

EXELON GENERATION CO LLC
Form 10-Q
May 10, 2013
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2013

or

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

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

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1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605-1028 (312) 394-4321	36-0938600
000-16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY (a Maryland corporation) 2 Center Plaza 110 West Fayette Street Baltimore, Maryland 21201-3708 (410) 234-5000	52-0280210

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company
Exelon Corporation	<input checked="" type="checkbox"/>			
Exelon Generation Company, LLC			<input checked="" type="checkbox"/>	
Commonwealth Edison Company			<input checked="" type="checkbox"/>	
PECO Energy Company			<input checked="" type="checkbox"/>	
Baltimore Gas and Electric Company			<input checked="" type="checkbox"/>	

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

The number of shares outstanding of each registrant's common stock as of March 31, 2013 was:

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Exelon Corporation Common Stock, without par value	855,849,302
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,781
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000

Table of Contents**TABLE OF CONTENTS**

	Page No.
<u>FILING FORMAT</u>	7
<u>FORWARD-LOOKING STATEMENTS</u>	7
<u>WHERE TO FIND MORE INFORMATION</u>	7
PART I. <u>FINANCIAL INFORMATION</u>	8
ITEM 1. <u>FINANCIAL STATEMENTS</u>	8
<u>Exelon Corporation</u>	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	9
<u>Consolidated Statements of Cash Flows</u>	10
<u>Consolidated Balance Sheets</u>	11
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	13
<u>Exelon Generation Company, LLC</u>	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	14
<u>Consolidated Statements of Cash Flows</u>	15
<u>Consolidated Balance Sheets</u>	16
<u>Consolidated Statement of Changes in Equity</u>	18
<u>Commonwealth Edison Company</u>	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	19
<u>Consolidated Statements of Cash Flows</u>	20
<u>Consolidated Balance Sheets</u>	21
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	23
<u>PECO Energy Company</u>	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	24
<u>Consolidated Statements of Cash Flows</u>	25
<u>Consolidated Balance Sheets</u>	26
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	28
<u>Baltimore Gas and Electric Company</u>	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	29
<u>Consolidated Statements of Cash Flows</u>	30
<u>Consolidated Balance Sheets</u>	31
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	33
<u>Combined Notes to Consolidated Financial Statements</u>	34
<u>1. Basis of Presentation</u>	34
<u>2. New Accounting Pronouncements</u>	35
<u>3. Variable Interest Entities</u>	36
<u>4. Merger and Acquisitions</u>	39
<u>5. Regulatory Matters</u>	44
<u>6. Investment in Constellation Energy Nuclear Group, LLC</u>	58
<u>7. Goodwill</u>	59
<u>8. Fair Value of Financial Assets and Liabilities</u>	60

Table of Contents

	Page No.
<u>9. Derivative Financial Instruments</u>	82
<u>10. Debt and Credit Agreements</u>	98
<u>11. Income Taxes</u>	100
<u>12. Nuclear Decommissioning</u>	103
<u>13. Retirement Benefits</u>	107
<u>14. Stock-Based Compensation Plans</u>	109
<u>15. Changes in Accumulated Other Comprehensive Income</u>	113
<u>16. Earnings Per Share and Equity</u>	114
<u>17. Commitments and Contingencies</u>	115
<u>18. Supplemental Financial Information</u>	131
<u>19. Segment Information</u>	135
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	139
<u>Exelon Corporation</u>	139
<u>General</u>	139
<u>Executive Overview</u>	140
<u>Critical Accounting Policies and Estimates</u>	154
<u>Results of Operations</u>	155
<u>Liquidity and Capital Resources</u>	176
<u>Contractual Obligations and Off-Balance Sheet Arrangements</u>	186
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	187
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	195
PART II. <u>OTHER INFORMATION</u>	197
ITEM 1. <u>LEGAL PROCEEDINGS</u>	197
ITEM 1A. <u>RISK FACTORS</u>	197
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	197
ITEM 6. <u>EXHIBITS</u>	197
<u>SIGNATURES</u>	199
<u>Exelon Corporation</u>	199
<u>Exelon Generation Company, LLC</u>	199
<u>Commonwealth Edison Company</u>	199
<u>PECO Energy Company</u>	200
<u>Baltimore Gas and Electric Company</u>	200
<u>CERTIFICATION EXHIBITS</u>	201
<u>Exelon Corporation</u>	201, 211
<u>Exelon Generation Company, LLC</u>	203, 213
<u>Commonwealth Edison Company</u>	205, 215
<u>PECO Energy Company</u>	207, 217
<u>Baltimore Gas and Electric Company</u>	209, 219

Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Exelon Corporation and Related Entities**

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

Other Terms and Abbreviations

<i>Note — of the Exelon 2012 Form 10-K</i>	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2012 Annual Report on Form 10-K
<i>1998 restructuring settlement</i>	PECO's 1998 settlement of its restructuring case mandated by the Competition Act
<i>Act 11</i>	Pennsylvania Act 11 of 2012
<i>Act 129</i>	Pennsylvania Act 129 of 2008
<i>AEC</i>	Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
<i>AEPS</i>	Pennsylvania Alternative Energy Portfolio Standards
<i>AEPS Act</i>	Pennsylvania Alternative Energy Portfolio Standards Act of 2004, as amended
<i>AESO</i>	Alberta Electric Systems Operator
<i>AFUDC</i>	Allowance for Funds Used During Construction
<i>ALJ</i>	Administrative Law Judge
<i>AMI</i>	Advanced Metering Infrastructure
<i>ARC</i>	Asset Retirement Cost
<i>ARO</i>	Asset Retirement Obligation
<i>ARP</i>	Title IV Acid Rain Program
<i>ARRA of 2009</i>	American Recovery and Reinvestment Act of 2009
<i>Block contracts</i>	Forward Purchase Energy Block Contracts
<i>CAIR</i>	Clean Air Interstate Rule
<i>CAISO</i>	California ISO
<i>CAMR</i>	Federal Clean Air Mercury Rule
<i>CERCLA</i>	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
<i>CFL</i>	Compact Fluorescent Light
<i>Clean Air Act</i>	Clean Air Act of 1963, as amended
<i>Clean Water Act</i>	Federal Water Pollution Control Amendments of 1972, as amended
<i>Competition Act</i>	Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996
<i>CPI</i>	Consumer Price Index
<i>CPUC</i>	California Public Utilities Commission
<i>CSAPR</i>	Cross-State Air Pollution Rule
<i>CTC</i>	Competitive Transition Charge

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

<i>DOE</i>	United States Department of Energy
<i>DOJ</i>	United States Department of Justice
<i>DSP</i>	Default Service Provider
<i>DSP Program</i>	Default Service Provider Program
<i>EDF</i>	Electricite de France SA
<i>EE&C</i>	Energy Efficiency and Conservation/Demand Response
<i>EGS</i>	Electric Generation Supplier
<i>EIMA</i>	Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036)
<i>EPA</i>	United States Environmental Protection Agency
<i>ERCOT</i>	Electric Reliability Council of Texas
<i>ERISA</i>	Employee Retirement Income Security Act of 1974, as amended
<i>EROA</i>	Expected Rate of Return on Assets
<i>ESPP</i>	Employee Stock Purchase Plan
<i>FASB</i>	Financial Accounting Standards Board
<i>FERC</i>	Federal Energy Regulatory Commission
<i>FRCC</i>	Florida Reliability Coordinating Council
<i>FTC</i>	Federal Trade Commission
<i>GAAP</i>	Generally Accepted Accounting Principles in the United States
<i>GHG</i>	Greenhouse Gas
<i>GRT</i>	Gross Receipts Tax
<i>GSA</i>	Generation Supply Adjustment
<i>GWh</i>	Gigawatt hour
<i>HAP</i>	Hazardous air pollutants
<i>Health Care Reform Acts</i>	Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010
<i>IBEW</i>	International Brotherhood of Electrical Workers
<i>ICC</i>	Illinois Commerce Commission
<i>ICE</i>	Intercontinental Exchange
<i>Illinois Act</i>	Illinois Electric Service Customer Choice and Rate Relief Law of 1997
<i>Illinois EPA</i>	Illinois Environmental Protection Agency
<i>Illinois Settlement Legislation</i>	Legislation enacted in 2007 affecting electric utilities in Illinois
<i>IPA</i>	Illinois Power Agency
<i>IRC</i>	Internal Revenue Code
<i>IRS</i>	Internal Revenue Service
<i>ISO</i>	Independent System Operator
<i>ISO-NE</i>	ISO New England Inc.
<i>ISO-NY</i>	ISO New York
<i>kV</i>	Kilovolt
<i>kW</i>	Kilowatt
<i>kWh</i>	Kilowatt-hour
<i>LIBOR</i>	London Interbank Offered Rate
<i>LILLO</i>	Lease-In, Lease-Out
<i>LLRW</i>	Low-Level Radioactive Waste
<i>LTIP</i>	Long-Term Incentive Plan
<i>MATS</i>	U.S. EPA Mercury and Air Toxics Rule
<i>MBR</i>	Market Based Rates Incentive
<i>MDE</i>	Maryland Department of the Environment
<i>MDPSC</i>	Maryland Public Service Commission
<i>MGP</i>	Manufactured Gas Plant
<i>MISO</i>	Midwest Independent Transmission System Operator, Inc.
<i>mmcf</i>	Million Cubic Feet
<i>Moody's</i>	Moody's Investor Service
<i>MRV</i>	Market-Related Value

