of earnings to fixed charges for BGE and statement regarding computation of consolidated ratios of earnings to combined fixed charges and preference stock dividends for BGE.
- 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 Ballard Spahr LLP (included in Exhibit 5.1).
- 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 The Bank of New York Mellon Trust Company, N.A., 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 National Association, as trustee under the Indenture relating to Generation senior debt securities.
- 25.4 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the PECO mortgage.
- 25.5 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of Deutsche Bank Trust Company Americas, as trustee under the Baltimore Gas and Electric Company Indenture.
- 25.6 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of Deutsche Bank Trust Company Americas, as trustee under the Baltimore Gas and Electric Company Indenture and Security Agreement.
- 25.7 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.
- 25.8 Form T-2 Statement of Eligibility under the Trust Indenture Act of 1939 of D.G. Donovan, as co-trustee under the Commonwealth Edison Company Mortgage.

Table of Contents

25.9 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association, as trustee under the Commonwealth Edison Company Senior Indenture.

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- * 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
 Computation of Ratio of Net Earnings to Interest
 Mortgage Provision Method (\$ 000)
 June 30, 2015 and December 31, 2014**

	6 Months Ended 6/30/2015	12 Months Ended 12/31/2014
Net Income on Common Stock	208,945	352,235
<i>Plus:</i>		
- Interest Applicable to Debt (excluding AFUDC)	53,568	107,673
- Income Taxes	85,297	114,323
<i>Less:</i>		
- Allowance for Funds Used During Construction	839	2,191
- Gain (Loss) on Sale of Real Estate	705	490
NET EARNINGS	346,266	571,550
Annualized Interest		
- On Mortgage Bonds Outstanding	47,681	104,738
- On Debt to Affiliates Outstanding	5,965	11,930
TOTAL INTEREST	53,646	116,668
RATIO OF NET EARNINGS TO INTEREST	6.45	4.90

PECO Energy Company and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges
SEC Method (\$ 000)
June 30, 2015 and December 31, 2014

	6 Months Ended 6/30/2015	12 Months Ended 12/31/2014
Earnings: (in thousands)		
Pre-tax income from continuing operations before adjustments for income or loss from equity investees	294,126	466,299
Plus: (Income) or loss from equity investees	-	-
Less: Interest capitalized/AFUDC	839	2,191
Pre-tax income from continuing operations after adjustments	293,287	464,108
Fixed charges:		
Interest expensed and capitalized, amortization of debt discount and premium on all indebtedness	54,407	109,864
Interest component of rental expense *	2,556	5,990
Total fixed charges	56,963	115,854
Pre-tax income from continuing operations after adjustments plus fixed charges	350,250	579,962
RATIO OF EARNINGS TO FIXED CHARGES	6.15	5.01

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

PECO Energy Company and Subsidiary Companies
Annualized Interest on First and Refunding Mortgage Bonds
June 30, 2016 and December 31, 2014

Series	Type	Maturity Date	Outstanding Amount (\$000)	Annualized Interest 30-Jun-16 (\$000)	Annualized Interest 31-Dec-14 (\$000)
5.900%	FRMB	May 1, 2034	\$ 75,000	\$ 2,213	\$ 4,425
4.800%	FRMB	October 15, 2043	250,000	6,000	12,000
2.375%	FRMB	September 15, 2022	350,000	4,156	8,313
5.950%	FRMB	October 1, 2036	300,000	8,925	17,850
5.700%	FRMB	March 15, 2037	175,000	4,988	9,975
5.350%	FRMB	March 1, 2018	500,000	13,375	26,750
1.200%	FRMB	October 15, 2016	300,000	1,800	3,600
4.150%	FRMB	October 1, 2044	300,000	6,225	12,450
5.000%	FRMB	October 1, 2014	250,000	-	9,375
			<u>\$ 2,500,000</u>	<u>\$ 47,881</u>	<u>\$ 104,738</u>
7.38%	Trust III	April 6, 2028	\$ 81,326	\$ 3,001	\$ 6,002
5.75%	Trust IV	June 15, 2033	103,093	2,964	5,828
			<u>\$ 184,419</u>	<u>\$ 5,965</u>	<u>\$ 11,830</u>

FRMB - First and Refunding Mortgage Bonds

PECO Energy Company and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges
and Preferred Dividends Combined (\$ 000)
Articles of Incorporation Method
June 30, 2015 and December 31, 2014

	6 Months Ended 6/30/2015	12 Months Ended 12/31/2014
NET INCOME	\$ 208,945	\$ 352,235
<i>Plus:</i>		
Interest Applicable to Debt (including AFUDC)	54,407	109,864
EARNINGS FOR COVERAGE	263,352	462,099
ANNUALIZED INTEREST		
First Mortgage Bonds	47,681	104,738
Long-term debt due to Financing Trusts	5,965	11,930
TOTAL ANNUALIZED INTEREST	53,646	116,668
Annualized Dividends on Outstanding Preferred Stock	-	-
PREFERRED DIVIDENDS AND INTEREST COMBINED	53,646	116,668
RATIO OF EARNINGS TO PREFERRED DIVIDENDS & INTEREST	4.91	3.96

**PECO Energy Company and Subsidiary Companies
Annual Dividend Requirements of Preferred Stock
As of June 30, 2015 and December 31, 2014**

On May 31, 2013, PECO redeemed all of its outstanding preferred securities. As a result of the redemption, no preferred dividends were declared subsequent to that date.

**PECO Energy Company and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges
and Preferred Stock Dividend Requirements (\$ 000)
June 30, 2015 and December 31, 2014**

Earnings: (in thousands)	6 Months Ended 6/30/2015	12 Months Ended 12/31/2014
Pre-tax income from continuing operations before adjustments for income or loss from equity investees	294,126	466,299
<i>Plus:</i>		
(Income) or loss from equity investees	-	-
<i>Less:</i>		
Interest capitalized/AFUDC	839	2,191
Preference security dividend requirements	-	-
Adjustments to Preferred Stock Dividends*	-	-
Pre-tax income from continuing operations after adjustments	293,287	464,108
Fixed charges:		
Interest expensed and capitalized, amortization of debt discount and premium on all indebtedness	54,407	109,864
Interest component of rental expense**	2,556	5,990
Total fixed charges	56,963	115,854
Preferred stock dividends:		
Dividends on Preferred Stock	-	-
Adjustments to Preferred Stock Dividends*	-	-
Total combined fixed charges and preferred stock dividends	56,963	115,854
Pre-tax income from continuing operations after adjustments plus fixed charges	350,250	579,962
Ratio of earnings to combined fixed charges and preferred stock dividends	6.15	5.01

* Additional charge equivalent to earnings required to adjust dividends on preferred stock to a pre-tax basis.

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

PECO Energy Company
Condensed Notes to Financial Statements
(Dollars in millions, unless otherwise noted)

1. Basis of Presentation

PECO Energy Company (PECO) is a regulated utility 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 an indirect, wholly-owned, subsidiary of Exelon Corporation (Exelon).

Accounting policies for regulated operations are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the Pennsylvania Public Utility Commission (PAPUC) and the Federal Energy Regulatory Commission (FERC). The accompanying financial statements have been prepared in accordance with the accounting requirements of FERC as set forth in the Uniform System of Accounts (USOA) and accounting releases, which differ from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements as of June 30, 2015 and 2014 and for the three and six months then ended are unaudited but, in the opinion of PECO management, include all adjustments that are considered necessary for a fair presentation of PECO's financial statements in accordance with the USOA. All adjustments are of a normal and recurring nature. PECO performed an evaluation of subsequent events for the accompanying financial statements and notes included in this report to determine whether the circumstances warranted recognition and disclosure of those events or transactions in the financial statements as of June 30, 2015. These notes should be read in conjunction with the Notes to Financial Statements of PECO in the December 31, 2014 audited FERC Form No. 1 "Annual Report of Major Electric Utilities, Licensees and Others" (FERC Form No. 1).

The financial statements are presented on the basis of the accounting requirements of the FERC as set forth in its applicable USOA, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The principal differences from Generally Accepted Accounting Principles (GAAP) include the exclusions of current maturities of long-term debt from current liabilities, the requirement to report deferred tax assets and liabilities separately rather than as a single amount, the classification of accrued taxes as assets and liabilities rather than a net amount, the exclusion of FIN 48 liabilities related to temporary income tax differences, and the classification of certain other assets and liabilities as current instead of noncurrent.

PECO's investments in its subsidiaries, ExTel Corporation, LLC, PECO Wireless, LLC, PECO Energy Capital Trust IV (PECO Trust IV) and PECO Energy Capital Corporation (PECC) are accounted for under the equity method of accounting in accordance with the USOA. PECO Wireless, LLC is the parent company of ATNP Finance Company and sole member of PEC Financial Services, LLC. PECC is the general partner of PECO Energy Capital, LP, which is the grantor of PECO Energy Capital Trust III (PECO Trust III). ExTel Corporation, LLC and PECO Wireless, LLC are consolidated in PECO's GAAP Financial Statements.

2. New Accounting Pronouncements

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

The following recently issued accounting standards are not yet required to be reflected in PECO's financial statements.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued authoritative guidance that requires inventory to be measured at the lower of cost or net realizable value. The new guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This definition is consistent with existing authoritative guidance. Current guidance requires inventory to be measured at the lower of cost or market where market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. The guidance is effective for periods beginning after December 15, 2016 with early adoption permitted. The guidance is required to be applied prospectively. The Registrants are currently assessing the impacts this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the potential to early adopt the guidance.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share

In May 2015, FASB issued authoritative guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Investments measured at net asset value per share using the practical expedient will be presented as a reconciling item between the fair value hierarchy disclosure and the investment line item on the statement of financial position. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using the practical expedient. The guidance is effective for the Registrants for fiscal years beginning after December 15, 2015 with early adoption permitted. The guidance is required to be applied retrospectively to all prior periods presented. The Registrants are currently assessing the impacts this guidance may have on their disclosures as well as the potential to early adopt the guidance. There will be no impact to their financial position, results of operations or cash flows.

Customer's Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued authoritative guidance that clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. A cloud computing arrangement would include a software license if (1) the customer has a contractual right to take possession of the software at any time during the hosting period without significant penalty and (2) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. If the arrangement does not contain a software license, it would be accounted for as a service contract. The guidance is effective for the Registrants for fiscal years beginning after December 15, 2015. Early adoption is permitted. The guidance can be applied retrospectively to each prior reporting period presented or prospectively to arrangements entered into, or materially modified, after the effective date. The Registrants are currently assessing the impact this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the transition method that they will use to adopt the guidance.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued authoritative guidance that changes the presentation of debt issuance costs in financial statements. The new guidance requires entity's to present such costs in the balance sheet as a direct reduction to

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PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

the related debt liability rather than as a deferred cost (i.e., an asset) as required by current guidance. The new standard does not change the recognition or measurement of debt issuance costs. The guidance is effective for the Registrants for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The guidance is required to be applied retrospectively to all prior periods presented. The Registrants are currently assessing the impact this guidance may have on their financial positions and disclosures. The standard will not impact the results of operations and cash flows of the Registrants. The Registrants expect to complete their assessment by the fourth quarter of 2015 and early adopt the standard at that time. PECO will continue to follow the USOA guidance for debt issuance costs for FERC reporting purposes.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued authoritative guidance that amends the consolidation analysis for variable interest entities (VIEs) as well as voting interest entities. The new guidance primarily (1) changes the assessment of limited partnerships as VIEs, (2) amends the effect that fees paid to a decision maker or service provider have on the VIE analysis, (3) amends how variable interests held by a reporting entity's related parties and de facto agents impact its consolidation conclusion, (4) clarifies how to determine whether equity holders (as a group) have power over an entity and (5) provides a scope exception for registered and similar unregistered money market funds. The guidance is effective for the Registrants for the first interim period within annual reporting periods beginning on or after December 15, 2015. Early adoption is permitted. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of adoption (modified retrospective method). The Registrants are currently assessing the impact this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the transition method that they will use to adopt the guidance. The Registrants do not plan to early adopt the standard.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new guidance replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Registrants are currently assessing the impacts this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the transition method that they will use to adopt the guidance. As currently issued, the guidance is effective for the Registrants for the first interim period within annual reporting periods beginning on or after December 15, 2016; and early adoption would not be permitted. However, in July 2015, the FASB approved an amendment to provide a one year deferral of the effective date to annual reporting periods beginning on or after December 15, 2017, as well as an option to early adopt the standard for annual periods beginning on or after December 15, 2016. As of July 29, 2015, the amendment to defer the effective date and provide an option to early adopt had not been issued.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

3. Regulatory Matters

Regulatory and Legislative Proceedings

Except for the matters noted below, the disclosures set forth in Note 2 of the 2014 Form 1 appropriately represent, in all material respects, the current status of regulatory and legislative proceedings of PECO. The following is an update to that discussion.

Pennsylvania Regulatory Matters

2015 Pennsylvania Electric Distribution Rate Case. On March 27, 2015, PECO filed a petition with the PAPUC requesting an increase of \$190 million to its annual service revenues for electric delivery, which would reflect a 4.4% increase on the basis of total Pennsylvania jurisdictional operating revenue. The requested rate of return on common equity is 10.95%. The new electric delivery rates would take effect no later than January 1, 2016. The results of the rate case are expected to be known in the fourth quarter of 2015. PECO cannot predict how much of the requested increase the PAPUC will ultimately approve.

Pennsylvania Procurement Proceedings. On October 12, 2012, the PAPUC issued its Opinion and Order approving PECO's second Default Service Program (DSP Program), which was filed with the PAPUC in January 2012. The program, which has a 24-month term from June 1, 2013 through May 31, 2015, complies with electric generation procurement guidelines set forth in Act 129. In the second DSP Program, PECO entered into contracts with PAPUC-approved bidders, including Generation, to procure electric supply for its default electric customers through five competitive procurements.

In addition, the second DSP Program includes a number of retail market enhancements recommended by the PAPUC in its previously issued Retail Markets Intermediate Work Plan Order. PECO was also directed to submit a plan to allow its low-income Customer Assistance Program (CAP) customers to purchase their generation supply from EGSs beginning in April 2014. In May 2013, PECO filed its CAP Shopping Plan with the PAPUC. By Order entered on January 24, 2014, the PAPUC approved PECO's plan, with modifications, to make CAP shopping available beginning April 15, 2014. On March 20, 2014, the Office of Consumer Advocate (OCA) and low-income advocacy groups filed an appeal and emergency request for a stay with the Pennsylvania Commonwealth Court, claiming that the PAPUC-ordered CAP Shopping plan does not contain sufficient protections for low-income customers. On July 14, 2015, the Court issued opinions on the OCA and low-income advocacy group appeal. Specifically, the Court remanded the issue to the PAPUC with instructions that it approve a rule revision to the PECO CAP Shopping Plan that would prohibit CAP customers from entering into contracts with an EGS that would impose early cancellation/termination fees. PECO does not have information at this time as to what action it may be required to take following remand to the PAPUC. On August 12, 2015, the PAPUC filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court.

On December 4, 2014, the PAPUC approved PECO's third DSP Program. The program has a 24-month term from June 1, 2015 through May 31, 2017, and complies with electric generation procurement guidelines set forth in Act 129. Under the program, PECO is procuring electric supply through four competitive procurements for fixed price full requirements contracts of two years or less for the residential classes and small and medium commercial classes and spot market price full requirement contracts for the large commercial and industrial class load. In March 2015, PECO entered

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 08/24/2015	2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

into contracts with PAPUC-approved bidders, including Generation, for its residential class and its small, medium, and large commercial classes commencing in June 2015. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO's Statement of Operations and Comprehensive Income.

On March 12, 2015, PECO settled the CAP Design with the Office of Consumer Advocates (OCA) and Low Income Advocates, and filed the proposed plan with the PAPUC on March 20, 2015. The program design changes the rate structure of PECO's CAP to make the bills more affordable to customers enrolled in the assistance program. The CAP discounts continue to be recovered through PECO's universal service fund cost. If the CAP Design proposed plan is approved by the PAPUC, PECO plans to implement the program changes in October 2016.

Smart Meter and Smart Grid Investments. In April 2010, pursuant to Act 129 and the follow-on Implementation Order of 2009, the PAPUC approved PECO's Smart Meter Procurement and Installation Plan (SMPIP). PECO is currently in the second phase of the SMPIP, under which PECO will deploy substantially all remaining smart meters, for a total of 1.7 million smart meters, on an accelerated basis by the end of 2015. In total, PECO currently expects to spend up to \$591 million, excluding the cost of the original meters, on its smart meter infrastructure and approximately \$155 million on smart grid investments through final deployment of which \$200 million was funded by SGIG. As of June 30, 2015, PECO has spent \$574 million and \$155 million on smart meter and smart grid infrastructure, respectively, not including the DOE reimbursements received.

For further information on the SGIG and Smart Meter and Smart Grid program, see Note 2—Regulatory Matters of the PECO's 2014 FERC Form No. 1.

Pennsylvania Act 11 of 2012. In February 2012, Act 11 was signed into law, which seeks to clarify the PAPUC's authority to approve alternative ratemaking mechanisms, allowing 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. Prior to recovering costs pursuant to a DSIC, the PAPUC's implementation order requires a utility to have a Long Term Infrastructure Improvement Plan (LTIIP) approved by the Commission, which outlines how the utility is planning to increase its investment for repairing, improving, or replacing aging infrastructure.

On May 7, 2015, the PAPUC approved PECO's modified natural gas LTIIP. In accordance with the approved LTIIP, PECO plans to spend \$534 million over the next eight years to further accelerate the replacement of existing gas mains and to relocate meters from indoors to outside in accordance with recent PAPUC rulemaking. In addition, on March 20, 2015, PECO filed a petition with the PAPUC for approval of its gas DSIC mechanism for recovery of gas LTIIP expenditures.

On March 27, 2015, PECO filed a petition with the PAPUC for approval of its proposed electric DSIC and LTIIP. In accordance with the LTIIP (System 2020 plan), PECO plans to spend \$275 million over the next five years to modernize and storm-harden its electric distribution system, making it more weather resistant and less vulnerable to damage. If approved, the DSIC will allow PECO the opportunity to recover the costs, subject to certain criteria, incurred to repair, improve or replace its electric distribution property between rate cases.

Purchase of Receivables Programs. PECO's purchase of receivable (POR) program requires PECO to purchase the accounts receivable from retail electric and natural gas suppliers that participate in customer choice programs and have elected consolidated billing by PECO. PECO is required to purchase receivables at face value and permitted to

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	08/24/2015	2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

recover uncollectible accounts expense from customers through distribution rates. PECO does not record unbilled commodity receivables under their POR programs.

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.

Purchased receivables at June 30, 2015 and December 31, 2014 were \$80 million and \$76 million, respectively, and were recorded in other accounts receivable on PECO's Balance Sheet (Account 143). An allowance of \$8 million and \$8 million was recorded in accumulated provision for uncollectible accounts on PECO's Balance Sheet (Account 144) as of June 30, 2015 and December 31, 2014, respectively.

Federal Regulatory Matters

PJM Transmission Rate Design and Operating Agreements. PJM Transmission Rate Design specifies the rates for transmission service charged to customers within PJM. Currently, PECO incurs 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 from those facilities. 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. A number of parties appealed to the U.S. Court of Appeals for the Seventh Circuit.

In August 2009, the court issued its decision affirming the FERC's order with regard to the existing facilities, but remanded to FERC the issue of the cost allocation associated with the new facilities 500 kV and above (Cost Allocation Issue) for further consideration by the FERC. On remand, FERC reaffirmed its earlier decision to socialize the costs of new facilities 500 kV and above. A number of parties filed appeals of these orders. In June 2014, the court again remanded the Cost Allocation Issue to FERC. On December 18, 2014, FERC issued an order setting an evidentiary hearing and settlement proceeding regarding the Cost Allocation Issue. The hearing only concerns new facilities approved by the PJM Board prior to February 1, 2013. As of June 30, 2015, settlement discussions are continuing.

Because a new cost allocation had been adopted for projects approved by the PJM Board on or after February 1, 2013, this latest remand only involves the cost allocation for facilities 500 kV and above approved prior to that date. 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.

Demand Response Resource Order. On May 23, 2014, the D.C. Circuit Court issued an opinion vacating the FERC Order No. 745 (D.C. Circuit Decision). Order No. 745 established uniform compensation levels for demand response resources that participate in the day ahead and real-time wholesale energy markets. Under Order No. 745, buyers in ISO and RTO markets were required to pay demand response resources the full Locational Marginal Price when the demand

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

response replaced a generation resource and was cost-effective.

In addition to invalidating the compensation structure established by Order No. 745, the D.C. Circuit Court, in broad language, explained that demand response is part of the retail market and FERC is restricted from regulating retail markets. The full implication of the D.C. Circuit Decision for both energy and capacity markets regulated by FERC is not yet known and will depend on how FERC and the RTOs and ISOs implement the decision. FERC and several other parties sought rehearing of the D.C. Circuit Decision, which was denied in September 2014. In addition, on September 22, 2014, FERC and another party sought to stay the issuance of the D.C. Circuit Court's mandate so that FERC may appeal the decision to the U.S. Supreme Court. The stay was granted with respect to the FERC's request only. In January 2015, the FERC sought to appeal the decision to the U.S. Supreme Court. Thus, the stay will be extended at least until the U.S. Supreme Court determines whether to allow the appeal. In addition, contemporaneously with the D.C. Circuit Court's decision on May 23, 2014, First Energy filed a complaint at FERC asking FERC to direct PJM to remove all PJM Tariff provisions that allow or require PJM to compensate demand response providers as a form of supply in the PJM capacity market effective May 23, 2014. FirstEnergy also asked FERC to declare the results of PJM's May 2014 Base Residual Auction for the 2017/2018 Delivery Year, void and illegal to the extent that demand response resources cleared that auction. On November 14, 2014, the New England Power Generators Association, Inc. (NEPGA) filed a similar complaint at the FERC asking the FERC to disqualify demand response from the upcoming capacity auction in New England and to revise the New England tariff to remove demand response from participation in the capacity market. The FERC's response to the FirstEnergy complaint and the NEPGA complaint and its response to address the D.C. Circuit Court's decision in all markets could preclude demand response resources from receiving any future capacity market revenues and also subject such resources to refund obligations depending on how the U.S. Supreme Court resolves the matter. In addition, there is uncertainty as to how the FERC might treat already settled capacity market auctions as well as future auctions, both for demand response resources and generation resources, again depending on the U.S. Supreme Court resolution. Due to these uncertainties, PECO is unable to predict the outcome of these proceedings, and the final outcome is not expected for several months. Nonetheless, the final decision and its implementation by FERC and the RTOs and ISOs, could be material to PECO's results of operations and cash flows.

Regulatory Assets and Liabilities

PECO prepares its 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. For additional information on the specific regulatory assets and liabilities, refer to page 232 and page 278.

4. Fair Value of Financial Assets and Liabilities

Fair Value of Financial Liabilities Recorded at the Carrying Amount

The carrying amounts and fair values of PECO's short-term liabilities, long-term debt and preferred securities as of June 30, 2015 and December 31, 2014 were as follows:

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

June 30, 2015

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year) (Accounts 221 and 226)	\$ 2,246	\$ —	\$ 2,432	\$ —	\$ 2,432
Long-term debt to financing trusts (Account 223)	184	—	—	199	199

December 31, 2014

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year) (Accounts 221 and 226)	\$ 2,246	\$ —	\$ 2,537	\$ —	\$ 2,537
Long-term debt to financing trusts (Account 223)	184	—	—	199	199

Long-Term Debt. The fair value of long-term debt is 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 PECO's credit risk into the discount rates, PECO obtains pricing (i.e., U.S. Treasury rate plus credit spread) based on trades of existing PECO 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 PECO's 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.

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

Recurring Fair Value Measurements

PECO 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 PECO has the ability to access as of the reporting date.
- 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.
- 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.

There were no significant transfers between Level 1 and Level 2 during the six months ended June 30, 2015.

The following table presents assets and liabilities measured and recorded at fair value on PECO's Balance Sheet on

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

a recurring basis and their level within the fair value hierarchy as of June 30, 2015 and December 31, 2014:

<u>As of June 30, 2015</u>	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 5	\$ —	\$ —	\$ 5
Rabbi trust investments - mutual funds ^(a)	8	—	—	8
Total assets	13	—	—	13
Liabilities				
Deferred compensation obligation	—	(10)	—	(10)
Total liabilities	—	(10)	—	(10)
Total net assets (liabilities)	\$ 13	\$ (10)	\$ —	\$ 3
<u>As of December 31, 2014</u>	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 12	\$ —	\$ —	\$ 12
Rabbi trust investments - mutual funds ^(a)	9	—	—	9
Total assets	21	—	—	21
Liabilities				
Deferred compensation obligation	—	(15)	—	(15)
Total liabilities	—	(15)	—	(15)
Total net assets (liabilities)	\$ 21	\$ (15)	\$ —	\$ 6

(a) Excludes \$12 million and \$14 million of the cash surrender value of life insurance investments at June 30, 2015 and December 31, 2014, respectively.

PECO had no Level 3 assets or liabilities measured at fair value on a recurring basis during the six months ended June 30, 2015.

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. PECO's 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.

Rabbi Trust Investments. The Rabbi trust was established to hold assets related to deferred compensation plans existing for certain active and retired members of PECO's executive management and directors. The Rabbi trusts assets are included in investments (Account 124) in PECO's Balance Sheet and consist primarily of mutual funds and life insurance policies. The mutual 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. Mutual funds are

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	08/24/2015	2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

publicly quoted and have been categorized as Level 1 given the clear observability of the prices. The life insurance policies are valued using the cash surrender value of the policies, which is provided by a third party. The cash surrender value inputs are not observable.

Deferred Compensation Obligations. PECO's deferred compensation plans allow participants to defer certain cash compensation into a notional investment account. PECO includes such plans in other current and noncurrent liabilities in its Balance Sheet. The value of PECO's 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.

5. Derivative Financial Instruments

PECO is exposed to certain risks related to ongoing business operations. The primary risk managed by using derivative instruments is commodity price risk and interest rate risk. PECO employs established policies and procedures to manage its risks associated with market fluctuations by entering into physical contracts as well as financial derivative contracts with short-term and long-term commitments to purchase energy and energy-related products. PECO believes 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). PECO has applied the NPNS scope exception to certain derivative contracts for power procurement agreements and natural gas supply agreements. Normal purchase contracts are accounted for under the accrual method of accounting.

Commodity Price Risk

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 3 — 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 has certain full requirements contracts and block contracts that are considered derivatives and qualify for the normal purchases and normal sales scope exception under current derivative authoritative guidance.

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 NPNS 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 2015 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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

agreements (those with primary terms of at least twelve months). Under the terms of the 2015 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 about 30% 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.

As of June 30, 2015 and December 31, 2014, PECO had no derivative fair value balances on its Balance Sheet.

Credit Risk

PECO 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.

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. The unsecured credit used by the suppliers represents PECO's net credit exposure. As of June 30, 2015, PECO is holding \$3 million in collateral from 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 3 — 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. As of June 30, 2015, PECO had no credit exposure under its natural gas supply and asset management agreements with investment grade suppliers.

Collateral and Contingent-Related Features

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 June 30, 2015, PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of June 30, 2015, PECO could have been required to post approximately \$20 million of collateral to its counterparties.

PECO's supplier master agreements that govern the terms of its DSP Program contracts do not contain provisions

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

that would require PECO to post collateral.

6. Debt and Credit Agreements

Short-Term Borrowings

PECO meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool.

PECO had no amounts of commercial paper outstanding at June 30, 2015 and December 31, 2014.

Credit Facilities

As of June 30, 2015, PECO has aggregate bank commitments of \$600 million under its syndicated unsecured revolving credit facility, expiring in May 2019, with the exception of \$27 million which expires in August 2018. As of June 30, 2015, PECO has no borrowing under its credit facility.