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

<i>MW</i>	Megawatt
<i>MWh</i>	Megawatt hour
<i>NAAQS</i>	National Ambient Air Quality Standards
<i>n.m.</i>	not meaningful
<i>NAV</i>	Net Asset Value
<i>NDT</i>	Nuclear Decommissioning Trust
<i>NEIL</i>	Nuclear Electric Insurance Limited
<i>NERC</i>	North American Electric Reliability Corporation
<i>NGS</i>	Natural Gas Supplier
<i>NJDEP</i>	New Jersey Department of Environmental Protection
<i>Non-Regulatory Agreements Units</i>	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
<i>NOV</i>	Notice of Violation
<i>NPDES</i>	National Pollutant Discharge Elimination System
<i>NRC</i>	Nuclear Regulatory Commission
<i>NSPS</i>	New Source Performance Standards
<i>NWPA</i>	Nuclear Waste Policy Act of 1982
<i>NYMEX</i>	New York Mercantile Exchange
<i>OCI</i>	Other Comprehensive Income
<i>OIESO</i>	Ontario Independent Electricity System Operator
<i>OPEB</i>	Other Postretirement Employee Benefits
<i>PA DEP</i>	Pennsylvania Department of Environmental Protection
<i>PAPUC</i>	Pennsylvania Public Utility Commission
<i>PGC</i>	Purchased Gas Cost Clause
<i>PJM</i>	PJM Interconnection, LLC
<i>POLR</i>	Provider of Last Resort
<i>POR</i>	Purchase of Receivables
<i>PPA</i>	Power Purchase Agreement
<i>Price-Anderson Act</i>	Price-Anderson Nuclear Industries Indemnity Act of 1957
<i>PRP</i>	Potentially Responsible Parties
<i>PSEG</i>	Public Service Enterprise Group Incorporated
<i>PURTA</i>	Pennsylvania Public Realty Tax Act
<i>PV</i>	Photovoltaic
<i>RCRA</i>	Resource Conservation and Recovery Act of 1976, as amended
<i>REC</i>	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
<i>Regulatory Agreement Units</i>	Nuclear generating units whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
<i>RES</i>	Retail Electric Suppliers
<i>RFP</i>	Request for Proposal
<i>Rider</i>	Reconcilable Surcharge Recovery Mechanism
<i>RGGI</i>	Regional Greenhouse Gas Initiative
<i>RMC</i>	Risk Management Committee
<i>RPM</i>	PJM Reliability Pricing Model
<i>RPS</i>	Renewable Energy Portfolio Standards
<i>RTEP</i>	Regional Transmission Expansion Plan
<i>RTO</i>	Regional Transmission Organization
<i>S&P</i>	Standard & Poor's Ratings Services
<i>SEC</i>	United States Securities and Exchange Commission
<i>Senate Bill 1</i>	Maryland Senate Bill 1
<i>SERC</i>	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
<i>SERP</i>	Supplemental Employee Retirement Plan

Table of Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<i>SFC</i>	Supplier Forward Contract
<i>SGIG</i>	Smart Grid Investment Grant
<i>SGIP</i>	Smart Grid Initiative Program
<i>SILO</i>	Sale-In, Lease-Out
<i>SMP</i>	Smart Meter Program
<i>SMPIP</i>	Smart Meter Procurement and Installation Plan
<i>SNF</i>	Spent Nuclear Fuel
<i>SOS</i>	Standard Offer Service
<i>SPP</i>	Southwest Power Pool
<i>Tax Relief Act of 2010</i>	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
<i>TEG</i>	Termoelectrica del Golfo
<i>TEP</i>	Termoelectrica Penoles
<i>Upstream</i>	Natural gas exploration and production activities
<i>VIE</i>	Variable Interest Entity
<i>WECC</i>	Western Electric Coordinating Council

Table of Contents

FILING FORMAT

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

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this Report are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by a Registrant include (a) those factors discussed in the following sections of Exelon's 2012 Annual Report on Form 10-K: ITEM 1A. Risk Factors, as updated by Part II, ITEM 1A of this Report; ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, as updated by Part I, ITEM 2. of this Report; and ITEM 8. Financial Statements and Supplementary Data: Note 19, as updated by Part I, Item 1. Financial Statements, Note 17 of this Report; and (b) other factors discussed herein and in other filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

The public may read and copy any reports or other information that the Registrants file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services, the website maintained by the SEC at www.sec.gov and the Registrants' websites at www.exeloncorp.com. Information contained on the Registrants' websites shall not be deemed incorporated into, or to be a part of, this Report.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

8

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

(In millions, except per share data)	Three Months Ended March 31,	
	2013	2012
Operating revenues	\$ 6,082	\$ 4,690
Operating expenses		
Purchased power and fuel	2,981	1,765
Operating and maintenance	1,764	1,968
Depreciation and amortization	543	382
Taxes other than income	277	194
Total operating expenses	5,565	4,309
Equity in loss of unconsolidated affiliates	(9)	(22)
Operating income	508	359
Other income and (deductions)		
Interest expense, net	(617)	(189)
Interest expense to affiliates, net	(6)	(6)
Other, net	172	194
Total other income and (deductions)	(451)	(1)
Income before income taxes	57	358
Income taxes	56	158
Net income	1	200
Net income attributable to noncontrolling interests, preferred security dividends and preference stock dividends	5	
Net income (loss) on common stock	(4)	200
Other comprehensive income (loss), net of income taxes		
Pension and non-pension postretirement benefit plans:		
Prior service cost (benefit) reclassified to periodic benefit cost		1
Actuarial loss reclassified to periodic cost	51	41
Transition obligation reclassified to periodic cost		1
Pension and non-pension postretirement benefit plans valuation adjustment	75	(8)
Change in unrealized (loss) gain on cash flow hedges	(58)	215
Change in unrealized (loss) gain on marketable securities	(1)	1
Change in unrealized gain on equity investments	28	
Change in unrealized (loss) on foreign currency translation	(1)	
Other comprehensive income	94	251
Comprehensive income	\$ 95	\$ 451

Weighted average shares of common stock outstanding:

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Basic	855	705
Diluted	855	707
Earnings per average common share basic:	\$ (0.01)	\$ 0.28
Earnings per average common share diluted:	\$ (0.01)	\$ 0.28
Dividends per common share	\$ 0.53	\$ 0.53

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended	
	2013	March 31, 2012
Cash flows from operating activities		
Net income	\$ 1	\$ 200
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	1,017	776
Deferred income taxes and amortization of investment tax credits	(610)	101
Net fair value changes related to derivatives	388	(73)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(66)	(103)
Other non-cash operating activities	231	530
Changes in assets and liabilities:		
Accounts receivable	(70)	394
Inventories	101	104
Accounts payable, accrued expenses and other current liabilities	(542)	(1,176)
Option premiums paid, net	(3)	(100)
Counterparty collateral received (posted), net	(186)	340
Income taxes	632	178
Pension and non-pension postretirement benefit contributions	(267)	(55)
Other assets and liabilities	233	(122)
Net cash flows provided by operating activities	859	994
Cash flows from investing activities		
Capital expenditures	(1,447)	(1,496)
Proceeds from nuclear decommissioning trust fund sales	677	3,680
Investment in nuclear decommissioning trust funds	(729)	(3,726)
Cash and restricted cash acquired from Constellation		964
Change in restricted cash	(12)	(8)
Other investing activities	40	(54)
Net cash flows used in investing activities	(1,471)	(640)
Cash flows from financing activities		
Changes in short-term debt	233	141
Issuance of long-term debt	149	
Retirement of long-term debt	(1)	(451)
Dividends paid on common stock	(450)	(350)
Proceeds from employee stock plans	12	12
Other financing activities	(45)	(1)
Net cash flows used in financing activities	(102)	(649)
Decrease in cash and cash equivalents	(714)	(295)
Cash and cash equivalents at beginning of period	1,486	1,016
Cash and cash equivalents at end of period	\$ 772	\$ 721

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 679	\$ 1,411
Cash and cash equivalents of variable interest entities	93	75
Restricted cash and investments	83	86
Restricted cash and investments of variable interest entities	65	47
Accounts receivable, net		
Customer (\$322 and \$289 gross accounts receivable pledged as collateral as of March 31, 2013 and December 31, 2012, respectively)	2,835	2,789
Other	1,110	1,147
Accounts receivable, net, variable interest entities	285	292
Mark-to-market derivative assets	666	938
Unamortized energy contract assets	727	886
Inventories, net		
Fossil fuel	122	246
Materials and supplies	791	768
Deferred income taxes	331	131
Regulatory assets	765	764
Other	722	560
Total current assets	9,274	10,140
Property, plant and equipment, net	45,784	45,186
Deferred debits and other assets		
Regulatory assets	6,521	6,497
Nuclear decommissioning trust funds	7,559	7,248
Investments	1,181	1,184
Investments in affiliates	22	22
Investment in CENG	1,883	1,849
Goodwill	2,625	2,625
Mark-to-market derivative assets	706	937
Unamortized energy contracts assets	968	1,073
Pledged assets for Zion Station decommissioning	580	614
Other	1,140	1,186
Total deferred debits and other assets	23,185	23,235
Total assets	\$ 78,243	\$ 78,561