Borrowings under PECO's credit agreement bear interest at a rate selected by the borrower based upon the prime rate or upon a LIBOR-based rate. PECO has adders of 0.0 basis points for prime based borrowings and 90.0 basis points for LIBOR-based borrowings. The maximum adders for prime rate borrowings and LIBOR-based borrowings are 65 basis points and 165 basis points, respectively. The credit agreement also requires PECO to pay a facility fee based upon the aggregate commitments under the agreement. The fee varies depending upon PECO's credit rating.

PECO is required to maintain a minimum cash from operations to interest expense ratio of 2.00 to 1 for the twelve-month period ended on the last day of any quarter. The ratio excludes revenue and interest expense attributable to securitization debt, certain changes in working capital, and distributions on preferred securities of subsidiaries. At June 30, 2015, the interest rate coverage ratio for PECO was 9.15.

Long-Term Debt

During the six months ended June 30, 2015 and June 30, 2014, PECO did not issue or retire any long-term debt.

7. Income Taxes

The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

	For the Three Months Ended June 30,	
	2015	2014
U.S. Federal statutory rate	35.0 %	35.0 %
Increase (decrease) due to:		
State income taxes, net of Federal income tax benefit	1.5	(0.6)
Amortization of investment tax credit	(0.1)	(0.1)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Plant basis differences	(8.0)	(16.1)
Equity in loss of subsidiary companies	(12.3)	(14.0)
Other	0.0	0.3
Effective income tax rate	16.1 %	4.5 %
For the Six Months Ended June 30,		
	2015	2014
U.S. Federal statutory rate	35.0 %	35.0 %
Increase (decrease) due to:		
State income taxes, net of Federal income tax benefit	1.5	0.5
Amortization of investment tax credit	(0.1)	(0.1)
Plant basis differences	(8.8)	(13.0)
Equity in loss of subsidiary companies	(11.7)	(12.8)
Other	0.3	0.1
Effective income tax rate	16.2 %	9.7 %

PECO's income tax expense and effective income tax rate reflect the effects of income taxes associated with certain subsidiary companies that are disregarded entities for Federal income tax purposes and have been accounted for under the equity method of accounting in accordance with the USOA.

PECO's income tax expense and effective income tax rate do not reflect the income taxes associated with ATNP, a wholly owned subsidiary company. ATNP has also been accounted for under the equity method of accounting under the USOA, however it is a separate company for Federal income tax purposes, and as a result the income tax expense associated with ATNP has been recorded in Account 418.1, Equity in Earnings of Subsidiary Companies, and as such the net income of ATNP has been identified as a reconciling item between the U.S. Federal statutory rate and the effective income tax rate above.

Accounting for Uncertainty in Income Taxes

PECO has \$0 million of unrecognized tax benefits as of June 30, 2015 and \$44 million of unrecognized tax benefits as of December 31, 2014. The unrecognized tax benefits as of June 30, 2015 reflect a decrease at PECO primarily attributable to the disallowed AmerGen claims discussed below. See Note 10 within the Notes to Financial Statements included in PECO's December 31, 2014 FERC Form No. 1 for further discussion of reasonably possible changes that could occur in PECO's unrecognized tax benefits during the next twelve months.

Nuclear Decommissioning Liabilities

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 disallowed AmerGen's claims. In early 2009, Generation filed a complaint in the United States Court of Federal Claims to contest this determination. On September 17, 2013, the Court granted the government's motion denying AmerGen's

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

claims for refund. In the first quarter of 2014, Exelon filed an appeal of the decision to the United States Court of Appeals for the Federal Circuit. On March 11, 2015, the Federal Circuit affirmed the lower court's decision to deny AmerGen's claims for refund. Exelon will not be pursuing further appeals with respect to this issue and, as a result, PECO has reduced its total unrecognized tax benefits by \$44 million.

8. Nuclear Decommissioning

Nuclear Decommissioning Trust Fund Investments.

Nuclear Decommissioning Trust (NDT) funds have been established for each of the former PECO generating station units to satisfy the nuclear decommissioning obligations. Generally, 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 PECO units have been funded with amounts collected from PECO customers. PECO is authorized to collect funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections are scheduled through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the NDT funds for the unit for which funds are collected. 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. The most recent rate adjustment occurred on January 1, 2013, and the effective rates currently yield annual collections of approximately \$24 million. The next five-year adjustment is expected to be reflected in rates charged to PECO customers effective January 1, 2018.

9. Retirement Benefits

PECO participates in defined benefit pension plans and postretirement benefit plans sponsored by Exelon. Substantially all PECO employees are eligible to participate in these plans. Benefits under these plans generally reflect each employee's compensation, years of service and age at retirement.

The following amounts included in capital additions and operating and maintenance expense during the three and six months ended June 30, 2015 and 2014, represent PECO's allocated portion of pension and postretirement benefit plans costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Pension and postretirement benefit costs	\$10	\$9	\$19	\$21

401(k) Savings Plan

PECO participates in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their income in accordance with specified guidelines. PECO matches a percentage of the employee contributions up to

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

certain limits. The following table presents the cost of matching contributions to the savings plans for PECO during the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Savings plan matching contributions	\$3	\$2	\$4	\$4

10. Commitments and Contingencies

For information regarding commitments and contingencies at December 31, 2014, see Note 17 of the Notes to the Financial Statements within PECO's 2014 FERC Form No. 1.

Energy Commitments

PECO's electric supply procurement and AEC purchase commitments as of June 30, 2015 are as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Electric supply procurement (a)	\$ 671	\$ 368	\$ 270	\$ 33	\$ —	\$ —	\$ —
AECs	13	2	2	2	2	2	3

(a) PECO entered into various contracts for the procurement of electric supply to service its default service customers that expire between 2015 and 2017. PECO is permitted to recover its electric supply procurement costs from default service customers with no mark-up in accordance with its PAPUC-approved DSP Program. See Note 3 - Regulatory Matters for additional information.

(b) PECO is subject to requirements related to the use of alternative energy resources established by the AEPS Act. See Note 2 - Regulatory Matters within PECO's 2014 FERC Form No. 1 for additional information.

Fuel Purchase Obligations

In addition to the energy commitments described above, PECO has commitments to purchase natural gas, related to transportation, storage capacity and services to serve customers in its gas distribution service territory. As of June 30, 2015, these commitments were as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Fuel purchase obligations	\$ 375	\$ 65	\$ 107	\$ 66	\$ 46	\$ 20	\$ 71

Other Purchase Obligations

PECO's other purchase obligations as of June 30, 2015, which primarily represent commitments for services, materials and information technology, are as follows:

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

	Expiration within						
	Total	2015	2016	2017	2018	2019	2020 and beyond
Other purchase obligations (a)	\$ 21	\$ 5	\$ 5	\$ 2	\$ 2	\$ 2	\$ 5

(a) Purchase obligations include commitments related to smart meter installation. See Note 3 — Regulatory Matters for additional information.

Construction Commitments

Refer to Note 3—Regulatory Matters for information on investment programs associated with regulatory mandates such as PECO's Smart Meter Procurement and Installment Plan.

Commercial Commitments

PECO's commercial commitments as of June 30, 2015, representing commitments potentially triggered by future events, were as follows:

	June 30, 2015
Letters of credit (non-debt) (a)	\$ 22
Guarantees (b)	188
Total commercial commitments	\$ 210

- (a) Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties.
- (b) Primarily reflects full and unconditional guarantees of \$178 million Trust Preferred Securities of PECO Trust III and IV which are 100% owned finance subsidiaries of PECO.

Environmental Issues

General. PECO's 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, PECO is generally liable for the costs of remediating environmental contamination of property now or formerly owned by it and of property contaminated by hazardous substances generated by it. PECO owns or leases a number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. In addition, PECO is 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.

PECO has identified sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. For many of these sites, PECO is one of several potentially responsible parties that may be responsible for ultimate remediation of each location. PECO has identified 26 sites, 16 of which have been remediated in accordance with applicable Pennsylvania Department of Environmental Protection regulatory requirements and 10 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 2021.

Pursuant to settlements of natural gas distribution rate cases with the PAPUC, PECO is currently recovering

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

environmental costs for the remediation of former MGP facility sites through customer rates, for which it has recorded a regulatory asset.

As of June 30, 2015 and December 31, 2014, PECO had accrued the following undiscounted amounts for environmental liabilities in miscellaneous current and accrued liabilities (Account 242) and accumulated operating provisions (Account 228.4) within its Balance Sheet:

	Total Environmental Investigation and Remediation Reserve	Portion of Total Related to MGP Investigation and Remediation
June 30, 2015	\$44	\$41
December 31, 2014	\$45	\$42

PECO cannot reasonably estimate whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by PECO, environmental agencies or others, or whether such costs will be recoverable from third parties, including customers.

Litigation Matters

PECO is 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. PECO maintains 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.

On November 22, 2013, the Supreme Court of Pennsylvania held that the Pennsylvania Workers Compensation Act does not apply to an employee's disability or death resulting from occupational disease, such as diseases related to asbestos exposure, which manifests more than 300 weeks after the employee's last employment-based exposure, and that therefore the exclusivity provision of the Act does not preclude such employee from suing his or her employer in court. The Supreme Court's ruling reverses previous rulings by the Pennsylvania Superior Court precluding current and former employees from suing their employers in court, despite the fact that the same employee was not eligible for workers compensation benefits for diseases that manifest more than 300 weeks after the employee's last employment-based exposure to asbestos. Currently, PECO is unable to predict whether and to what extent it may experience additional claims in the future as a result of this ruling; as no such increase to asbestos-related bodily injury liability has been recorded as of June 30, 2015. Increase claims activity resulting from this ruling could have a material effect on PECO's future results of operations and cash flows.

Income Taxes

See Note 7 – Income Taxes for information regarding PECO's income tax refund claims and certain tax positions.

11. Supplemental Financial Information

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 08/24/2015	Year/Period of Report 2015/Q2
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Supplemental Statement of Income Information.

Utility taxes included in revenues and expenses of PECO's Statement of Income were \$32 million and \$30 million for the three months ended June 30, 2015 and 2014, respectively. Utility taxes included in revenues and expenses of PECO's Statement of Income were \$67 million and \$65 million for the six months ended June 30, 2015 and 2014, respectively.

Supplemental Statement of Cash Flows Information.

Cash paid for interest (net of amount capitalized) was \$47 million and \$48 million for the six months ended June 30, 2015 and 2014, respectively. Income tax refunds (net of cash payments) were \$17 million and \$43 million for the six months ended June 30, 2015 and 2014, respectively.

PECO's Statement of Cash Flows included non-cash investing activities for an increase (decrease) in capital expenditures not paid of \$(9) million and \$(21) million for the six months ended June 30, 2015 and 2014, respectively.

DOE Smart Grid Investment Grant. For the six months ended June 30, 2014, PECO has included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$2 million and reimbursements of \$2 million, related to PECO's DOE SGIG program. For the six months ended June 30, 2015, PECO had no capital expenditures or reimbursements, as the DOE SGIG program was completed during 2014. See Note 2 - Regulatory Matters of the PECO 2014 FERC Form No. 1 for additional information regarding the DOE SGIG.

Installment Plan Receivables.

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 (Account 142) for the current portion and other deferred debits and other assets (Account 186) for the noncurrent portion. The net receivable balance for installment plans with terms greater than one year was \$16 million as of June 30, 2015 and \$15 million as of December 31, 2014. 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 of the 2014 FERC Form 1. The allowance for uncollectible accounts balance associated with these receivables at June 30, 2015 of \$18 million consists of \$1 million, \$4 million and \$13 million for low risk, medium risk and high risk segments, respectively. The allowance for uncollectible accounts balance at December 31, 2014 of \$15 million consists of \$1 million, \$3 million and \$11 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 June 30, 2015 and December 31, 2014 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—Significant Accounting Policies of the 2014 FERC Form 1.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

PECO Energy Company
Condensed Notes to Financial Statements
(Dollars in millions, unless otherwise noted)

1. Significant Accounting Policies

Description of Business

Incorporated in Pennsylvania in 1929, 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 residential, commercial and industrial 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 residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. PECO is subject to extensive regulation by the Pennsylvania Public Utility Commission (PAPUC) as 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 the Federal Energy Regulatory Commission (FERC) as 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 aspects of gas operations. Additionally, PECO is also subject to the North American Electric Reliability Corporation (NERC) mandatory reliability standards. Pursuant to the Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996 (Competition Act), the Commonwealth of Pennsylvania required the unbundling of retail electric services in Pennsylvania into separate energy transmission and distribution services with open retail competition for generation services. PECO serves as the local distribution company providing electric distribution services in its franchised service territory in southeastern Pennsylvania and energy service to customers who do not choose a competitive electric generation supplier or who choose to return to the utility after taking service from a competitive electric generation supplier.

Basis of Presentation

PECO is a principal indirect subsidiary of Exelon Corporation (Exelon), which indirectly owns 100% of PECO's common stock. At December 31, 2014 and 2013, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding. At December 31, 2012, PECO's cumulative preferred stock without par value consisted of 15,000,000 shares authorized and 874,720 shares outstanding, which were owned by 856 shareholders. On May 1, 2013, PECO redeemed all of its outstanding preferred securities. As a result of the redemption, PECO became indirectly, wholly-owned by Exelon.

Accounting policies for regulated operations are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the PAPUC and FERC. The accompanying financial statements have been prepared in accordance with the accounting requirements of FERC as set forth in the Uniform System of Accounts (USOA) and accounting releases, which differ from accounting principles generally accepted in the United States of America (GAAP).

PECO's investments in its subsidiaries, ExTel Corporation, LLC, PECO Wireless, LLC, PECO Energy Capital Trust IV (PECO Trust IV) and PECO Energy Capital Corporation (PECC) are accounted for under the equity method of accounting in accordance with the USOA. PECO Wireless, LLC is the parent company of ATNP Finance Company and sole member of PEC Financial Services, LLC. PECC is the general partner of PECO Energy Capital, L.P., which is the grantor of PECO Energy Capital Trust III (PECO Trust III). ExTel Corporation, LLC and PECO Wireless, LLC are consolidated in PECO's GAAP Financial Statements.

Use of Estimates

The preparation of financial statements in conformity with USOA 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 asset retirement obligations (AROs), pension and other postretirement benefits, inventory reserves, allowance for uncollectible accounts, asset impairments, derivative instruments, fixed asset depreciation, environmental remediation costs, taxes and unbilled energy

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

revenues. Actual results could differ from those estimates.

Accounting for the Effects of Regulation

PECO accounts for its regulated electric and gas operations in accordance with accounting policies prescribed by the regulatory authorities having jurisdiction, principally the PAPUC under state public utility laws and the FERC under various Federal laws. PECO applies the authoritative guidance for accounting for certain types of regulation, which requires PECO to record in its 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 entity's cost of providing services or products; and (3) there is a reasonable expectation that rates are set at levels that will recover the entity's costs from customers. PECO accounts for its regulated operations in accordance with regulatory and legislative guidance from the regulatory authorities having jurisdiction, principally the PAPUC 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 Statement of Income consistent with the recovery or refund included in customer rates. PECO believes that it is probable that its currently recorded regulatory assets and liabilities will be recovered and settled, respectively, in future rates. However, PECO continues to evaluate its ability to apply the authoritative guidance for accounting for certain types of regulation, including consideration of current events in its regulatory and political environments. If a separable portion of PECO's business was no longer able to meet the criteria discussed above, PECO would be required to eliminate from its financial statements the effects of regulation for that portion, which would have a material impact on its results of operations and financial position. See Note 2—Regulatory Matters for additional information.

PECO treats the impacts of a final rate order received after the balance sheet date but prior to the issuance of the financial statements as a non-recognized subsequent event, as the receipt of a final rater order is a separate and distinct event that has future impacts on the parties affected by the order.

Revenues

Operating Revenues. Operating revenues are recorded as service is rendered or energy is delivered to customers. At the end of each month, PECO accrues an estimate for the unbilled amount of energy delivered or services provided to customers. See Note 4—Accounts Receivable for further information.

Income Taxes

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 PECO's Balance Sheets and are recognized in book income over the life of the related property. In accordance with USOA, PECO reports deferred income tax balances arising from temporary differences in Accounts 190, 282 and 283 as appropriate, which differs from the net presentation required by GAAP. See Note 10—Income Taxes for additional information. PECO recognizes accrued interest related to unrecognized tax benefits in Interest expense or Interest income in Other income and deductions on its Statements of Income.

PECO accounts for uncertain income tax positions in accordance with FERC's guidance on Accounting and Financial Reporting for Uncertainty in Income Taxes, issued in Docket No. AI07-2-000 for FERC reporting purposes. The guidance requires, among other things, that entities should continue to recognize deferred income taxes for FERC accounting and reporting purposes based on the difference between positions taken in tax returns filed or expected to be filed and amounts reported in financial statements.

Pursuant to the Internal Revenue Code, Exelon and its subsidiaries file a consolidated Federal income tax return that includes its subsidiaries in which it owns at least 80% of the outstanding stock. Income taxes are allocated to each of Exelon's subsidiaries included in the filing of the consolidated Federal income tax return based on the separate return method. PECO's income tax expense reflects the effects of income taxes associated with certain subsidiary companies that are disregarded entities for federal income tax purposes, but have been accounted for under the equity method of accounting in accordance with the USOA. PECO records an income tax valuation allowance for deferred tax assets which

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

are not more likely than not to be realized in the future. See Note 10—Income Taxes for additional information.

PECO is a party to an agreement (Tax Sharing Agreement) with Exelon that provides for the allocation of consolidated tax liabilities and benefits. The Tax Sharing Agreement generally 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. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the party receiving the benefit.

Taxes Directly Imposed on Revenue-Producing Transactions

PECO collects certain taxes from customers such as sales and gross receipts taxes, along with other taxes, surcharges, and fees that are levied by state or local governments on the sale or distribution of gas and electricity. Some of these taxes are imposed on the customer, but paid by PECO, while others are imposed on PECO. Where these taxes are imposed on the customer, such as sales taxes, they are reported on a net basis with no impact to the Statement of Income. However, where these taxes are imposed on PECO, such as gross receipts taxes or other surcharges or fees, they are reported on a gross basis. Accordingly, revenues are recognized for the taxes collected from customers along with an offsetting expense. See Note 18—Supplemental Financial Information for PECO's utility taxes that are presented on a gross basis.

Cash and Cash Equivalents

PECO considers investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Investments

Restricted cash and investments represent restricted funds to satisfy designated current liabilities. As of December 31, 2014 and 2013, PECO's restricted cash primarily represented funds from the sales of assets that were subject to PECO's mortgage indenture. PECO's restricted cash is not available for general operations until released from the mortgage indenture.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts reflects PECO's best estimates of losses on the accounts receivable balances. PECO estimates the allowance for uncollectible accounts on customer receivables by applying loss rates developed specifically for each company to the outstanding receivable balance by customer 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. 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. Customer accounts are written off consistent with approved regulatory requirements. PECO's provisions for uncollectible accounts will continue to be affected by changes in volume, prices and economic conditions as well as changes in PAPUC regulations.

Variable Interest Entities

PECO accounts for its investments in and arrangements with VIEs based on the authoritative guidance which includes the following specific requirements:

- requires an entity to qualitatively assess whether it should consolidate a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE,
- requires an ongoing reconsideration of this assessment instead of only upon certain triggering events, and

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

- requires the entity that consolidates a VIE (the primary beneficiary) to present separately on the face of its balance sheet (1) the assets of the consolidated VIE, if they can be used to only settle specific obligations of the consolidated VIE, and (2) the liabilities of a consolidated VIE for which creditors do not have recourse to the general credit of the primary beneficiary.

PECO does not have any significant VIEs.

Inventories

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

Gas. Gas inventory includes the weighted average costs of stored natural gas and propane. The costs of natural gas and propane are generally included in inventory when purchased and charged to fuel expense or deferred energy costs when used or sold. PECO has several long-term storage contracts for natural gas as well as a liquefied natural gas storage facility.

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

Marketable Securities

All marketable securities are reported at fair value. Unrealized gains and losses, net of tax, for PECO's available-for-sale securities are reported in other comprehensive income. Any decline in the fair value of 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.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost. Original cost includes labor and materials, construction overhead, and when appropriate allowance for funds used during construction (AFUDC) for regulated property at 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 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. The U.S. Department of Energy (DOE) smart grid investment grant (SGIG) funds reimbursed to PECO by the DOE are accounted for as CIAC.

Upon retirement, the cost of regulated property, net of salvage, is charged to accumulated depreciation in accordance with the composite method of depreciation. 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. For unregulated property, the cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of is charged to accumulated depreciation.

See Note 5—Property, Plant and Equipment for additional information regarding property, plant and equipment.

Capitalized Software Costs

Costs incurred during the application development stage of software projects that are developed or obtained for internal 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, pursuant to regulatory approval or requirement. At December 31, 2014 and 2013, PECO's net unamortized capitalized software costs were \$84 million and \$71 million, respectively. During 2014 and 2013, PECO's

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

amortization of capitalized software costs were \$28 million and \$33 million, respectively.

Depreciation and Amortization

Depreciation is generally recorded over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. The estimated service lives for PECO are primarily based on the average service lives from the most recent depreciation study. 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. When the recovery or refund period is less than one year, amortization is recorded to the line item in which the deferred cost would have originally been recorded in PECO's Statement of Income. With the exception of income tax-related regulatory assets, when the recovery period is more than one year, the amortization is recorded to Depreciation and amortization (Account 403) in PECO's Statement of Income. For income tax related regulatory assets, amortization is generally recorded to Income tax expense (Account 409.1) in PECO's Statement of Income. See Note 2—Regulatory Matters for additional information regarding PECO's regulatory assets.

Asset Retirement Obligations

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. The liabilities associated with non-nuclear AROs are adjusted on an ongoing rotational basis, at least once every five years, due to 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 Statement of Income or, in the case of the majority of PECO's accretion, through an increase to regulatory assets. See Note 11—Asset Retirement Obligations for additional information.

AFUDC

PECO applies 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 Account 432, Allowance for borrowed funds used during construction - credit, for debt-related funds and Account 419.1, Allowance for other funds used during construction, for equity-related funds. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities. At December 31, 2014 and 2013, credits to AFUDC debt and equity were \$8 million and \$6 million, respectively.

Guarantees

PECO recognizes, at the inception of a guarantee, a liability for the fair market value of the obligations it has 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 PECO is released from risk under the guarantee. Depending on the nature of the guarantee, PECO's release from risk 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.

Asset Impairments

PECO evaluates the carrying value of its long-lived assets when circumstances indicate the carrying value of those assets may not be recoverable.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Derivative Financial Instruments

PECO has entered into derivative natural gas contracts to hedge its long-term price risk in the natural gas market. PECO has entered into derivative contracts to procure electric supply through a competitive RFP process as outlined in its PAPUC-approved Default Service Provider Program (DSP Program). PECO does not enter into derivatives for proprietary trading purposes. PECO's derivative activities are in accordance with Exelon's Risk Management Policy.

All derivatives are recognized on the balance sheet at their fair value unless they qualify for the normal purchases and normal sales scope 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). Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Statement of Cash Flows, depending on the underlying nature of the PECO's 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 rather are recorded 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. 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 offset by a regulatory asset or liability. See Note 8—Derivative Financial Instruments for additional information.

Retirement Benefits

PECO participates in Exelon's defined benefit pension plans and other postretirement plans. 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 or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the income statement. Gains or losses in excess of the greater of ten percent of the projected benefit obligation or the MRV of plan assets are amortized over the expected average remaining service period of plan participants. See Note 12—Retirement Benefits for additional discussion of PECO's accounting for retirement benefits.

New Accounting Pronouncements

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

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses or Tax Credit Carryforwards Exist. In July 2013, the FASB issued authoritative guidance requiring entities to present unrecognized tax benefits as a reduction to deferred tax assets for losses or other tax carryforwards that would be available to offset the uncertain tax positions at the reporting date. This guidance was effective for PECO for periods beginning after December 15, 2013 and was required to be applied prospectively. The adoption of this standard had no effect on PECO. There was no effect on PECO's Statement of Income or Statement of Cash Flows.

Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force). In November 2014, the FASB issued authoritative guidance that allows acquired entities to apply pushdown accounting (i.e., reflecting the acquirer's basis of accounting for the acquired entity's assets and liabilities) when an acquirer obtains control of them. At the same time, the SEC rescinded its guidance on pushdown accounting. The SEC's guidance had required pushdown accounting in certain circumstances, made it optional in others and prevented it in still other circumstances. The new guidance is effective immediately for any future transaction or to the most recent event in which an acquirer obtains or obtained control of the acquired entity. The adoption of the guidance had no impact to the financial statements of PECO; however, PECO

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

will assess the potential impact of the guidance on future acquisitions.

The following recently issued accounting standard is not yet required to be reflected in PECO's financial statements.

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

2. Regulatory Matters

Pennsylvania Regulatory Matters

2010 Pennsylvania Electric and Natural Gas Distribution Rate Cases. 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 tax years prior to 2011 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 have been reflected in customer bills since January 1, 2012.

In September 2012, PECO filed an application with the IRS to change its method of accounting for gas distribution repairs for the 2011 tax year. The expected total refund to customers for the tax cash benefit from the application of the new method to costs incurred prior to 2011 is \$54 million. This amount is subject to adjustment based on the outcome of IRS examinations. Credits have been reflected in customer bills since January 1, 2013. PECO currently anticipates that the IRS will issue guidance during 2015 providing a safe harbor method of accounting for gas transmission and distribution property.

The prospective tax benefits claimed as a result of the new methodology will be reflected in tax expense in the year in which they are claimed on the tax return and will be reflected in the determination of revenue requirements in the next electric and natural gas distribution rate cases. See Note 10 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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

case since rates have been unbundled.

Pennsylvania Procurement Proceedings. PECO's first PAPUC approved Default Service Program (DSP Program), under which PECO was providing default electric service, had a 29-month term that ended May 31, 2013. On October 12, 2012, the PAPUC issued its Opinion and Order approving PECO's second DSP Program, which was filed with the PAPUC in January 2012. The program, which has a 24-month term from June 1, 2013 through May 31, 2015, complies with electric generation procurement guidelines set forth in Act 129. Under the DSP Programs, PECO is permitted to recover its electric procurement costs from retail default service customers without mark-up through the Generation Supply Adjustment (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. In addition, PECO's second DSP Program provides for the recovery of Alternative Energy Portfolio Standard (AEPS) compliance costs through the GSA rather than a separate AEPS rider.

In the second DSP Program, PECO procured electric supply for its default electric customers through five competitive procurements. The load for the residential and small and medium commercial classes is served through competitively procured fixed price, full requirements contracts of two years or less. For the large commercial and industrial class load, PECO has competitively procured contracts for full requirements default electric generation with the price for energy in each contract set to be the hourly price of the spot market during the term of delivery. PECO entered into contracts with PAPUC approved bidders, including Generation, for its five competitive procurements. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO's Statement of Operations and Comprehensive Income.

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

On March 10, 2014, PECO filed its third DSP Program with the PAPUC. The program has a 24-month term from June 1, 2015 through May 31, 2017, and complies with electric generation procurement guidelines set forth in Act 129. On August 28, 2014, PECO filed a Joint Petition for Partial Settlement, which affirmed PECO's procurement plan for Residential and Small Commercial customers. On December 4, 2014, the PAPUC approved PECO's third DSP Program, as modified by the Joint Petition for Partial Settlement, without modification or limitation. Separate from the Joint Petition for Partial Settlement, the PAPUC also approved other items related to the program. The plan outlines how PECO will purchase electric supply for default service customers. PECO will procure electric supply through four competitive procurements for fixed price full requirements contracts of two years or less for the residential classes and small and medium commercial classes and spot market price full requirement contracts for the large commercial and industrial class load.

On March 12, 2015, PECO settled the CAP Design with the Office of Consumer Advocates (OCA) and Low Income Advocates, and filed the proposed plan with the PAPUC on March 20, 2015. The program design changes the rate structure of PECO's CAP. If the program is approved by the PAPUC, PECO plans to implement the program changes on October 1, 2016.

Purchase of Receivables Programs. PECO's purchase of receivable (POR) program requires PECO to purchase the accounts receivable from retail electric and natural gas suppliers that participate in customer choice programs and have elected consolidated billing by PECO. PECO is required to purchase receivables at face value and permitted to recover uncollectible accounts expense from customers through distribution rates. PECO does not record unbilled

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

commodity receivables under their POR programs.