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 233	\$
Short-term notes payable – accounts receivable agreement	210	210
Long-term debt due within one year	2,085	975
Long-term debt due within one year of variable interest entities	79	72
Accounts payable	2,198	2,446
Accounts payable of variable interest entities	188	202
Accrued expenses	1,430	1,800
Deferred income taxes	29	58
Regulatory liabilities	418	368
Dividends payable	1	4
Mark-to-market derivative liabilities	181	352
Unamortized energy contract liabilities	410	455
Other	859	849
Total current liabilities	8,321	7,791
Long-term debt	16,210	17,190
Long-term debt to financing trusts	648	648
Long-term debt of variable interest entities	497	508
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	11,315	11,551
Asset retirement obligations	5,149	5,074
Pension obligations	3,161	3,428
Non-pension postretirement benefit obligations	2,672	2,662
Spent nuclear fuel obligation	1,020	1,020
Regulatory liabilities	4,115	3,981
Mark-to-market derivative liabilities	259	281
Unamortized energy contract liabilities	466	528
Payable for Zion Station decommissioning	372	432
Other	2,625	1,650
Total deferred credits and other liabilities	31,154	30,607
Total liabilities	56,830	56,744
Commitments and contingencies		
Preferred securities of subsidiary	87	87
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 856 shares and 855 shares outstanding at March 31, 2013 and December 31, 2012, respectively)	16,652	16,632
Treasury stock, at cost (35 shares at March 31, 2013 and December 31, 2012, respectively)	(2,327)	(2,327)
Retained earnings	9,437	9,893
Accumulated other comprehensive loss, net	(2,673)	(2,767)
Total shareholders' equity	21,089	21,431

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BGE preference stock not subject to mandatory redemption	193	193
Noncontrolling interest	44	106
Total equity	21,326	21,730
Total liabilities and shareholders equity	\$ 78,243	\$ 78,561

See the Combined Notes to Consolidated Financial Statements

Table of Contents

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

(Unaudited)

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Non-controlling Interest	Preferred and Preference Stock	Total Equity
Balance, December 31, 2012	889,525	\$ 16,632	\$ (2,327)	\$ 9,893	\$ (2,767)	\$ 106	\$ 193	\$ 21,730
Net income (loss)				(4)		1	4	1
Long-term incentive plan activity	1,067	20						20
Common stock dividends				(452)				(452)
Consolidated VIE dividend to non-controlling interest						(63)		(63)
Preferred and preference stock dividends							(4)	(4)
Other comprehensive income net of income taxes of \$(66)					94			94
Balance, March 31, 2013	890,592	\$ 16,652	\$ (2,327)	\$ 9,437	\$ (2,673)	\$ 44	\$ 193	\$ 21,326

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended March 31,	
	2013	2012
Operating revenues		
Operating revenues	\$ 3,141	\$ 2,373
Operating revenues from affiliates	392	370
Total operating revenues	3,533	2,743
Operating expenses		
Purchased power and fuel	2,169	1,044
Operating and maintenance	965	1,039
Operating and maintenance from affiliates	147	140
Depreciation and amortization	214	153
Taxes other than income	93	73
Total operating expenses	3,588	2,449
Equity in loss of unconsolidated affiliates	(9)	(22)
Operating (loss) income	(64)	272
Other income and (deductions)		
Interest expense	(82)	(54)
Other, net	128	178
Total other income and (deductions)	46	124
(Loss) income before income taxes	(18)	396
Income (benefit) taxes	(1)	230
Net (loss) income	(17)	166
Net income (loss) attributable to noncontrolling interests	1	(2)
Net (loss) income on membership interest	(18)	168
Other comprehensive (loss) income, net of income taxes		
Change in unrealized (loss) gain on cash flow hedges	(130)	252
Change in unrealized loss on foreign currency translation	(1)	
Change in unrealized loss on marketable securities	(1)	
Change in unrealized gain on equity investments	28	
Other comprehensive (loss) income	(104)	252
Comprehensive (loss) income	\$ (121)	\$ 418

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended	
	2013	March 31, 2012
Cash flows from operating activities		
Net (loss) income	\$ (17)	\$ 166
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	688	547
Deferred income taxes and amortization of investment tax credits	(81)	165
Net fair value changes related to derivatives	406	(63)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(66)	(103)
Other non-cash operating activities	66	90
Changes in assets and liabilities:		
Accounts receivable	65	321
Receivables from and payables to affiliates, net	(23)	85
Inventories	29	59
Accounts payable, accrued expenses and other current liabilities	(261)	(782)
Option premiums paid, net	(3)	(100)
Counterparty collateral (paid) received, net	(203)	348
Income taxes	180	162
Pension and non-pension postretirement benefit contributions	(115)	(20)
Other assets and liabilities	(159)	(80)
Net cash flows provided by operating activities	506	795
Cash flows from investing activities		
Capital expenditures	(841)	(1,055)
Proceeds from nuclear decommissioning trust fund sales	677	3,680
Investment in nuclear decommissioning trust funds	(729)	(3,726)
Change in restricted cash	3	(1)
Cash acquired from Constellation		708
Other investing activities	25	(77)
Net cash flows used in investing activities	(865)	(471)
Cash flows from financing activities		
Issuance of long-term debt	149	
Retirement of long-term debt	(1)	(1)
Change in short-term debt	13	
Distribution to member	(211)	(600)
Other financing activities	(37)	
Net cash flows used in financing activities	(87)	(601)
Decrease in cash and cash equivalents	(446)	(277)
Cash and cash equivalents at beginning of period	671	496
Cash and cash equivalents at end of period	\$ 225	\$ 219

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 132	\$ 596
Cash and cash equivalents of variable interest entities	93	75
Restricted cash and cash equivalents of variable interest entities	13	16
Accounts receivable, net		
Customer	1,470	1,482
Other	286	472
Accounts receivable, net, variable interest entities	285	292
Mark-to-market derivative assets	666	938
Mark-to-market derivative assets with affiliates	85	226
Receivables from affiliates	132	141
Unamortized energy contract assets	727	886
Inventories, net		
Fossil fuel	92	130
Materials and supplies	635	626
Deferred income taxes	187	
Other	459	331
Total current assets	5,262	6,211
Property, plant and equipment, net	19,813	19,531
Deferred debits and other assets		
Nuclear decommissioning trust funds	7,559	7,248
Investments	411	420
Investment in CENG	1,883	1,849
Mark-to-market derivative assets	694	924
Prepaid pension asset	2,032	1,975
Pledged assets for Zion Station decommissioning	580	614
Unamortized energy contract assets	968	1,073
Other	789	836
Total deferred debits and other assets	14,916	14,939
Total assets	\$ 39,991	\$ 40,681

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	\$ 13	\$
Long-term debt due within one year	523	24
Long-term debt due within one year of variable interest entities	5	4
Accounts payable	1,162	1,346
Accounts payable of variable interest entities	188	202
Accrued expenses	904	1,116
Payables to affiliates	165	193
Deferred income taxes	18	128
Mark-to-market derivative liabilities	166	334
Unamortized energy contract liabilities	349	378
Other	371	372
Total current liabilities	3,864	4,097
Long-term debt		
	4,893	5,245
Long-term debt to affiliate	1,997	2,007
Long-term debt of variable interest entities	203	203
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,598	5,398
Asset retirement obligations	5,013	4,938
Non-pension postretirement benefit obligations	785	755
Spent nuclear fuel obligation	1,020	1,020
Payables to affiliates	2,531	2,397
Mark-to-market derivative liabilities	199	232
Unamortized energy contract liabilities	457	516
Payable for Zion Station decommissioning	372	432
Other	789	776
Total deferred credits and other liabilities	16,764	16,464
Total liabilities	27,721	28,016
Commitments and contingencies		
Equity		
Member s equity		
Membership interest	8,876	8,876
Undistributed earnings	2,939	3,168
Accumulated other comprehensive income, net	409	513
Total member s equity	12,224	12,557
Noncontrolling interest	46	108
Total equity	12,270	12,665
Total liabilities and equity	\$ 39,991	\$ 40,681

See the Combined Notes to Consolidated Financial Statements

Table of Contents

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(In millions)	Member's Equity			Noncontrolling Interest	Total Equity
	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income, net		
Balance, December 31, 2012	\$ 8,876	\$ 3,168	\$ 513	\$ 108	\$ 12,665
Net income (loss)		(18)		1	(17)
Distribution to member		(211)			(211)
Consolidated VIE dividend to non-controlling interest				(63)	(63)
Other comprehensive loss, net of income taxes of \$68			(104)		(104)
Balance, March 31, 2013	\$ 8,876	\$ 2,939	\$ 409	\$ 46	\$ 12,270

See the Combined Notes to Consolidated Financial Statements

Table of Contents

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

(Unaudited)

(In millions)	Three Months Ended March 31,	
	2013	2012
Operating revenues		
Operating revenues	\$ 1,159	\$ 1,387
Operating revenues from affiliates	1	1
Total operating revenues	1,160	1,388
Operating expenses		
Purchased power	237	373
Purchased power from affiliate	145	247
Operating and maintenance	292	276
Operating and maintenance from affiliate	36	42
Depreciation and amortization	167	149
Taxes other than income	74	75
Total operating expenses	951	1,162
Operating income	209	226
Other income and (deductions)		
Interest expense	(350)	(79)
Interest expense to affiliates, net	(3)	(3)
Other, net	5	4
Total other income and (deductions)	(348)	(78)
(Loss) income before income taxes	(139)	148
Income (benefit) taxes	(58)	61
Net (loss) income	(81)	87
Other comprehensive income, net of income taxes		
Change in unrealized gain on marketable securities		1
Other comprehensive income		1
Comprehensive (loss) income	\$ (81)	\$ 88

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities		
Net (loss) income	\$ (81)	\$ 87
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	167	149
Deferred income taxes and amortization of investment tax credits	(295)	57
Other non-cash operating activities	42	60
Changes in assets and liabilities:		
Accounts receivable	1	58
Receivables from and payables to affiliates, net	(32)	15
Inventories	(9)	(3)
Accounts payable, accrued expenses and other current liabilities	(73)	(159)
Counterparty collateral received (paid), net	17	(8)
Income taxes	208	116
Pension and non-pension postretirement benefit contributions	(118)	(9)
Other assets and liabilities	231	(72)
Net cash flows provided by operating activities	58	291
Cash flows from investing activities		
Capital expenditures	(346)	(291)
Proceeds from sales of investments	2	10
Purchases of investments	(1)	(5)
Other investing activities	9	6
Net cash flows used in investing activities	(336)	(280)
Cash flows from financing activities		
Changes in short-term debt	220	302
Retirement of long-term debt		(450)
Dividends paid on common stock	(55)	(75)
Other financing activities	(1)	(3)
Net cash flows provided by (used in) financing activities	164	(226)
Decrease in cash and cash equivalents	(114)	(215)
Cash and cash equivalents at beginning of period	144	234
Cash and cash equivalents at end of period	\$ 30	\$ 19

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30	\$ 144
Accounts receivable, net		
Customer	495	539
Other	513	452
Inventories, net	100	91
Deferred income taxes	37	83
Counterparty collateral deposited	36	53
Regulatory assets	301	388
Other	26	25
Total current assets	1,538	1,775
Property, plant and equipment, net	14,020	13,826
Deferred debits and other assets		
Regulatory assets	681	666
Investments	7	8
Investments in affiliates	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,314	2,039
Prepaid pension asset	1,729	1,661
Other	336	299
Total deferred debits and other assets	7,698	7,304
Total assets	\$ 23,256	\$ 22,905

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 220	\$
Long-term debt due within one year	869	252
Accounts payable	384	379
Accrued expenses	199	295
Payables to affiliates	68	97
Customer deposits	136	136
Regulatory liabilities	166	170
Mark-to-market derivative liability	15	18
Mark-to-market derivative liability with affiliate	85	226
Other	94	82
Total current liabilities	2,236	1,655
Long-term debt	4,699	5,315
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,933	4,272
Asset retirement obligations	100	99
Non-pension postretirement benefits obligations	300	273
Regulatory liabilities	3,337	3,229
Mark-to-market derivative liability	60	49
Other	1,026	484
Total deferred credits and other liabilities	8,756	8,406
Total liabilities	15,897	15,582
Commitments and contingencies		
Shareholders equity		
Common stock	1,588	1,588
Other paid-in capital	5,186	5,014
Retained earnings	585	721
Total shareholders equity	7,359	7,323
Total liabilities and shareholders equity	\$ 23,256	\$ 22,905

See the Combined Notes to Consolidated Financial Statements

Table of Contents

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Income, net	Total Shareholders Equity
Balance, December 31, 2012	\$ 1,588	\$ 5,014	\$ (1,639)	\$ 2,360	\$	\$ 7,323
Net income (loss)			(81)			(81)
Common stock dividends				(55)		(55)
Parent tax matter indemnification		172				172
Balance, March 31, 2013	\$ 1,588	\$ 5,186	\$ (1,720)	\$ 2,305	\$	\$ 7,359

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended	
	2013	March 31, 2012
Operating revenues		
Operating revenues	\$ 895	\$ 874
Operating revenues from affiliates		1
Total operating revenues	895	875
Operating expenses		
Purchased power and fuel	265	300
Purchased power from affiliate	141	111
Operating and maintenance	164	173
Operating and maintenance from affiliates	24	30
Depreciation and amortization	57	53
Taxes other than income	41	31
Total operating expenses	692	698
Operating income	203	177
Other income and (deductions)		
Interest expense	(26)	(28)
Interest expense to affiliates, net	(3)	(3)
Other, net	3	2
Total other income and (deductions)	(26)	(29)
Income before income taxes	177	148
Income taxes	55	51
Net income	122	97
Preferred security dividends	1	1
Net income on common stock	\$ 121	\$ 96
Comprehensive income, net of income taxes		
Net income	\$ 122	\$ 97
Other comprehensive income, net of income taxes		
Change in unrealized gain on marketable securities		1
Other comprehensive income		1
Comprehensive income	\$ 122	\$ 98

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended	
	2013	March 31, 2012
Cash flows from operating activities		
Net income	\$ 122	\$ 97
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	57	53
Deferred income taxes and amortization of investment tax credits	19	10
Other non-cash operating activities	39	40
Changes in assets and liabilities:		
Accounts receivable	(50)	31
Receivables from and payables to affiliates, net	1	12
Inventories	44	39
Accounts payable, accrued expenses and other current liabilities	(17)	(71)
Income taxes	29	76
Pension and non-pension postretirement benefit contributions	(11)	(5)
Other assets and liabilities	(38)	(110)
Net cash flows provided by operating activities	195	172
Cash flows from investing activities		
Capital expenditures	(122)	(96)
Changes in intercompany money pool	(50)	(35)
Change in restricted cash		(3)
Other investing activities	1	4
Net cash flows used in investing activities	(171)	(130)
Cash flows from financing activities		
Dividends paid on common stock	(83)	(87)
Dividends paid on preferred securities	(1)	(1)
Net cash flows used in financing activities	(84)	(88)
Decrease in cash and cash equivalents	(60)	(46)
Cash and cash equivalents at beginning of period	362	194
Cash and cash equivalents at end of period	\$ 302	\$ 148

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 302	\$ 362
Accounts receivable, net (\$322 and \$289 gross accounts receivable pledged as collateral as of March 31, 2013 and December 31, 2012, respectively)		
Customer	395	364
Other	138	161
Inventories, net		
Fossil fuel	18	65
Materials and supplies	20	19
Deferred income taxes	40	40
Receivable from Exelon intercompany money pool	50	
Prepaid utility taxes	96	21
Regulatory assets	33	32
Other	32	30
Total current assets	1,124	1,094
Property, plant and equipment, net	6,141	6,078
Deferred debits and other assets		
Regulatory assets	1,389	1,378
Investments	23	22
Investments in affiliates	8	8
Receivable from affiliates	392	360
Prepaid pension asset	378	373
Other	36	40
Total deferred debits and other assets	2,226	2,181
Total assets	\$ 9,491	\$ 9,353

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term notes payable accounts receivable agreement	\$ 210	\$ 210
Long-term debt due within one year	300	300
Accounts payable	224	244
Accrued expenses	97	82
Payables to affiliates	76	76
Customer deposits	49	51
Regulatory liabilities	205	169
Other	28	26
Total current liabilities	1,189	1,158
Long-term debt	1,648	1,647
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,374	2,331
Asset retirement obligations	29	29
Non-pension postretirement benefits obligations	289	284
Regulatory liabilities	560	538
Other	111	113
Total deferred credits and other liabilities	3,363	3,295
Total liabilities	6,384	6,284
Commitments and contingencies		
Preferred securities	87	87
Shareholder s equity		
Common stock	2,388	2,388
Retained earnings	631	593
Accumulated other comprehensive income, net	1	1
Total shareholder s equity	3,020	2,982
Total liabilities and shareholders equity	\$ 9,491	\$ 9,353

See the Combined Notes to Consolidated Financial Statements

Table of Contents

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance, December 31, 2012	\$ 2,388	\$ 593	\$ 1	\$ 2,982
Net income		122		122
Common stock dividends		(83)		(83)
Preferred security dividends		(1)		(1)
Balance, March 31, 2013	\$ 2,388	\$ 631	\$ 1	\$ 3,020

See the Combined Notes to Consolidated Financial Statements

Table of Contents

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

(Unaudited)

(In millions)	Three Months Ended March 31,	
	2013	2012
Operating revenues		
Operating revenues	\$ 876	\$ 694
Operating revenues from affiliates	4	3
Total operating revenues	880	697
Operating expenses		
Purchased power and fuel	313	293
Purchased power from affiliate	113	92
Operating and maintenance	124	154
Operating and maintenance from affiliates	19	42
Depreciation and amortization	93	79
Taxes other than income	55	48
Total operating expenses	717	708
Operating income (loss)	163	(11)
Other income and (deductions)		
Interest expense	(33)	(41)
Other, net	5	6
Total other income and (deductions)	(28)	(35)
Income (loss) before income taxes	135	(46)
Income taxes	55	(16)
Net income (loss)	80	(30)
Preference stock dividends	3	3
Net income (loss) on common stock	\$ 77	\$ (33)
Comprehensive income (loss)	\$ 80	\$ (30)

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities		
Net (loss) income	\$ 80	\$ (30)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	93	79
Deferred income taxes and amortization of investment tax credits	73	40
Other non-cash operating activities	42	179
Changes in assets and liabilities:		
Accounts receivable	(98)	6
Receivables from and payables to affiliates, net	(22)	31
Inventories	35	50
Accounts payable, accrued expenses and other current liabilities	(11)	(22)
Income taxes	(36)	(57)
Pension and non-pension postretirement benefit contributions	(5)	(7)
Other assets and liabilities	34	(11)
Net cash flows provided by operating activities	185	258
Cash flows from investing activities		
Capital expenditures	(134)	(130)
Change in restricted cash	(22)	(19)
Other investing activities	2	3
Net cash flows used in investing activities	(154)	(146)
Cash flows from financing activities		
Dividends paid on preference stock	(3)	(3)
Change in restricted cash for dividends	(3)	
Other financing activities	1	(1)
Net cash flows used in financing activities	(5)	(4)
Increase in cash and cash equivalents	26	108
Cash and cash equivalents at beginning of period	89	49
Cash and cash equivalents at end of period	\$ 115	\$ 157