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.

Purchased receivables at December 31, 2014 and 2013 were \$68 million and \$65 million, respectively, and were recorded in other accounts receivable on PECO's Balance Sheet (Account 143). An allowance of \$8 million and \$7 million was recorded in accumulated provision for uncollectible accounts on PECO's Balance Sheet (Account 144) as of December 31, 2014 and 2013, respectively.

Smart Meter and Smart Grid Investments. Pursuant to Act 129 and the follow-on Implementation Order of 2009, in April 2010, the PAPUC approved PECO's Smart Meter Procurement and Installation Plan (SMPIP), under which PECO will install more than 1.6 million electric smart meters and an Advanced Metering Infrastructure (AMI) communication network by 2020. The first phase of PECO's SMPIP, which was completed on June 19, 2013, included the installation of an AMI communications network and the deployment of 600,000 smart meters to communicate with that network. On May 31, 2013, PECO and interested parties filed a Joint Petition for Settlement of the universal deployment plan with the PAPUC which was approved without modification on August 15, 2013. The Joint Petition for Settlement supports all material aspects of PECO's universal deployment plan, including cost recovery, excluding certain amounts discussed below. Universal deployment is the second phase of PECO's SMPIP, under which PECO will deploy all of the remaining smart meters, for a total of 1.7 million smart meters, on an accelerated basis by the second quarter of 2015. In total, PECO currently expects to spend up to \$583 million, excluding the cost of the original meters (as further described below), on its smart meter infrastructure and approximately \$155 million on smart grid investments through final deployment of which \$200 million has been funded by Smart Meter Investment Grant (SGIG) as discussed below. As of December 31, 2014, PECO has spent \$540 million and \$119 million on smart meter and smart grid infrastructure, respectively, not including the DOE reimbursements received.

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

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

Following PECO's decision, as of October 9, 2012 PECO will no longer use the original smart meters. For the meters that will no longer be used, the accounting guidance requires that any difference between the carrying value and net realizable value be recognized in the current period's earnings, before considering potential regulatory recovery. The cost of the original meters, including installation and removal costs, owned by PECO was approximately \$17 million, net of approximately \$16 million of reimbursements from the DOE and approximately \$2 million of depreciation. PECO requested and received approval from the DOE that the original meters continue to be allowable costs and that any agreement with the vendor will not be considered project income. In addition, PECO remained eligible for the full \$200 million in SGIG funds. On August 15, 2013, PECO entered into an agreement with the original vendor, which was part of the final agreement discussed below, under which PECO transferred the original uninstalled meters to the vendor and will receive

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

\$12 million in return. On January 23, 2014, PECO entered a final agreement with the vendor pursuant to which PECO will be reimbursed for amounts incurred for the original meters and related installation and removal costs, via cash payments and rebates on future purchases of licenses, goods and services primarily through 2017. PECO previously had intended to seek regulatory rate recovery in a future filing with the PAPUC of amounts not recovered from the vendor. As PECO believed such costs were probable of rate recovery based on applicable case law and past precedent on reasonably and prudently incurred costs, a regulatory asset was established at the time of the removals. Pursuant to the January 23, 2014, vendor agreement, PECO reclassified the regulatory asset balance as a receivable, which has been fully collected, with no gain or loss impacts on future results of operations. On March 14, 2014, PECO filed its quarterly smart meter recovery surcharge with the PAPUC which included PECO's proposed treatment of the final agreement with the vendor. On March 27, 2014, the PAPUC approved the surcharge as proposed by PECO.

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

The peak demand period ended on September 30, 2012 and PECO communicated its compliance with the reduction targets in a preliminary filing with the PAPUC on March 1, 2013. The final compliance report for all Phase I targets, was filed with the PAPUC on November 15, 2013.

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

The PAPUC issued its Phase II EE&C implementation order on August 2, 2012, that provides energy consumption reduction requirements for the second phase of Act 129's EE&C programs, which went into effect on June 1, 2013. The order tentatively established PECO's three-year cumulative consumption reduction target at 1,125,852 MWh, which was reaffirmed by the PAPUC on December 5, 2012.

Pursuant to the Phase II implementation order, PECO filed its three-year EE&C Phase II plan with the PAPUC on November 1, 2012. The plan sets forth how PECO will reduce electric consumption by at least 1,125,852 MWh in its service territory for the period June 1, 2013 through May 31, 2016, adjusted for weather and extraordinary loads. The implementation order permits PECO to apply any excess savings achieved during Phase I against its Phase II consumption reduction targets, with no reduction to its Phase II budget. In accordance with the Act 129 Phase II implementation order, at least 10% and 4.5% of the total consumption reductions must be through programs directed toward PECO's public and low income sectors, respectively. If PECO fails to achieve the required reductions in consumption, it will be subject to civil penalties of up to \$20 million, which would not be recoverable from ratepayers. Act 129 mandates that the total cost of the plan may not exceed 2% of the electric company's total annual revenue as of December 31, 2006.

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

On November 14, 2013, the PAPUC issued a Tentative Order on Act 129 demand reduction programs which seeks

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company		03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

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

On February 28, 2014, PECO filed a Petition for Approval to amend its EE&C Phase II Plan to continue its DLC demand reduction program for mass market customers from June 1, 2014 to May 31, 2016. PECO proposed to fund the estimated \$10 million annual costs of the program by modifying incentive levels for other Phase II programs. The costs of the DLC program will be recovered through PECO's Energy Efficiency Program Charge along with other Phase II Plan costs. In an April 23, 2014 Tentative Order, the PAPUC granted PECO's Petition. The Order became final on May 5, 2014.

Alternative Energy Portfolio Standards. 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% and the requirement for Tier II alternative energy resources ranges from 6.2% to 10%. 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.

All AEPS administrative costs and costs of AECs are being recovered on a full and current basis from default service customers through a surcharge.

PECO's second DSP Program eliminated the AEPS surcharge. Beginning in June 2013, AEPS compliance costs are being recovered through the GSA.

Pennsylvania Retail Electricity and Gas Markets. Beginning in 2011, the PAPUC issued an order outlining the next steps in its investigation into the status of competition in Pennsylvania's retail electricity 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. Through various orders, the PAPUC issued default electric service pricing for customers in PECO's service territory. See Pennsylvania procurement proceedings discussed above for additional details.

In early 2014, the extreme weather in PECO's service territory resulted in increased electricity commodity costs causing certain shopping customers to receive unexpectedly high utility bills. In response to a significant number of customer complaints throughout Pennsylvania, on April 3, 2014, the PAPUC unanimously voted to adopt two rulemaking orders to address the issue. The first rulemaking order requires electric generation suppliers to provide more consumer education regarding their contract. The second rulemaking order requires electric distribution companies to enable customers to switch suppliers within three business days (known as accelerated switching). The improved customer education and accelerated switching were to be in place within 30 days and six months of approval of the orders, respectively. The orders became final on June 14, 2014. On December 4, 2014, the PAPUC approved PECO's implementation plan (known as Bill on Supplier Switch), allowing PECO to implement accelerated switching by the December 15, 2014 deadline.

On September 12, 2013, the PAPUC issued an Order that initiated an investigation into Pennsylvania's natural gas retail market, including the role of the existing default service model and opportunities for market enhancements. On December 18, 2014, the PAPUC issued a Final Order directing the Office of Competitive Market Oversight to continue its investigation, confirming that natural gas distribution companies should remain with the default service model for the time being and directing establishment of a working group to examine other competitive issues. Comments on the Final Order

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

were due on February 2, 2015. PECO will continue to monitor the Order and assess compliance, as necessary.

Pennsylvania Act 11 of 2012. 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 during the first year rates are in effect. On August 2, 2012, the PAPUC issued a Final Order establishing rules and procedures to implement the ratemaking provisions of Act 11. The implementation order requires a utility to have a long-term infrastructure improvement plan (LTIIIP) which outlines how the utility is planning to increase its investment for repairing, improving, or replacing aging infrastructure, approved by the Commission prior to implementing a DSIC. On May 9, 2013, the PAPUC approved PECO's LTIIIP for its gas operations, which was filed on February 8, 2013. On February 5, 2015, PECO filed a petition to modify its approved Gas LTIIIP with the PAPUC. If approved, the modification would allow PECO to further accelerate the replacement of existing gas mains and also included a plan for the relocation of meters from indoors to outside in accordance with a recent PAPUC rulemaking. On March 20, 2015, PECO filed a petition with the PAPUC for approval of its Gas DSIC mechanism for recovery of GAS LTIIIP expenditures. The Gas DSIC petition is subject to PAPUC approval.

Federal Regulatory Matters

PJM Transmission Rate Design and Operating Agreements. PJM Transmission Rate Design specifies the rates for transmission service charged to customers within PJM. Currently, PECO incurs 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 from those facilities. 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. 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 March 30, 2012, FERC issued an order on remand affirming the cost allocation in its April 2007 order. On March 22, 2013, FERC issued an order denying rehearing and made it clear that the cost allocation at issue concerns only projects approved prior to February 1, 2013. A number of entities have filed appeals of the FERC orders. On June 25, 2014, the U.S. Court of Appeals for the Seventh Circuit issued a decision once again remanding to FERC the cost allocation of new facilities 500 kV and above. On December 18, 2014, FERC issued an order setting an evidentiary hearing and settlement proceeding regarding the issue of the cost allocation for facilities 500 kV and above. The hearing only concerns new facilities approved by the PJM Board prior to February 1, 2013. 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 income statement, cash flows or balance sheet. To the extent any rate design changes are retroactive to periods prior to January 1, 2011, there may be an impact on PECO's income statement.

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

	<u>Total</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Construction commitments	\$ 100	\$ 32	\$ 31	\$ 25	\$ 8	\$ 4

Demand Response Resource Order. On May 23, 2014, the D.C. Circuit Court issued an opinion vacating the FERC Order No. 745 ("D.C. Circuit Decision"). Order No. 745 established uniform compensation levels for demand response resources that participate in the day ahead and real-time wholesale energy markets. Under Order No. 745, buyers in ISO

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

and RTO markets were required to pay demand response resources the full Locational Marginal Price when the demand response replaced a generation resource and was cost-effective.

In addition to invalidating the compensation structure established by Order No. 745, the D.C. Circuit Court, in broad language, explained that demand response is part of the retail market and FERC is restricted from regulating retail markets. The full implication of the D.C. Circuit Decision for both energy and capacity markets regulated by FERC is not yet known and will depend on how FERC and the RTOs and ISOs implement the decision. FERC and several other parties sought rehearing of the D.C. Circuit Decision, which was denied in September 2014. In addition, on September 22, 2014, FERC and another party sought to stay the issuance of the D.C. Circuit Court's mandate so that FERC may appeal the decision to the U.S. Supreme Court. The stay was granted with respect to the FERC's request only. In January 2015, the FERC sought to appeal the decision to the U.S. Supreme Court. Thus, the stay will be extended at least until the U.S. Supreme Court determines whether to allow the appeal. In addition, contemporaneously with the D.C. Circuit Court's decision on May 23, 2014, First Energy filed a complaint at FERC asking FERC to direct PJM to remove all PJM Tariff provisions that allow or require PJM to compensate demand response providers as a form of supply in the PJM capacity market effective May 23, 2014. FirstEnergy also asked FERC to declare the results of PJM's May 2014 Base Residual Auction for the 2017/2018 Delivery Year, void and illegal to the extent that demand response resources cleared that auction. On November 14, 2014, the New England Power Generators Association, Inc. ("NEPGA") filed a similar complaint at FERC asking FERC to disqualify demand response from the upcoming capacity auction in New England and to revise the New England tariff to remove demand response from participation in the capacity market. FERC's response to the FirstEnergy complaint and the NEPGA complaint and its response to address the D.C. Circuit Court's decision in all markets could preclude demand response resources from receiving any future capacity market revenues and also subject such resources to refund obligations. In addition, there is uncertainty as to how FERC might treat already settled capacity market auctions as well as future auctions, both for demand response resources and generation resources. FERC could grant all or a portion of the relief requested by FirstEnergy and may grant relief retroactively or only prospectively. FERC could also pursue alternative means for allowing demand response to effectively participate in capacity markets it regulates. Due to these uncertainties, the Registrants are unable to predict the outcome of these proceedings, and the final outcome is not expected for several months. Nonetheless, the final decision and its implementation by FERC and the RTOs and ISOs, could be material to PECO's income statement and cash flows.

Market-Based Rates. PECO is a public utility for purposes of the Federal Power Act and is required to obtain FERC's acceptance of rate schedules for wholesale electricity sales. Currently, PECO has 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 PECO has violated the terms and conditions of its tariff or the Federal Power Act. FERC is also authorized to order refunds in certain instances 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, PECO files market power analyses using the prescribed market share screens to demonstrate that PECO qualifies for market-based rates in the regions where it is selling energy, capacity, and ancillary services under market-based rate tariffs. On June 29, 2012, PECO filed its updated market power analysis for the Central Region which the FERC accepted on November 13, 2012. On December 21, 2012, PECO filed its updated market power analysis for the SPP region, which the FERC accepted on October 8, 2013. On December 30, 2013, PECO filed its updated analysis for the Northeast Region, based on 2012 historic test period data which the FERC accepted on August 5, 2014.

Regulatory Assets and Liabilities

PECO prepares its 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 PECO as of December 31, 2014 and 2013.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Regulatory Assets (Account 182.3):	As of December 31, 2014	As of December 31, 2013
Deferred income taxes	\$ 1,400	\$ 1,317
Manufactured gas plant (MGP) remediation costs	37	39
Conditional asset retirement obligations	26	25
Accrued vacation	6	8
Nonretirement postemployment benefits	7	5
AMI program expenses	77	58
AMI meter events	-	5
Other	1	2
Total	\$ 1,554	\$ 1,459

Regulatory Liabilities (Account 254):	As of December 31, 2014	As of December 31, 2013
Nuclear decommissioning	\$ 490	\$ 447
Act 129 EE&C Program over-recovery	2	8
Universal Service Fund Charge (USFC) over-recovery	2	8
Gas Distribution Tax Repairs	36	45
Electric distribution tax repairs	114	134
Purchased Gas Cost (PGC) over-recovery	16	16
GSA over-recovery	39	34
Transmission service charge (TSC) over-recovery	3	8
Act 129 Phase II EE&C Program over-recovery	32	21
DLC Program Costs	10	11
Other	4	3
Total	\$ 748	\$ 735

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 accelerated depreciation accounted for in accordance with the ratemaking policies of the PAPUC as well as the revenue impacts thereon, and assume continued recovery of these costs in future transmission and distribution rates. This amount includes the impacts of electric and gas distribution repairs in the deductibility pursuant to PUC's 2010 rate case settlement agreement. See Note 10—Income Taxes for additional information. PECO is not earning a return on the recovery of these costs.