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 115	\$ 89
Restricted cash and cash equivalents	3	
Restricted cash and cash equivalents of variable interest entity	52	30
Accounts receivable, net		
Customer	476	403
Other	135	117
Income taxes receivable	39	3
Inventories, net		
Gas held in storage	12	51
Materials and supplies	35	31
Deferred income taxes	7	1
Prepaid utility taxes	28	57
Regulatory assets	148	190
Other	8	8
Total current assets	1,058	980
Property, plant and equipment, net	5,568	5,498
Deferred debits and other assets		
Regulatory assets	522	522
Investments	5	5
Investments in affiliates	8	8
Prepaid pension asset	456	467
Other	22	26
Total deferred debits and other assets	1,013	1,028
Total assets	\$ 7,639	\$ 7,506

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	March 31, 2013 (Unaudited)	December 31, 2012
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Long-term debt due within one year	\$ 400	\$ 400
Long-term debt of variable interest entity due within one year	67	67
Accounts payable	186	195
Accrued expenses	100	106
Payables to affiliates	45	65
Customer deposits	69	71
Regulatory liabilities	47	29
Other	45	47
Total current liabilities	959	980
Long-term debt		
Long-term debt to financing trust	1,446	1,446
Long-term debt of variable interest entity	258	258
Deferred credits and other liabilities	265	265
Deferred income taxes and unamortized investment tax credits	1,738	1,658
Asset retirement obligations	7	8
Non-pension postretirement benefits obligations	227	229
Regulatory liabilities	218	214
Other	86	90
Total deferred credits and other liabilities	2,276	2,199
Total liabilities	5,204	5,148
Commitments and contingencies		
Shareholder s equity		
Common stock	1,360	1,360
Retained earnings	885	808
Total shareholder s equity	2,245	2,168
Preference stock not subject to mandatory redemption	190	190
Total equity	2,435	2,358
Total liabilities and shareholders equity	\$ 7,639	\$ 7,506

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Common Stock	Retained Earnings	Total Shareholders Equity	Preference stock not subject to mandatory redemption	Total Equity
Balance, December 31, 2012	\$ 1,360	\$ 808	\$ 2,168	\$ 190	\$ 2,358
Net income		80	80		80
Preference stock dividends		(3)	(3)		(3)
Balance, March 31, 2013	\$ 1,360	\$ 885	\$ 2,245	\$ 190	\$ 2,435

See the Combined Notes to Consolidated Financial Statements

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The energy generation business includes:

Generation: The integrated business consists of owned and contracted generation and investments in electric generating facilities that are marketed through its leading customer facing activities. The customer facing activities include wholesale and retail customer supply of electric and natural gas products and services, including renewable energy products, risk management services and investments in natural gas exploration and production activities.

The energy delivery businesses include:

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

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

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

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

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

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

For the three months ended March 31, 2013, BGE recorded a \$2 million correcting adjustment to decrease amortization expense related to regulatory assets that was originally recorded during 2012. Exelon and BGE have concluded that this correcting adjustment is not material to their results of operations or cash flows for the three months ended March 31, 2013 or any prior period. Exelon and BGE do not expect this correcting adjustment to have a material impact on their results of operations or cash flows for the year ended December 31, 2013.

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

The accompanying consolidated financial statements as of March 31, 2013 and 2012 and for the three months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2012 Consolidated Balance Sheets were obtained from audited financial statements. Certain prior year amounts in BGE's Consolidated Statements of Cash Flows, Exelon's, Generation's and BGE's Consolidated Statements of Operations and Comprehensive Income and in Exelon's, Generation's, ComEd's, and BGE's Consolidated Balance Sheets have been reclassified between line items for comparative purposes. The reclassifications did not materially affect any of the Registrants' net income or cash flows from operating activities. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for fiscal year ended December 31, 2013. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These notes should be read in conjunction with the Notes to Combined Consolidated Financial Statements of all Registrants included in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of their respective 2012 Form 10-K Reports.

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

The following recently issued accounting standards were adopted by the Registrants during the period.

Presentation of Items Reclassified out of Accumulated Other Comprehensive Income

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

Disclosures About Offsetting Assets and Liabilities

In December 2011 (and amended in January 2013), the FASB issued authoritative guidance requiring entities to disclose both gross and net information about recognized derivative instruments, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing or lending transactions that are offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet. This guidance is effective for the Registrants for periods beginning on or after January 1, 2013 and is required to be applied retrospectively. This guidance is primarily applicable to certain derivative transactions for Exelon and Generation. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 9 Derivative Financial Instruments for the new disclosures.

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Consolidated Variable Interest Entities

The Registrants' consolidated VIEs consist of:

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

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

a retail power supply company;

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

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

For each of the consolidated VIEs, except as otherwise noted:

The assets of the VIEs are restricted and can only be used to settle obligations of the respective VIE. In the case of BondCo, BGE is required to remit all payments it receives from all residential customers for non-bypassable, rate stabilization charges to BondCo. During the three months ended March 31, 2013 and 2012, BGE remitted \$22 million and \$20 million, respectively, to BondCo.

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

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

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

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

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

The carrying amounts and classification of the consolidated VIEs assets and liabilities included in the Registrants consolidated financial statements at March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013			December 31, 2012		
	Exelon(a)(b)	Generation(b)	BGE	Exelon(a)(b)	Generation(b)	BGE
Current assets	\$ 551	\$ 491	\$ 52	\$ 550	\$ 519	\$ 30
Noncurrent assets	1,947	1,918		1,802	1,762	
Total assets	\$ 2,498	\$ 2,409	\$ 52	\$ 2,352	\$ 2,281	\$ 30
Current liabilities	\$ 575	\$ 492	\$ 76	\$ 685	\$ 613	\$ 71
Noncurrent liabilities	986	693	265	837	532	265
Total liabilities	\$ 1,561	\$ 1,185	\$ 341	\$ 1,522	\$ 1,145	\$ 336

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

(b) Includes total assets of \$116 million and total liabilities of \$59 million as of March 31, 2013 and total asset of \$116 million and total liabilities of \$62 million as of December 31, 2012 related to deferred and accrued taxes that are not restricted for use by the consolidated VIEs that have recorded such assets and liabilities.

Unconsolidated Variable Interest Entities

Exelon's and Generation's variable interests in unconsolidated VIEs generally include three transaction types: (1) equity method investments, (2) energy purchase and sale contracts, and (3) fuel purchase commitments. For the equity method investments, the carrying amount of the investments is reflected on their Consolidated Balance Sheets in investments in affiliates. For the energy purchase and sale contracts and the fuel purchase commitments (commercial agreements), the carrying amount of assets and liabilities in Exelon's and Generation's Consolidated Balance Sheets that relate to their involvement with the VIEs are predominately related to working capital accounts and generally represent the amounts owed by, or owed to, Exelon and Generation for the deliveries associated with the current billing cycles under the commercial agreements. Further, except as noted in the table above, Exelon and Generation have not provided material debt or equity support, or provided liquidity arrangements, performance guarantees or other commitments associated with these commercial agreements.

The Registrants' unconsolidated VIEs consist of:

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

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

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

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

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

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

As of March 31, 2013 and December 31, 2012, Exelon and Generation did have significant variable interests in nine VIEs for which they were not the primary beneficiary; including certain equity method investments and certain commercial agreements. The following tables present summary information about the significant unconsolidated VIE entities:

	Commercial Agreement VIEs	Equity Method Investment VIEs	Total
March 31, 2013			
Total assets(a)	\$ 360	\$ 338	\$ 698
Total liabilities(a)	186	95	281
Registrants' ownership interest(a)		98	98
Other ownership interests(a)	174	145	319
Registrants' maximum exposure to loss:			
Letters of credit	1		1
Carrying amount of equity method investments		78	78
Contract intangible asset	8		8
Debt and payment guarantees		5	5
Net assets pledged for Zion Station decommissioning(b)	49		49

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

(a) These items represent amounts on the unconsolidated VIE balance sheets, not on Exelon's or Generation's Consolidated Balance Sheets. These items are included to provide information regarding the relative size of the unconsolidated VIEs.

(b) These items represent amounts on Generation's and Exelon's Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of \$580 million and \$614 million as of March 31, 2013 and December 31, 2012, respectively; offset by payables to ZionSolutions LLC of \$531 million and \$564 million as of March 31, 2013 and December 31, 2012, respectively. These items are included to provide information regarding the relative size of the ZionSolutions LLC unconsolidated VIE.

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

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)****4. Merger and Acquisitions****Merger with Constellation (Exelon, Generation, ComEd, PECO and BGE)*****Description of Transaction***

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

Regulatory Matters

In December 2011, Exelon and Constellation reached a settlement with the State of Maryland and the City of Baltimore and other interested parties in connection with the regulatory proceedings related to the merger that were pending before the MDPSC. As part of this settlement and the application for approval of the merger by MDPSC, Exelon agreed to provide a package of benefits to BGE customers, the City of Baltimore and the State of Maryland, resulting in an estimated direct investment in the State of Maryland of more than \$1 billion.