MGP remediation costs. For PECO, these costs are recoverable through rates as affirmed in the 2010 approved natural gas distribution rate case settlement. The period of recovery will depend on the timing of the actual expenditures. PECO is not earning a return on the recovery of these costs. See Note 17—Commitments and Contingencies for additional information.

Conditional Asset retirement obligations. These costs represent future legally required removal costs associated with 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. See Note 11—Asset Retirement Obligations for additional information.

Accrued vacation. Accrued vacation reflects vacation time that employees have earned but not yet used as well as the related payroll taxes. Per a PAPUC order, PECO is on a "pay as you go" basis. Therefore, expense is recorded as vacation is used.

Nonretirement postemployment benefits. The regulatory asset related to nonretirement postemployment benefits

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

is the projected liability for certain benefits. The liability is adjusted every two years as a result of actuarial studies performed.

AMI program expenses. 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, 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. The approved plan also provides for recovery of accelerated depreciation on PECO's non-AMI meter assets over a 10-year period ending December 31, 2020.

AMI Meter Events. This amount represents the remaining cost value of the original smart meters, net of accumulated depreciation, DOE reimbursements and amounts recovered from the vendor, of smart meter deployment that will no longer be used, including installation and removal costs. PECO intended to seek through regulatory rate recovery in a future filing with the PAPUC, any amounts not recovered from the vendor. PECO believed the amounts incurred for the original meters and related installation and removal costs were probable of recovery based on applicable case law and past precedent on reasonably and prudently incurred costs. As such, PECO deferred these costs on Exelon's and PECO's Consolidated Balance Sheet, beginning in 2012. PECO did not earn a return on the recovery of these costs. Pursuant to the January 23, 2014, vendor agreement, PECO reclassified the regulatory asset balance as a receivable, which has been fully collected, with no gain or loss impacts on future results of operations.

Under (Over)-recovered transmission costs. 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.

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, 2014, PECO was under-recovered for its gas program and over-recovered for its electric program. Whereas, as of December 31, 2013, PECO was over-recovered for both its electric and gas programs. PECO earns interest on under-recovered costs and pays interest on over-recovered costs to customers.

Nuclear decommissioning. These amounts represent estimated future nuclear decommissioning costs for the Regulatory Agreement Units 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 be sufficient to fund the associated future decommissioning costs at the time of decommissioning. See Note 11—Asset Retirement Obligations for additional information.

Act 129 EE&C plan over-recovery. These amounts represent an over-collection of program costs related to both Phase I and Phase II PECO's PAPUC-approved EE&C Plan. PECO does not earn (pay) interest on under (over) collections. PECO began recovering the costs of its Phase I and Phase II EE&C Plans through a surcharge in January 2010 and June 2013, respectively, based on projected spending under the programs. Phase I recovery continued over the life of the program, which expired on May 31, 2013 and excess funds collected began being refunded in June 2013. Phase II of the program began on June 1, 2013, and will continue over the life of the program, which will expire on May 31, 2016. Excess funds collected are required to be refunded beginning in June 2016. PECO earned a return on the capital investment incurred under Phase I of the program.

Gas distribution tax repairs. PECO's 2010 natural gas distribution rate case settlement required that the expected cash benefit from the application of new tax repairs deduction methodologies for 2010 and prior tax years be refunded to customers over a seven-year period. In September 2012, PECO filed an application with the IRS to change its method of accounting for gas distribution repairs for the 2011 tax year. Credits began being reflected in customer bills beginning January 1, 2013. No interest will be paid to customers.

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

be refunded to customers over a seven-year period. Credits began being reflected in customer bills on January 1, 2012. No interest will be paid to customers.

Under (Over)-recovered energy costs. 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.

Under (Over)-recovered AEPS costs. 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. Beginning in 2013, these costs are included within the GSA line item.

DLC Program Costs. The DLC program costs include equipment, installation, and information technology costs necessary to implement the DLC Program under PECO's EE&C Phase I Plans. PECO received full cost recovery through Phase I collections and will amortize the costs as a credit to the income statement to offset the related depreciation expense during the same period through September 2025, which is the remaining useful life of the assets. PECO is not paying interest on these over-recovered costs.

3. Merger with Constellation

On March 12, 2012, Exelon and Constellation Energy Group, Inc. (Constellation) merger was completed. On the merger date, Constellation's shareholders received 0.930 shares of Exelon common stock in exchange for each share of Constellation common stock. The resulting company will retain the Exelon name and be headquartered in Chicago.

During the years ended December 31, 2014 and 2013, PECO incurred merger and integration-related costs of \$0 million and \$9 million, respectively. These costs are classified within Operating and maintenance expense (Account 923) in the Statements of Income.

4. Accounts Receivable

	2014	2013
-		
Unbilled customer revenues	\$ 140	\$ 161
Allowance for uncollectible accounts ^(a)	(100)	(107)

(a) Includes an allowance for uncollectible accounts of \$7 million and \$8 million at December 31, 2014 and 2013, respectively, related to PECO's current installment plan receivables described below.

PECO Installment Plan Receivables. 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 Customer accounts receivable (Account 142) for the current portion and Miscellaneous deferred debits (Account 186) for the noncurrent portion. The net receivable balance for installment plans with terms greater than one year was \$15 million and \$19 million as of December 31, 2014 and 2013, 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, 2014 of \$15 million consists of \$1 million, \$3 million and \$11 million for low risk, medium risk

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

and high risk segments, respectively. The allowance for uncollectible accounts balance at December 31, 2013 of \$18 million consists of \$1 million, \$4 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, 2014 and 2013 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.

5. Property, Plant and Equipment

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

<u>Average Service Life Percentage by Asset Category</u>	<u>2014</u>	<u>2013</u>
Electric—transmission and distribution	2.55 %	2.73 %
Gas	1.84 %	1.79 %
Common—electric and gas	5.16 %	6.65 %

The following table presents a summary of average service life for property, plant and equipment by asset category as of December 31, 2014:

<u>Average Service Life in Years by Asset Category</u>	<u>2014</u>
Electric—transmission and distribution	5-65
Gas	5-70
Common—electric and gas	5-50

PECO has undivided ownership interests in jointly owned electric transmission facilities, which are accounted for as if such participating interests were wholly owned facilities. PECO's share of direct expenses is included in operating and maintenance expenses on PECO's Statements of Income. PECO's undivided ownership interests in jointly owned electric transmission facilities at December 31, 2014 and 2013 were as follows:

Operator	First Energy	PSEG
PECO's share at December 31, 2014	PA (a)	DE/NJ (b)
Plant	\$ 10	\$ 64
Accumulated depreciation	5	34
PECO's share at December 31, 2013	PA (a)	DE/NJ (b)
Plant	\$ 10	\$ 64
Accumulated depreciation	5	34

(a) 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 including, but not limited to, lines noted above.

(b) 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, including, but not limited to the lines noted above.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

6. Intangible Assets

Alternative Energy Credits. PECO's AECs have been recorded as intangible assets in Miscellaneous current assets (Account 174) and Miscellaneous deferred debits (Account 186) on the Balance Sheet. As of December 31, 2014 and 2013, PECO had current AECs of \$13 million and \$19 million, respectively, and noncurrent AECs of \$0 million and \$5 million, respectively. See Note 2—Regulatory Matters and Note 17—Commitments and Contingencies for additional information on AECs.

7. Fair Value of Financial Assets and Liabilities

Non-Derivative Financial Assets and Liabilities. As of December 31, 2014 and 2013, PECO's carrying amounts of cash and cash equivalents, accounts receivable, accounts 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

The carrying amounts and fair values of PECO's long-term debt as of December 31, 2014 and 2013 were as follows:

	2014			2013		
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
		Level 1	Level 2	Level 3		
Long-term debt (including amounts due within one year) (Accounts 221 and 226)	2,246	—	2,537	—	2,197	2,358
Long-term debt to financing trusts (Account 223)	184	—	—	199	184	180

Long-Term Debt. The fair value of long-term debt is 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 PECO's credit risk into the discount rates, PECO obtains pricing (i.e., U.S. Treasury rate plus credit spread) based on trades of existing PECO 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 PECO's 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.

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

Recurring Fair Value Measurements

PECO 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 PECO has the ability to access as of the reporting date.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

- 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.
- Level 3—unobservable inputs, such as internally developed pricing models or third-party valuations for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on PECO's Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2014 and 2013:

<u>As of December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents	\$ 12	\$ —	\$ —	\$ 12
Rabbi trust investments - mutual funds (a)	9	—	—	9
Total assets	<u>21</u>	<u>—</u>	<u>—</u>	<u>21</u>
Liabilities				
Deferred compensation obligation	—	(15)	—	(15)
Total liabilities	<u>—</u>	<u>(15)</u>	<u>—</u>	<u>(15)</u>
Total net assets (liabilities)	<u>\$ 21</u>	<u>\$ (15)</u>	<u>\$ —</u>	<u>\$ 6</u>
<u>As of December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash equivalents	\$ 175	\$ —	\$ —	\$ 175
Rabbi trust investments - mutual funds (a)	9	—	—	9
Total assets	<u>184</u>	<u>—</u>	<u>—</u>	<u>184</u>
Liabilities				
Deferred compensation obligation	—	(17)	—	(17)
Total liabilities	<u>—</u>	<u>(17)</u>	<u>—</u>	<u>(17)</u>
Total net assets (liabilities)	<u>\$ 184</u>	<u>\$ (17)</u>	<u>\$ —</u>	<u>\$ 167</u>

(a) Excludes \$14 million of the cash surrender value of life insurance investments at both December 31, 2014 and 2013, respectively.

PECO had no Level 3 assets or liabilities measured at fair value on a recurring basis during the year ended December 31, 2014 and 2013.

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. PECO's 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.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Rabbi Trust Investments. The Rabbi trust was established to hold assets related to deferred compensation plans existing for certain active and retired members of PECO's executive management and directors. The investments in the Rabbi trust are included in investments in PECO's Balance Sheet and consist primarily of mutual 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 PECO's overall investment strategy. Mutual funds are publicly quoted and have been categorized as Level 1 given the clear observability of the prices.

Deferred Compensation Obligations. PECO's deferred compensation plans allow participants to defer certain cash compensation into a notional investment account. PECO includes such plans in other current and noncurrent liabilities in its Balance Sheet. The value of PECO's deferred compensation obligation 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 as Level 2 in the fair value hierarchy.

8. Derivative Financial Instruments

PECO is exposed to certain risks related to ongoing business operations. The primary risk managed by using derivative instruments is commodity price risk and interest rate risk. PECO employs established policies and procedures to manage its risks associated with market fluctuations by entering into physical contracts, including financial derivative contracts with short-term and long-term commitments to purchase energy and energy-related products. PECO believes these instruments, which are classified as either economic hedges or non-derivatives, mitigate exposure to fluctuations in commodity prices. Potential exposure to interest rate risk exists in relation to 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. PECO has applied the normal purchases and normal sales scope exception to certain derivative contracts for power procurement agreements and natural gas supply agreements. Normal purchase contracts are accounted for under the accrual method of accounting.

Commodity Price Risk

PECO has contracts to procure electric supply that were executed through the competitive procurement process outlined in its PAPUC-approved DSP Programs, which are further discussed in Note 2 - Regulatory Matters. Based on Pennsylvania legislation and the DSP Programs 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 has certain full requirements contracts and block contracts, that are considered derivatives and qualify for the normal purchases and normal sales scope exception under current derivative authoritative guidance.

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 2014 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 2014 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 about 30% of planned natural gas purchases in support of projected firm sales. The hedging program for natural gas procurement has no direct impact

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

on PECO's financial position or results of operations as natural gas costs are fully recovered from customers under the PGC.

Fair Value Measurement and Accounting for the Offsetting of Amounts Related to Certain Contracts

Fair value accounting guidance and disclosures about offsetting assets and liabilities requires the fair value of derivative instruments to be shown in the Notes to the Financial Statements on a gross basis, even when the derivative instruments are subject to legally enforceable master netting agreements and qualify for net presentation in the Balance Sheet. A master netting agreement is an agreement between two counterparties that may have derivative and non-derivative contracts with each other providing for the net settlement of all referencing contracts via one payment stream, which takes place as the contracts deliver, when collateral is requested or in the event of default.

As of December 31, 2014 and 2013, PECO had no derivative fair value balances on its balance sheet.

Credit Risk

PECO 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.

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. The unsecured credit used by the suppliers represents PECO's net credit exposure. As of December 31, 2014, PECO had no net credit exposure with 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 collateral from suppliers under its natural gas supply and asset management agreements. As of December 31, 2014, PECO had credit exposure of \$8 million under its natural gas supply and asset management agreements with investment grade suppliers.

Collateral and Contingent-Related Features

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, 2014 PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of December 31, 2014, PECO could have been required to post approximately \$36 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.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

9. Debt and Credit Agreements

Short-Term Borrowings

PECO meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool.

PECO had no amounts of commercial paper outstanding at December 31, 2014 and 2013. The maximum commercial paper program size was \$600 million at December 31, 2014 and 2013.

In order to maintain its commercial paper program in the amount indicated above, PECO must have a revolving credit facility 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 the credit agreement, PECO does not issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

At December 31, 2014, PECO had the following aggregate bank commitments, credit facility borrowings and available capacity under its credit agreement:

Aggregate Bank Commitment (a)	Facility Draws	Available Capacity at December 31, 2014		
		Outstanding Letters of Credit	Actual	To Support Additional Commercial Paper
600	—	1	599	599

(a) Excludes additional credit facility agreement with an aggregate commitment of \$34 million arranged with minority and community banks located primarily within PECO's service territory. The facility expired on October 17, 2014 and was renewed at the same amount through October 16, 2015. The facility is solely utilized for issuing letters of credit. As of December 31, 2014, letters of credit issued under the agreement totaled \$21 million.

Credit Facilities

On May 30, 2014, PECO extended the expiration date of its unsecured revolving credit facility with an aggregate bank commitment \$600 million to May 2019, with the exception of \$27 million in commitments, which expire in April 2018. Costs incurred to extend these facilities were not material.

Borrowings under PECO's credit agreement bear interest at a rate selected by the borrower based upon the prime rate or upon a LIBOR-based rate. PECO has adders of 0.0 basis points for prime based borrowings and 90.0 basis points for LIBOR-based borrowings. The maximum adders for prime rate borrowings and LIBOR-based borrowings are 65 basis points and 165 basis points, respectively. The credit agreement also requires PECO to pay a facility fee based upon the aggregate commitments under the agreement. The fee varies depending upon PECO's credit rating.

The credit agreement requires PECO 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 ratio excludes revenues and interest expenses attributable to securitization debt, certain changes in working capital and distributions on preferred securities. The minimum required threshold reflected in PECO's credit agreement for the year ended December 31, 2014 was 2.00 to 1. At December 31, 2014, PECO was in compliance with an interest coverage ratio of 8.72.

Long-Term Debt

The following table presents the outstanding long-term debt at PECO as of December 31, 2014 and 2013:

Maturity December 31,

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

	Rates	Date	2014	2013
Long-term debt				
First Mortgage Bonds (a) :				
Fixed rates	1.20% - 5.95%	2016-2044	\$ 2,250	\$ 2,200 (b)
Total long-term debt			2,250	2,200
Unamortized debt discount and premium, net			(4)	(3)
Long-term debt (Accounts 221 and 226) (c)			<u>\$ 2,246</u>	<u>\$ 2,197</u>
Long-term debt to financing trusts (d)				
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 (Account 223)			<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. Includes \$0 million and \$250 million of long-term debt due within one year as of December 31, 2014 and 2013, respectively. Amounts owed to these financing trusts are recorded as Long-term debt to financing trusts within the Balance Sheets.

Long-term debt maturities at PECO in the periods 2015 through 2019 and thereafter are as follows:

<u>Year</u>	
2015	\$ —
2016	300
2017	—
2018	500
2019	—
Thereafter	<u>1,634 (a)</u>
Total	<u>\$ 2,434</u>

(a) Includes \$184 million due to PECO financing trusts.

10. Income Taxes

Income tax expense (benefit) from continuing operations is comprised of the following components:

	<u>For the Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Included in operations:		
Federal		
Current	\$ (49)	\$ 49
Deferred	87	22
Investment tax credit amortization	(1)	(1)
State		
Current	(2)	16

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Deferred	<u>2</u>	<u>(2)</u>
Total	<u>\$ 37</u>	<u>\$ 84</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,	
	2014	2013
U.S. Federal statutory rate	35.0 %	35.0 %
Increase (decrease) due to:		
State income taxes, net of Federal income tax benefit	(0.1)	1.9
Plant basis differences	(11.9)	(8.6)
Amortization of investment tax credit	(0.1)	(0.1)
Equity in losses of subsidiary companies	(0.5)	(10.5)
Other	(13.0)	(0.1)
Effective income tax rate	<u>9.4 %</u>	<u>17.6 %</u>

PECO's income tax expense (benefit) and effective income tax rate reflect the effects of income taxes associated with certain subsidiary companies that are disregarded entities for Federal income tax purposes but have been accounted for under the equity method of accounting in accordance with the USOA.

PECO's income tax expense (benefit) and effective income tax rate do not reflect the income taxes associated with ATNP, a wholly owned subsidiary company. ATNP has also been accounted for under the equity method of accounting under the USOA, however it is a separate company for Federal income tax purposes, and as a result the income tax expense associated with ATNP has been recorded in Account 418.1, Equity in Earnings of Subsidiary Companies, and as such the net income of ATNP has been identified as a reconciling item between the U.S. Federal statutory rate and the effective income tax rate above.

The tax effects of temporary differences, which give rise to significant portions of the deferred tax assets and liabilities, as of December 31, 2014 and 2013 are presented below:

	2014	2013
Deferred tax liabilities:		
Plant basis differences	\$ 2,750	\$ 2,573
Other	<u>37</u>	<u>35</u>
Total deferred income tax liabilities (Accounts 282 and 283)	<u>2,787</u>	<u>2,608</u>
Deferred tax assets:		
Deferred postretirement obligations/pension	1	1
Other	<u>186</u>	<u>205</u>
Total deferred income tax assets (Account 190)	<u>187</u>	<u>206</u>
Deferred income tax liabilities (net)	<u>\$ 2,600</u>	<u>\$ 2,402</u>

In accordance with regulatory treatment of certain temporary differences, PECO has recorded a net regulatory asset associated with deferred income taxes, in accordance with the applicable authoritative guidance, of \$1.4 billion and \$1.3 billion at December 31, 2014 and 2013, respectively. See Note 2 – Regulatory Matters for further discussion of

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

PECO's regulatory asset associated with deferred income taxes.

The following table provides PECO's carryforward as of December 31, 2014:

State net operating loss carryforward	\$ 170
Deferred taxes	11

Tabular reconciliation of unrecognized tax benefits

The following table provides a GAAP reconciliation of PECO's unrecognized tax benefits as of December 31, 2014 and 2013:

Unrecognized tax benefits at January 1, 2013	<u>\$ 44</u>
Unrecognized tax benefits at December 31, 2014	<u>\$ 44</u>
Unrecognized tax benefits at January 1, 2013	<u>\$ 44</u>
Unrecognized tax benefits at December 31, 2013	<u>\$ 44</u>

Total amounts of interest and penalties recognized

PECO has reflected in its Comparative Balance Sheets as of December 31, 2014 and 2013 net interest receivable (Account 186 and 237) of \$3 million and \$3 million related to its uncertain tax positions, respectively. PECO recognizes accrued interest related to uncertain tax positions in interest expense (Account 431) or interest income (Account 419) on its Statements of Income. PECO has reflected in its Statements of Income interest income of \$0million and \$1 million related to its uncertain tax positions for the twelve months ended December 31, 2014 and 2013, respectively. PECO has not accrued any penalties with respect to uncertain tax positions.

Description of tax years that remain subject to examination by major jurisdiction

PECO has Pennsylvania corporate net income tax returns that remain subject to examination for the years 2010-2012.

Tax Sharing Agreement

PECO is 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 the parent is reallocated to the other members. That allocation is treated as a contribution to the capital of the party receiving the benefit. During 2014 and 2013, PECO recorded an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement of \$25 million and \$27 million, respectively.

Accounting for Electric Transmission and Distribution Property Repairs

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. PECO adopted the safe harbor for the 2011 and 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. In addition, the adoption of the safe harbor will result in a cash tax

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

benefit at PECO in the amount of approximately \$95 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.

Accounting for Gas Distribution Property Repairs

In September 2012, PECO filed an application with the IRS to change its method of accounting for gas distribution repairs for the 2011 tax year. The change to the newly adopted method for the 2011 tax year and 2012 resulted in a tax benefit of \$29 million at PECO. The IRS is expected to issue industry guidance in the near future. PECO will then determine the financial statement impacts of the gas distribution repair costs accounting method changes.

11. Asset Retirement Obligations

Nuclear Decommissioning Trust Fund Investments

Nuclear Decommissioning Trust (NDT) funds have been established for each of the former PECO generating station units to satisfy the 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 PECO units have been funded with amounts collected from PECO customers. PECO currently collects funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections are scheduled through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the NDT funds for the unit for which funds are collected. 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. The most recent rate adjustment occurred on January 1, 2013, and the effective rates currently yield annual collections of \$24 million. The next five-year adjustment is expected to be reflected in rates charged to PECO customers effective January 1, 2018.

Any shortfall of funds necessary for decommissioning, determined for each generating station unit, is ultimately required to be funded by Generation. Generation, through PECO, 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, compared to decommissioning costs, as well as 5% of any additional shortfalls, on an aggregate basis for all former PECO units. This initial \$50 million and up to 5% of any additional shortfalls would be borne by Generation. With respect to the former PECO units, any funds remaining in the NDTs after decommissioning has been completed are required to be refunded to PECO's customers, subject to certain limitations that allow sharing of excess funds with Generation related to the former PECO units.

Nuclear Regulatory Commission (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 April 1, 2013, Generation submitted its NRC-required biennial decommissioning funding status report as of December 31, 2012. As of December 31, 2012, Generation provided adequate funding assurance for all of its units, including Limerick Unit 1, where Generation had in place a \$115 million parent guarantee to cover the NRC minimum funding assurance requirements. On October 2, 2013, the NRC issued summary findings from the NRC Staff's review of the 2013 decommissioning funding status reports for all 104 operating reactors, including the Generation operating units. Based on that review, the NRC Staff determined that Generation provided decommissioning funding assurance under the NRC regulations for all of its operating units, including Limerick Unit 1.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

On January 31, 2013, Generation received a letter from the NRC indicating that the NRC has identified potential "apparent violations" of its regulations because of alleged inaccuracies in the Decommissioning Funding Status reports for 2005, 2006, 2007, and 2009. The NRC asserted that Generation's status reports deliberately reflected cost estimates for decommissioning its nuclear plants that were less than what the NRC says are the minimum amounts required by NRC regulations. The January 31, 2013 letter from the NRC does not take issue with Generation's current funding status, and as reflected in Generation's April 1, 2013 decommissioning funding status report referenced above, Generation continues to provide adequate funding assurance for each of its units. Generation met with the NRC on April 30, 2013 for a pre-decisional enforcement conference to provide additional information to explain why Generation believes that it complied with the regulatory requirements and did not deliberately or otherwise provide incomplete or inaccurate information in its decommissioning funding status reports. On May 1, 2014, the NRC issued its final determination. Although the NRC determined that these historical status reports did not provide complete and accurate information, the violation of the regulatory requirements was not a deliberate violation. The NRC noted the low safety significance and Generation's corrective actions to satisfy the NRC Staff's expectations and issued a Severity Level IV violation, with no monetary penalty. A Severity Level IV violation is the lowest level of violation.

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 units, the NRC minimum funding status of those plants could change at subsequent NRC filing dates.

Accounting Implications of the Regulatory Agreements with PECO. 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 former PECO units, regardless of whether the funds held in the NDT funds are expected to exceed or fall short of the total estimated decommissioning obligation, PECO has recorded a noncurrent affiliate receivable from Generation and a corresponding regulatory liability on the Balance Sheet. Refer to Note 2—Regulatory Matters and Note 19—Related Party Transactions for information regarding regulatory liabilities and related intercompany receivable at PECO reflecting the obligation to refund to customers any decommissioning-related assets in excess of the related decommissioning obligations.

Asset Retirement Obligations

PECO has AROs primarily associated with the abatement and disposal of equipment and buildings contaminated with asbestos and polychlorinated biphenyls. See Note 1—Significant Accounting Policies for additional information on PECO's accounting policy for AROs.

The following table presents the activity of the non-nuclear conditional AROs (Account 230) reflected on PECO's Balance Sheets from January 1, 2013 to December 31, 2014:

ARO at January 1, 2013	\$ 29
Accretion (a)	<u>1</u>
ARO at December 31, 2013	30
Accretion (a)	<u>1</u>
Payments	<u>(1)</u>
ARO at December 31, 2014	<u>\$ 30</u>

(a) PECO did not record any reductions in operating and maintenance expense for the years ended December 31, 2014 and 2013; the majority of the accretion is recorded as an increase to a regulatory asset due to the associated regulations.

12. Retirement Benefits

PECO participates in the following defined benefit pension plans and other postretirement benefit plans sponsored by Exelon:

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Qualified Pension Plans:

- Exelon Corporation Retirement Program
- Exelon Corporation Cash Balance Pension Plan
- Pension Plan of Constellation Energy Group, Inc.

Non-Qualified Pension Plans:

- Exelon Corporation Supplemental Pension Benefit Plan and 2000 Excess Benefit Plan
- Exelon Corporation Supplemental Management Retirement Plan

Other Postretirement Benefit Plans:

- PECO Energy Company Retiree Medical Plan
- Exelon Corporation Employees' Life Insurance Plan
- Constellation Energy Group, Inc. Retiree Medical Plan
- Constellation Energy Group, Inc. Employee Life Insurance Plan and Family Life Insurance Plan

Substantially all PECO employees are eligible to participate in these plans. Benefits under these plans generally reflect each employee's compensation, years of service and age at retirement.

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 participating in cash balance 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.

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.

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. Trust assets for Exelon's other postretirement plans are managed in a diversified investment strategy that prioritizes maximizing liquidity and returns while minimizing asset volatility.

Exelon used an EROA of 7.00% and 6.59% to estimate its 2014 pension and other postretirement benefit costs, respectively.

Allocation to PECO

PECO accounts for its 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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

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.

Approximately \$36 million and \$43 million was included in capital and operating and maintenance expense in 2014 and 2013 for PECO's allocated portion of Exelon-sponsored pension and other postretirement benefit plans.

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 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 PECO to incorporate the estimated impact of the excise tax in its annual actuarial valuation. The application of the legislation is still unclear and PECO 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 PECO'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. PECO reflected its best estimate of the expected impact in its annual actuarial valuation.

Contributions

PECO contributed \$16 million and \$31 million to the Exelon-sponsored pension and other postretirement benefit plans in 2014 and 2013, respectively.

PECO plans to contribute approximately \$40 million to the qualified pension plans and \$1 million to the non-qualified pension plans in 2015. 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). Additionally, for Exelon's largest qualified pension plan, until the plan is fully funded on an ABO basis, the projected contribution reflects a funding strategy of contributing \$250 million. This level funding strategy helps minimize volatility of future period required pension contributions.