The direct investment estimate includes \$95 million to \$120 million for the requirement to cause construction of a headquarters building in Baltimore for Generation's competitive energy businesses. On March 20, 2013, Generation signed a 20 year lease agreement that is contingent upon the developer obtaining financing for the construction of the building. Once the financing conditions are met, construction will commence and the building is expected to be ready for occupancy within 2 years. The direct investment estimate also includes \$625 million for Exelon's and Generation's commitment to develop or assist in development of 285 - 300 MWs of new generation in Maryland, expected to be completed over a period of 10 years. Such costs, which are expected to be primarily capital in nature, will be recognized as incurred. As of March 31, 2013, amounts reflected in the Exelon and Generation consolidated financial statements for these expenditure commitments were immaterial.

The settlement agreement contemplates various options for complying with the new generation development commitments, including building or acquiring generating assets, making subsidy or compliance payments, or in circumstances in which the generation build is delayed, making liquidated damages payments. Exelon and Generation expect that the majority of these commitments will be satisfied by building or acquiring generating assets, and therefore will be primarily capital in nature and recognized as incurred. If in the future Exelon determines that it is probable that it will make subsidy, compliance or liquidated damages payments related to the new generation development commitments, Exelon will record a liability at that time. As of March 31, 2013, it is reasonably possible that Exelon will be required to make subsidy or liquidated damages payments of approximately \$40 million rather than build one of the generation projects contemplated by the commitments, given that the generation build is dependent upon the passage of legislation and other conditions that Exelon does not control.

Associated with certain of the regulatory approvals required for the merger, on November 30, 2012, a subsidiary of Generation sold three Maryland generating stations and associated assets, Brandon Shores and H.A. Wagner in Anne Arundel County, Maryland, and C.P. Crane in Baltimore County, Maryland, to Raven Power Holdings LLC (Raven Power), a subsidiary of Riverstone Holdings LLC. In 2012, Exelon and Generation

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

recorded a pre-tax loss of \$272 million to reflect the difference between the sales price and the carrying value of the generating stations and associated assets. In the first quarter of 2013, Exelon and Generation recorded a pre-tax gain of \$8 million to reflect the final settlement of the sales price with Raven Power.

Accounting for the Merger Transaction

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

The financial statements of BGE do not include fair value adjustments for assets or liabilities subject to rate-setting provisions for BGE. BGE is subject to the rate-setting authority of FERC and the MDPSC and is accounted for pursuant to the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for BGE provide revenue derived from costs including a return on investment of assets and liabilities included in rate base. Except for debt, fuel supply contracts and regulatory assets not earning a return, the fair values of BGE's tangible and intangible assets and liabilities subject to these rate-setting provisions are assumed to approximate their carrying values and, therefore, do not reflect any net adjustments related to these amounts. For BGE's debt, fuel supply contracts and regulatory assets not earning a return, the difference between fair value and book value of BGE's assets acquired and liabilities assumed is recorded as a regulatory asset and liability at Exelon Corporate as Exelon did not apply push-down accounting to BGE. See Note 1 Basis of Presentation for additional information on BGE's push-down accounting treatment. Also see Note 5 Regulatory Matters for additional information on BGE's regulatory assets.

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

The purchase price allocation of the Initial Merger of Exelon with Constellation and Exelon's contribution of certain subsidiaries of Constellation to Generation at March 31, 2013 was as follows:

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

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Total liabilities, preferred securities and noncontrolling interest	15,535	9,311
Total purchase price	\$ 7,365	\$ 5,264

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

For the power supply and fuel contracts acquired from Constellation, the difference between the contract price and the market price at the date of the merger was recognized as either an intangible asset or liability based on whether the contracts were in or out-of-the-money. The fair value amounts are amortized over the life of the contract in relation to the present value of the underlying cash flows as of the merger date. Amortization expense and income are recorded through purchased power and fuel expense or operating revenues. Exelon and Generation present separately in their Consolidated Balance Sheets the unamortized energy contract assets and liabilities for these contracts. Exelon's and Generation's amortization expense for the three months ended March 31, 2013 and the period March 12, 2012 to March 31, 2012 amounted to \$170 million and \$131 million, respectively. This amortization expense excludes the \$19 million and \$9 million in amortization of the regulatory asset for the three months ended March 31, 2013 and the period March 12, 2012 to March 31, 2012 and equally offsetting amortization of the fuel supply contract liability recorded at Exelon Corporate in the Consolidated Statement of Operations. The weighted-average amortization period is approximately 1.5 years.

Exelon's and Generation's straight line amortization expense for the fair value of the Constellation trade name intangible asset for the three months ended March 31, 2013 and the period March 12, 2012 to March 31, 2012 amounted to \$6 million and \$2 million, respectively. The amortization period is approximately 10 years. The trade name intangible asset is included in deferred debits and other assets within Exelon's and Generation's Consolidated Balance Sheets.

The intangible assets for the fair value of the retail relationships are amortized as amortization expense on a straight line basis over the useful life of the underlying assets averaging approximately 12.4 years. Exelon's and Generation's straight line amortization expense for the three months ended March 31, 2013 and the period March 12, 2012 to March 31, 2012 amounted to \$5 million and \$1 million, respectively. The retail relationships intangible assets are included in deferred debits and other assets within Exelon's and Generation's Consolidated Balance Sheets.

Exelon's intangible assets and liabilities acquired through the merger with Constellation included in its Consolidated Balance Sheets, along with the future estimated amortization, were as follows as of March 31, 2013:

Description	Weighted Average Amortization	Gross	Accumulated Amortization	Net	Estimated amortization expense					2018 and Beyond
					Remainder of 2013	2014	2015	2016	2017	
Unamortized energy contracts, net(a)	1.5	\$ 1,496	\$ (1,133)	\$ 363	\$ 243	\$ 73	\$ 19	\$ (31)	\$ (22)	\$ 81
Trade name	10.0	243	(26)	217	18	24	24	24	24	103
Retail relationships	12.4	214	(20)	194	15	19	19	19	19	103
Total, net		\$ 1,953	\$ (1,179)	\$ 774	\$ 276	\$ 116	\$ 62	\$ 12	\$ 21	\$ 287

(a) Includes the fair value of BGE's power and gas supply contracts of \$70 million for which an offsetting regulatory asset was also recorded.

Impact of Merger

It is impracticable to determine the overall financial statement impact for the Constellation subsidiaries contributed down to Generation following the Upstream Merger for the three months ended March 31, 2013 and 2012. Upon closing of the merger, the operations of these Constellation subsidiaries were integrated into Generation's operations and are therefore not fully distinguishable after the merger.

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

The impact of BGE on Exelon's Consolidated Statement of Operations and Comprehensive Income includes operating revenues of \$880 million and net income of \$80 million during the three months ended March 31, 2013, and operating revenues of \$52 million and net loss of \$65 million during the three months ended March 31, 2012.

During the three months ended March 31, 2013, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$33 million, \$23 million, \$4 million, \$3 million and \$2 million, respectively. Of these amounts, Exelon, ComEd and BGE deferred \$6 million, \$4 million and \$2 million as a regulatory asset as of March 31, 2013. Additionally, Exelon and BGE established a regulatory asset of \$6 million as of March 31, 2013 for previously incurred 2012 merger and integration-related costs.

During the three months ended March 31, 2012, Exelon, Generation, ComEd, PECO and BGE incurred merger and integration-related costs of \$516 million, \$110 million, \$18 million, \$7 million and \$169 million, respectively. Of these amounts, Exelon, ComEd and BGE deferred \$32 million, \$16 million and \$16 million as a regulatory asset as of March 31, 2012. The costs incurred are classified primarily within Operating and Maintenance Expense in the Registrants' respective Consolidated Statements of Operations and Comprehensive Income, with the exception of the BGE customer rate credit and the credit facility fees, which are included as a reduction to operating revenues and other, net, respectively, for the three months ended March 31, 2012.

Severance Costs

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

Upon closing the merger with Constellation, Exelon recorded a severance accrual for the anticipated employee position reductions as a result of the post-merger integration. The majority of these positions are corporate and Generation support positions. Since then, Exelon has identified specific employees to be severed pursuant to the merger-related staffing and selection process; as well as employees that were previously identified for severance but have since accepted another position within Exelon and are no longer receiving a severance benefit. Exelon adjusts its accrual each quarter to reflect its best estimate of remaining severance costs. The amount of severance expense associated with the post-merger integration recognized for the three months ended March 31, 2013 and March 31, 2012, for Exelon is \$3 million and \$83 million, which includes \$3 million and \$45 million for Generation, \$0 million and \$11 million for ComEd, \$0 million and \$5 million for PECO and \$0 million and \$16 million for BGE, respectively. Estimated costs to be incurred after March 31, 2013 are not material. In addition, certain employees identified during the staffing and selection process also receive pension and other postretirement benefits that are deemed contractual termination benefits, which the Registrants recorded during the second quarter of 2012.

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

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

For the three months ended March 31, 2013 and March 31, 2012, the Registrants recorded the following severance benefits costs associated with the identified job reductions within operating and maintenance expense in their Consolidated Statements of Operations, except for ComEd and BGE:

Three Months Ended March 31, 2013

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

Three Months Ended March 31, 2012

Severance Benefits(a)	Exelon	Generation	ComEd(b)	PECO	BGE(c)
Severance charges	\$ 67	\$ 35	\$ 9	\$ 3	\$ 14
Stock compensation	8	5	1	1	1
Other charges	8	5	1	1	1
Total severance benefits	\$ 83	\$ 45	\$ 11	\$ 5	\$ 16

(a) The amounts above include \$3 million and \$29 million at Generation, \$0 million and \$11 million at ComEd, \$0 million and \$5 million at PECO, and \$0 million and \$5 million at BGE, for amounts billed by BSC through intercompany allocations for the three months ended March 31, 2013 and 2012, respectively.