Unlike the qualified pension plans, other postretirement plans are not subject to statutory minimum contribution requirements. Exelon's 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 regulatory expectations and best assure continued rate recovery). In 2015, PECO anticipates funding its other postretirement benefit plans based on the funding considerations discussed above, with the exception of those plans which remain unfunded. PECO expects to make no contributions to other postretirement benefit plan in 2015.

Defined Contribution Savings Plan

PECO participates 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 and after-tax income in accordance with specified guidelines. PECO matches a percentage of the employee contribution up to certain limits. The cost of PECO's matching contribution to the savings plan was \$8 million in both 2014 and 2013.

13. Severance

PECO has an ongoing severance plan under which, in general, the longer an employee worked prior to termination the greater the amount of severance benefits. PECO records a liability and expense for severance once

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

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"), PECO measures the obligation and records the expense at fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the required service period.

Merger-Related Severance

Upon closing the merger with Constellation, PECO recorded a severance accrual for the anticipated employee position reductions as a result of the post-merger integration. The amount of severance expense associated with post-merger integration recognized for the year ended December 31, 2014 and 2013 was not material. Estimated costs to be incurred after December 31, 2014 are not material.

Substantially all cash payments under the plan are expected to be made by the end of 2016.

Ongoing Severance Plans

PECO provides severance, health and welfare benefits under its ongoing severance benefit plan to terminated employees in the normal course of business, which were not directly related to the merger with Constellation. These benefits are accrued for when the benefits are considered probable and can be reasonably estimated.

For the years ended December 31, 2014, and 2013, PECO recorded no severance costs associated with these ongoing severance benefits within Operating and maintenance expense (Account 920) in its Statement of Income. The severance liability balance associated with these ongoing severance benefits as of December 31, 2014 and 2013 was not material.

14. Preferred Securities

On May 1, 2013, PECO redeemed all of its outstanding preferred securities. PECO had \$87 million of cumulative preferred securities that were redeemable at its option at any time for the redemption price established when each series was issued. The redemption premium is treated as a reduction to retained earnings on the balance sheet.

15. Common Stock

At December 31, 2014 and 2013, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding.

Stock-Based Compensation Plans

PECO participates in Exelon's stock-based compensation plan. Exelon grants stock-based awards through its Long-Term Incentive Plan (LTIP), which primarily includes performance share awards, stock options and restricted stock units. As the LTIP sponsor, Exelon is the sole issuer of all stock-based compensation awards. The stock-based compensation expense attributable to PECO employees is directly recorded to operating and maintenance expense (Account 920) in the Income Statement. Stock-based compensation expense (pre-tax) was \$3 million and \$5 million during the years ended December 31, 2014 and 2013. There were no significant stock-based compensation costs capitalized during the years ended December 31, 2014 and 2013.

16. Changes in Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income (AOCI) by component for the year ended December 31, 2014:

FERC FORM NO. 1 (ED. 12-88)	Page 123.30
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Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

	Gains and (Losses) on Cash Flow Hedges	Unrealized Gains and (Losses) on Marketable Securities	Pension and Non-Pension Postretirement Benefit Plan	Foreign Currency Items	AOCI of Equity Investments	Total
Beginning balance	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1
Ending balance	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1

PECO did not have any reclassifications out of AOCI to Net Income during the year ended December 31, 2014.

17. Commitments and Contingencies

Energy Commitments

Beginning in 2009, PECO entered into procurement contracts through a competitive procurement process in order to meet a portion of its default service customers' electric supply requirements for 2011 through 2016. See Note 2—Regulatory Matters for further information.

PECO is also subject to requirements related to the use of alternative energy resources established by the AEPS Act. See Note 2—Regulatory Matters for additional information relating to electric generation procurement and alternative energy resources.

PECO's electric supply procurement and AEC purchase commitments as of December 31, 2014 are as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Electric supply procurement (a)	\$ 609	\$ 527	\$ 82	\$ -	\$ -	\$ -	\$ -
AECs (b)	13	2	2	2	2	2	3

1 PECO entered into various contracts for the procurement of electric supply to serve its default service customers that expire between 2015 and 2016. PECO is permitted to recover its electric supply procurement costs from default service customers with no mark-up in accordance with its PAPUC-approved DSP Programs. See Note 2 – Regulatory Matters for additional information.

(b) PECO is subject to requirements related to the use of alternative energy resources established by the AEPS Act. See Note 2 – Regulatory Matters for additional information.

Fuel Purchase Obligations

In addition to the energy commitments described above, PECO has commitments to purchase natural gas, related transportation, storage capacity and services to serve customers in its gas distribution service territory. As of December 31, 2014, these commitments were as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Fuel purchase obligations	\$ 428	\$ 146	\$ 103	\$ 60	\$ 34	\$ 14	\$ 71

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Other Purchase Obligations

PECO's other purchase obligations as of December 31, 2014, which primarily represent commitments for services, materials and information technology, are as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Other purchase obligations (a)	\$ 7	\$ 3	\$ 4	\$ —	\$ —	\$ —	\$ —

(a) Purchase obligations include commitments related to smart meter installation. See Note 2 – Regulatory Matters for additional information.

Commercial Commitments

PECO's commercial commitments as of December 31, 2014, representing commitments potentially triggered by future events, were as follows:

	Total	Expiration within					2020 and beyond
		2015	2016	2017	2018	2019	
Letters of credit (non-debt) (a)	\$ 22	\$ 22	\$ —	\$ —	\$ —	\$ —	\$ —
Surety bonds (b)	18	18	—	—	—	—	—
Performance guarantees (c)	178	—	—	—	—	—	178
Total commercial commitments	\$ 218	\$ 40	\$ —	\$ —	\$ —	\$ —	\$ 178

(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.

(c) Reflects full and unconditional guarantees of Trust Preferred Securities of PECO Trust III and IV, which are 100% owned finance subsidiaries of PECO.

Construction Commitments

Refer to Note 2—Regulatory Matters for information on investment programs associated with regulatory mandates such as PECO's Smart Meter Procurement and Installation Plan and PECO's commitment to construct transmission facilities under their operating agreement with PJM.

Leases

PECO's minimum future operating lease payments, including lease payments for real estate and operating equipment, as of December 31, 2014 were as follows:

2015	\$ 3
2016	3
2017	3
2018	3
2019	2
Remaining years (a)	—
Total minimum future lease payments	\$ 14

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

(a) Amounts related to certain real estate leases and railroad licenses effectively have indefinite payment periods. As a result, PECO has excluded these payments from the remaining years, as such amounts would not be meaningful. PECO's annual obligation for these agreements, included in each of the years 2015 - 2019, was \$3 million.

PECO's rental expense under operating leases for the years ended December 31, 2014 and 2013 was \$14 million and \$21 million, respectively.

Environmental Issues

PECO's 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, PECO is generally liable for the costs of remediating environmental contamination of property it owns or formerly owned and of property that is contaminated by hazardous substances generated. PECO owns or leases a number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. In addition, PECO is 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.

PECO has identified sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. For many of these sites, PECO is one of several potentially responsible parties that may share responsibility for ultimate remediation of each location. PECO has identified 26 sites, 16 of which have been remediated in accordance with applicable PA DEP regulatory requirements. The remaining 10 sites 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 2021.

Pursuant to settlements of natural gas distribution rate cases with the PAPUC, PECO is currently recovering environmental remediation costs of former MGP facility sites through from customers rates. PECO has recorded regulatory assets for the recovery of these costs. During the third quarter of 2014, PECO completed an annual study of its future estimated MGP remediation requirements. The results of the study indicated that additional remediation would be required at certain sites; accordingly, PECO increased its reserve and regulatory asset by \$4 million, primarily reflecting refined assumptions regarding clean-up techniques and scopes based on additional experience and analysis as site clean-up and investigation activities progress. See Note 2—Regulatory Matters for additional information regarding regulatory assets and liabilities.

As of December 31, 2014 and 2013, PECO had accrued the following undiscounted amounts for environmental liabilities in account 228.4:

	Total Environmental Investigation and Remediation Reserve		Portion of Total Related to MGP Investigation and Remediation
December 31, 2014	\$ 45	\$	42
December 31, 2013	47		44

The historical nature of the MGP sites and the fact that many of the sites have been buried and built over, impacts the ability to determine a precise estimate of the ultimate costs prior to initial sampling and determination of the exact scope and method of remedial activity. Management determines its best estimate of remediation costs based on probabilistic and deterministic modeling using all available information at the time of each study and the remediation standards currently required by the applicable state environmental agency. Prior to completion of any significant clean up, each site remediation plan is approved by the appropriate state environmental agency.

Litigation Matters

Asbestos Personal Injury Claims

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

On November 22, 2013, the Supreme Court of Pennsylvania held that the Pennsylvania Workers Compensation Act does not apply to an employee's disability or death resulting from occupational disease, such as diseases related to asbestos exposure, which manifests more than 300 weeks after the employee's last employment-based exposure, and that therefore the exclusivity provision of the Act does not apply to preclude such employee from suing his or her employer in court. The Supreme Court's ruling reverses previous rulings by the Pennsylvania Superior Court precluding current and former employees from suing their employers in court, despite the fact that the same employee was not eligible for workers compensation benefits for diseases that manifest more than 300 weeks after the employee's last employment-based exposure to asbestos. Currently, PECO is unable to predict whether and to what extent it may experience additional claims in the future as a result of this ruling; as such no increase to the asbestos-related bodily injury liability has been recorded as of December 31, 2014. Increased claims activity resulting from this ruling could have a material adverse impact on PECO's future Income Statement and cash flows.

General

PECO is 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. PECO maintains 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

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.

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. On May 1, 2013, PECO redeemed all outstanding preferred securities. As a result, the above ratio calculation is no longer applicable. 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.

18. Supplemental Financial Information

Supplemental Statement of Income Information

The following table provides additional information about PECO's Statements of Income for the years ended December 31, 2014 and 2013:

For the Year Ended December 31,

Taxes other than income (Accounts 408.1 and 408.2)

2014

2013

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
PECO Energy Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	03/20/2015	2014/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Utility (a)	\$	128	\$	129
Real estate		15		14
Payroll		14		13
Other		<u>2</u>		<u>2</u>
Total taxes other than income	\$	<u>159</u>	\$	<u>158</u>

(a) Municipal and state utility taxes are also recorded in revenues on PECO's Statements of Income.

Supplemental Statement of Cash Flows Information

Cash paid for interest (net of amount capitalized) was \$94 million and \$95 million for the years ended December 31, 2014 and 2013, respectively. Cash paid for income tax (net of refunds) was \$(8) million and \$9 million for the years ended December 31, 2014 and 2013, respectively.

PECO's Statement of Cash Flows included non-cash investing activities for an increase in capital expenditures not paid of \$0 million and \$13 million for the years ended December 31, 2014 and 2013, respectively.

DOE Smart Grid Investment Grant. For the year ended December 31, 2014 and 2013, PECO has included in the Gross additions to Utility Plant line item in the Statement of Cash Flows capital expenditures of \$2 million and \$27 million, respectively, and reimbursements of \$5 million and \$37 million in 2014 and 2013, respectively, related to PECO's DOE SGIG. See Note 2 – Regulatory Matters for additional information regarding the accounting for the DOE SGIG.

19. Related Party Transactions

The financial statements of PECO include related party balances and transactions as presented in the tables below:

	Year Ended December 31,	
	2014	2013
Operating revenues from affiliates (Account 400)		
Generation (a)	\$ 2	\$ 1
Total operating revenues from affiliates	<u>\$ 2</u>	<u>\$ 1</u>
Purchased power from affiliate (Account 401)		
Generation (b)	\$ 194	\$ 392
Operation and maintenance from affiliates (Accounts 401 and 417.1)		
Exelon Business Services Company (BSC) (c)	\$ 96	\$ 98
Generation	3	3
Total operation and maintenance from affiliates	<u>\$ 99</u>	<u>\$ 101</u>
Equity in loss of subsidiary companies (Account 418.1)		
PECO Wireless LLC	\$ (78)	\$ (78)
Total equity in loss of subsidiary companies	<u>\$ (78)</u>	<u>\$ (78)</u>
Interest on debt to associated companies (Account 430)		
PECO Trust III	\$ 6	\$ 6
PECO Trust IV	6	6
Total interest on debt to associated companies	<u>\$ 12</u>	<u>\$ 12</u>
Capitalized costs		
BSC (c)	\$ 39	\$ 46
Cash dividends paid to parent (Account 216)	\$ 320	\$ 332
Contribution from parent (Account 211)	\$ 24	\$ 27

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/20/2015	Year/Period of Report 2014/Q4
PECO Energy Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

	As of December 31,	
	2014	2013
Prepayment (Account 165)		
Voluntary employee beneficiary association trust (d)	\$ 3	\$ 3
Investment in subsidiary companies (Account 123.1)		
PECC	\$ 4	\$ 4
PECO Trust IV	4	4
PECO Wireless, LLC	(2)	(6)
Extel Corporation, LLC	2	2
Total investment in subsidiary companies	<u>\$ 8</u>	<u>\$ 4</u>
Accounts receivable from associated companies (Account 146)		
PECO Wireless, LLC	\$ 2	\$ 2
ATNP	5	5
BGE	2	3
Commonwealth Edison	1	1
Total accounts receivable from associated companies	<u>\$ 10</u>	<u>\$ 11</u>
Miscellaneous deferred debits (Account 186)		
Generation (e)	\$ 490	\$ 447
Advances from associated companies (Account 223)		
PECO Trust III	\$ 81	\$ 81
PECO Trust IV	103	103
Total advances from associated companies	<u>\$ 184</u>	<u>\$ 184</u>
Accounts payable to associated companies (Account 234)		
Generation (b)	\$ 29	\$ 38
BSC (c)	20	17
Exelon	2	2
PECO Trust III	1	1
PEC Financial Services, LLC	1	1
Total accounts payable to associated companies	<u>\$ 53</u>	<u>\$ 59</u>

- (a) PECO provides energy to Generation for Generation's own use.
- (b) PECO purchases 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.
- (c) 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.
- (d) The voluntary employee beneficiary association trusts covering active employees are included in corporate operations and are funded by PECO. The 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.
- (e) 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 asset retirement obligation at the end of decommissioning, such amounts are due back to PECO for payment to PECO's customers.