(b) ComEd established regulatory assets of \$0 million and \$11 million for severance benefits costs for the three months ended March 31, 2013 and 2012, respectively. The majority of these costs are expected to be recovered over a five-year period.

(c) BGE established regulatory assets of \$0 million and \$16 million for severance benefits costs for the three months ended March 31, 2013 and 2012, respectively. The majority of these costs are being recovered over a five-year period beginning in March 2013.

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

Three Months Ended March 31, 2013

Severance liability	Exelon	Generation	ComEd	PECO	BGE
Balance at December 31, 2012	\$ 111	\$ 33	\$ 1	\$	\$ 11
Severance charges(a)	2				
Stock compensation	1				
Payments	(22)	(8)			(2)
Balance at March 31, 2013	\$ 92	\$ 25	\$ 1	\$	\$ 9

Three Months Ended March 31, 2012

Severance liability	Exelon	Generation	ComEd	PECO	BGE
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Balance at December 31, 2011	\$	\$	\$	\$	\$
Severance charges(a)	67	13			11
Stock compensation	8	2			
Other charges(b)	8	1			
Balance at March 31, 2012	\$ 83	\$ 16	\$	\$	\$ 11

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

- (a) Includes salary continuance and health and welfare severance benefits. Amounts represent ongoing severance plan benefits. Amounts also include one-time termination benefits of \$1 million and \$0 million for Exelon and Generation, respectively, as of March 31, 2013, which they began to recognize in the second quarter of 2012.
- (b) Primarily includes life insurance, employer payroll taxes, educational assistance, and outplacement services. Cash payments under the plan began in the second quarter of 2012. Substantially all cash payments under the plan are expected to be made by the end of 2016.

Pro-forma Impact of the Merger

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

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

	Three Months Ended March 31, 2012	
	Generation	Exelon
Total Revenues	\$ 3,997	\$ 6,977
Net income attributable to Exelon	129	409
Basic Earnings Per Share	n.a.	\$ 0.48
Diluted Earnings Per Share	n.a.	0.48

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

Except for the matters noted below, the disclosures set forth in Note 3 of the Exelon 2012 Form 10-K appropriately represent, in all material respects, the current status of regulatory and legislative proceedings of the Registrants. The following is an update to that discussion.

Illinois Regulatory Matters

Energy Infrastructure Modernization Act (Exelon and ComEd). EIMA provides a structure for substantial capital investment by utilities over a ten-year period to modernize Illinois' electric utility infrastructure. EIMA allows for the recovery of costs by a utility through a pre-established performance-based formula rate tariff, approved by the ICC.

On April 1, 2013, ComEd filed annual progress reports on both its Infrastructure Investment Plan and AMI Implementation Plan as required by statute. On April 9, 2013, the ICC initiated an investigation proceeding pursuant to the provisions of EIMA to review ComEd's progress in implementing the AMI Plan. The ICC's Order in this proceeding is expected by June 30, 2013.

On April 29, 2013, ComEd filed its 2013 distribution formula rate update, which establishes the net revenue requirement used to set the rates that will take effect in January 2014 after the ICC's review. The revenue requirement requested in the filing is based on 2012 actual costs and forecasted 2013 capital additions as well as

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

an annual reconciliation of the revenue requirement in effect in 2012 to the actual costs incurred for that year. ComEd requested a total increase to the net revenue requirement of \$311 million, reflecting an increase of \$169 million for the initial revenue requirement for 2013 and an increase of \$142 million for the annual reconciliation for 2012. The initial revenue requirement for 2013 provided for a weighted average debt and equity return on distribution rate base of 6.99% inclusive of an allowed return on common equity of 8.72%, reflecting the average rate on 30-year treasury notes plus 580 basis points. The annual reconciliation for 2012 provided for a weighted average debt and equity return on distribution rate base of 7.01% inclusive of an allowed return on common equity of 8.72%, reflecting the average rate on 30-year treasury notes plus 580 basis points.

Rates effective in 2013 as a result of the 2012 distribution formula rate update are subject to a reconciliation to actual 2013 costs, which will be filed with the ICC in 2014. The approved annual reconciliation amount will be reflected in customer rates beginning in January 2015. Throughout each year, ComEd records regulatory assets or regulatory liabilities and corresponding increases or decreases to operating revenues for any differences between the revenue requirement in effect and its best estimate of the probable increase or decrease in the revenue requirement expected to ultimately be approved by the ICC in that year's reconciliation proceedings based on the year's actual costs incurred.

As of March 31, 2013, and December 31, 2012, ComEd recorded a net regulatory asset associated with the distribution formula rate of \$255 million and \$209 million, respectively.

Senate Bill 9 and House Bill 2529 (Exelon and ComEd). During March 2013, the Illinois House and Senate each passed Senate Bill 9 with supermajority votes to clarify the intent of EIMA on three major issues: the use of year-end rather than average rate base and capital structure in the annual reconciliation, the use of ComEd's weighted average cost of capital interest rate to apply to the annual reconciliation and an allowed return on ComEd's pension asset. These major issues were also addressed in ComEd's appeal of the ICC's May 2012 Order and October 2012 Rehearing Order filed in the Illinois Appellate Court in October 2012. See Note 3 of the Exelon 2012 Form 10-K for further details regarding the appeal. In addition, Senate Bill 9 provides for accelerated AMI deployment that would commence earlier than 2015 as currently approved by the ICC.

On March 21, 2013, Senate Bill 9 was sent to the Illinois Governor for his consideration. The Illinois Governor vetoed the legislation on May 5, 2013. ComEd intends to seek legislative override of the Illinois Governor's veto, which requires approved by supermajority votes in each of the Illinois House and Senate. If the legislation becomes law by June 15, 2013, ComEd would also update certain elements of its AMI deployment schedule to provide for an accelerated deployment as called for by Senate Bill 9.

If the legislation is enacted, ComEd projects that Senate Bill 9 would result in increased operating revenues of approximately \$25 million and \$65 million in 2013 and 2014, respectively. Also, if the legislation is enacted, ComEd projects that Senate Bill 9 would accelerate capital expenditures by approximately \$35 million and \$40 million in 2013 and 2014, respectively. The April 29, 2013 annual distribution formula rate filing discussed above does not reflect the enactment of Senate Bill 9. If enacted, the distribution formula rate update filing will be revised to reflect the passage of such legislation shortly thereafter.

Illinois Procurement Proceedings (Exelon and ComEd). ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. The IPA's 2013 procurement plan, approved by the ICC, provides for curtailment of the existing long-term contracts for renewable energy and RECs in response to the increased number of ComEd's customers purchasing their energy from alternative energy suppliers on their own or through municipal aggregation. In March 2013, ICC staff and the IPA approved ComEd's updated load forecast. Purchases under the existing long-term contracts for energy and the associated RECs were reduced

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

under the terms of the contracts for the June 2013 – May 2014 period on a pro-rata basis to keep the purchases under the statutory impact cap. The curtailment was applied proportionately to each of the long-term renewable energy suppliers consistent with the terms of the contracts on an equal, pro-rata basis. The curtailment did not have a significant impact on ComEd's financial position or cash flows.

On December 19, 2012, the ICC issued an order directing ComEd and Ameren (the Utilities) to enter into sourcing agreements with FutureGen Industrial Alliance, Inc (FutureGen), under which FutureGen will retrofit and repower an existing plant in Morgan County, Illinois to a 166 MW near zero emissions coal-fueled generation plant, with an assumed commercial operation date in 2017. The proposed term of the agreement is 20 years. The project was approved by the DOE on February 4, 2013. The sourcing agreement is currently being drafted and approved under a separate proceeding, with a final order expected in the second quarter of 2013. The sourcing agreement is expected to stipulate that the Utilities will pay (or receive) the difference between FutureGen's contract prices and the revenues FutureGen receives for capacity and energy from bidding the unit into the MISO markets. The order also directs the Utilities to recover (or pass along) the difference from the Utilities distribution system customers, regardless of whether they purchase electricity from the Utility or from an alternative electric generation supplier. On January 22, 2013, ComEd filed an application for rehearing, requesting the ICC reconsider its December order by expanding the parties to the sourcing agreement to also include RES suppliers. On January 29, 2013, the ICC denied ComEd's rehearing request. ComEd filed an appeal on February 22, 2013, questioning the legality of requiring ComEd to procure power for its non-Eligible Retail Customers. Depending on the precise terms of the sourcing agreement, the eventual market conditions, and the manner of cost recovery, the sourcing agreement could have a material adverse impact on Exelon's and ComEd's cash flows and financial positions.

See Note 17 – Commitments and Contingencies for additional information on ComEd's energy commitments.

Pennsylvania Regulatory Matters

Pennsylvania Procurement Proceedings (Exelon and PECO). PECO's current PAPUC approved DSP Program, under which PECO is providing default electric service, has a 29-month term that ends May 31, 2013. On October 12, 2012, the PAPUC issued its Opinion and Order approving PECO's second DSP Program, which was filed with the PAPUC in January 2012. The program, which has a 24-month term from June 1, 2013 through May 31, 2015, complies with electric generation procurement guidelines set forth in Act 129.

In the second DSP Program, PECO will procure electric supply for its default electric customers through five competitive procurements. The load for the residential and small and medium commercial classes will be served through competitively procured fixed price, full requirements contracts of two years or less. Similar to the current DSP Program, for the large commercial and industrial class load, PECO will competitively procure contracts for full requirements default electric generation with the price for energy in each contract set to be the hourly price of the spot market during the term of delivery. In December 2012 and February 2013, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential and small and medium commercial classes beginning in June 2013. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO's Statement of Operations and Comprehensive Income.

In addition, the second DSP Program includes a number of retail market enhancements recommended by the PAPUC in its previously issued Retail Markets Intermediate Work Plan Order. PECO was also directed to allow its low-income Customer Assistance Program (CAP) customers to purchase their generation supply from EGSs beginning April 2014. On May 1, 2013, PECO filed its CAP Shopping Plan with the PAPUC.

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

Smart Meter and Smart Grid Investments (Exelon and PECO). Pursuant to Act 129 and the follow-on Implementation Order of 2009, in April 2010, the PAPUC approved PECO's Smart Meter Procurement and Installation Plan (SMPIP), under which PECO will install more than 1.6 million smart meters and an AMI communication network by 2020. The first phase of PECO's SMPIP included the installation of an AMI communications network and the deployment of 600,000 smart meters to communicate with that network. On January 18, 2013, PECO filed with the PAPUC its universal deployment plan for approval of its proposal to deploy the remainder of the 1.6 million smart meters on an accelerated basis by the end of 2014. In total, PECO currently expects to spend up to \$595 million, excluding the cost of the original meters (as further described below), on its smart meter infrastructure and approximately \$120 million on smart grid investments through 2014 before considering the DOE reimbursements discussed below. As of March 31, 2013, PECO has spent \$262 million and \$103 million on smart meter and smart grid infrastructure, respectively, not including the DOE reimbursements received to date.

Pursuant to the ARRA of 2009, PECO and the DOE entered into a Financial Assistance Agreement to extend PECO \$200 million in non-taxable SGIG funds of which \$140 million relates to smart meter deployment and \$60 million relates to smart grid infrastructure. As part of the agreement, the DOE has a conditional ownership interest in qualifying Federally-funded project property and equipment, which is subordinate to PECO's existing mortgage. The SGIG funds are being used to offset the total impact to ratepayers of the smart meter deployment required by Act 129. As of March 31, 2013, PECO has received \$161 million of the \$200 million in reimbursements. PECO's outstanding receivable from the DOE for reimbursable costs was \$8 million as of March 31, 2013, which has been recorded in other accounts receivable, net on Exelon's and PECO's Consolidated Balance Sheets.

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

Following PECO's decision, as of October 9, 2012 PECO will no longer use the original smart meters. For the meters that will no longer be used the accounting guidance requires that any difference between the carrying value and net realizable value be recognized in the current period's earnings, before considering potential regulatory recovery. The cost of the original meters, including installation and removal costs, owned by PECO was approximately \$19 million, net of approximately \$16 million of reimbursements from the DOE. PECO is seeking full recovery of all incurred costs related to the original deployment of meters. For amounts not recovered from the vendor, PECO will seek regulatory rate recovery in a future filing with the PAPUC. PECO did not seek recovery of original meter costs in the January 2013 universal deployment filing, as resolution with the vendor is still pending. In November 2012, PECO requested and received approval from the DOE that the original meters continue to be allowable costs. In addition, PECO remains eligible for the full \$200 million in SGIG funds.

As of March 31, 2013, PECO believes the amounts incurred for the original meters and related installation and removal costs are probable of recovery based on applicable case law and past precedent on reasonably and prudently incurred costs. As a result, a regulatory asset of \$17 million, representing the cost of the original meters, net of accumulated depreciation and DOE reimbursements, was recorded on Exelon's and PECO's Consolidated Balance Sheets. If PECO later determines that the regulatory asset is no longer probable of recovery, PECO would be required to recognize a charge in earnings in the period in which that determination was made.

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

Energy Efficiency Programs (Exelon and PECO). PECO's PAPUC-approved Phase I EE&C Plan has a four-year term that began on June 1, 2009 and will conclude on May 31, 2013. The Phase I Plan sets forth how PECO will meet the required reduction targets established by Act 129's EE&C provisions, which include a 3% reduction in electric consumption in PECO's service territory and a 4.5% reduction in PECO's annual system peak demand in the 100 hours of highest demand by May 31, 2013. The peak demand period ended on September 30, 2012 and PECO communicated its compliance with the reduction targets in a preliminary report with the PAPUC on March 1, 2013. The final compliance report is due to the PAPUC by November 15, 2013.

On March 29, 2013, PECO filed a Petition with the PAPUC to change the recovery period of certain Direct Load Control (DLC) Program costs necessary to implement the Phase I Plan. The Petition seeks approval to allow PECO to recover \$12 million in equipment, installation and information technology costs for its Residential DLC program with the amounts collected for the Phase I Plan. As the Phase I Plan was implemented at a cost less than originally budgeted, PECO proposes 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.

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 will go into effect on June 1, 2013. The PAPUC deferred a decision on peak demand reduction requirements until mid-2013. On February 28, 2013, the PAPUC approved PECO's three-year EE&C Phase II plan that was filed on November 1, 2012, and sets forth how PECO will reduce electric consumption by at least 2.9% in its service territory for the period June 1, 2013 through May 31, 2016.

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

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

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

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

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. The PAPUC's implementation order requires a utility to have a Long Term Infrastructure Improvement Plan (LTIIP) 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 LTIIP for its Gas Operations which was filed on February 8, 2013.

Maryland Regulatory Matters

Smart Meter and Smart Grid Investments (Exelon and BGE). In August 2010, the MDPSC approved a comprehensive smart grid initiative for BGE that includes the planned installation of 2 million residential and commercial electric and gas smart meters at an expected total cost of \$480 million. The MDPSC's approval ordered BGE to defer the associated incremental costs, depreciation and amortization, and an appropriate return, in a regulatory asset until such time as a cost-effective advanced metering system is implemented. As of March 31, 2013 and December 31, 2012, BGE recorded a regulatory asset of \$37 million and \$31 million, respectively, representing incremental costs, depreciation and amortization, and a debt return on fixed assets related to its AMI program given that it believes such costs are probable of recovery in future rates. Additionally, the MDPSC has determined that the cost recovery for the non-AMI meters that BGE retires will be considered in a future depreciation proceeding. The MDPSC continues to evaluate the impacts of a customer opt-out feature in BGE's Smart Grid program. The ultimate resolution related to this feature could affect BGE's ability to demonstrate cost-effectiveness of the advanced metering system. Pursuant to the ARRA of 2009, BGE is a recipient of \$200 million in federal funding from the DOE for its smart grid and other related initiatives, which substantially reduces the total cost of these initiatives to BGE's ratepayers. The project to install the smart meters began in late April 2012.

As of March 31, 2013, BGE had received \$162 million in reimbursements from the DOE. As of March 31, 2013, BGE's outstanding receivable from the DOE for reimbursable costs was \$13 million, which has been recorded in other accounts receivable, net on Exelon's and BGE's Consolidated Balance Sheets.

Reliability and Quality of Service Standards (Exelon and BGE). During its 2011 legislative session, the Maryland General Assembly passed legislation:

directing the MDPSC to enact service quality and reliability regulations by July 1, 2012 relating to the delivery of electricity to retail electric customers,

increasing existing penalties for failure to meet these and other MDPSC regulations, and

directing the MDPSC to undertake certain studies addressing utility liability for certain customer damages, electric utility service restoration plans, and modifications to existing revenue decoupling mechanisms for extended service interruptions.

In May 2011, the Governor of Maryland signed this legislation into law. The related new service quality and reliability regulations became effective on May 28, 2012. These regulations are still being implemented and could have a material impact on BGE's financial results of operations, cash flows and financial position.

New Electric Generation (Exelon, Generation and BGE). On April 12, 2012, the MDPSC issued an order directing BGE and two other Maryland utilities to enter into a contract for differences (CfD) with CPV Maryland, LLC (CPV), under which CPV will construct an approximately 700 MW natural gas-fired combined-cycle generation plant in Waldorf, Maryland, that it projected will be in commercial operation by June 1, 2015. The initial term of the proposed contract is 20 years. The CfD mandates that the utilities pay (or receive) the difference

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

between CPV's contract prices and the revenues CPV receives for capacity and energy from clearing the unit in the PJM capacity market. The three Maryland utilities are required to enter into a CfD in amounts proportionate to their relative SOS load as of the date of execution. On April 27, 2012, a civil complaint was filed in the United States District Court for the District of Maryland by certain unaffiliated parties that challenges the actions taken by the MDPSC on federal law grounds. Among other requests for relief, the plaintiffs seek to enjoin the MDPSC from executing or otherwise putting into effect any part of its order. The MDPSC and CPV filed motions to dismiss the federal lawsuit, which were both denied by the U.S. District Court on August 3, 2012. Trial of this matter occurred in March 2013, and a decision from the trial judge is now pending. On May 4, 2012, BGE filed a petition in the Circuit Court for Anne Arundel County, Maryland, seeking judicial review of the MDPSC order. That petition was subsequently transferred to the Circuit Court for Baltimore City, where similar appeals have been filed by other interested parties. All cases have now been consolidated and will be heard together by the Circuit Court for Baltimore City pending the outcome of the underlying MDPSC proceeding.

On April 16, 2013, the MDPSC issued an order that required BGE to execute a contract with CPV within 20 days of the date of the order, and BGE executed the contract on May 6, 2013. As of March 31, 2013, there is no impact on Exelon's and BGE's results of operations, cash flows and financial positions. Furthermore, the agreement does not become effective until the resolution of certain items, including all current litigation.

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

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

2012 Maryland Electric and Gas Distribution Rate Case (Exelon and BGE). On July 27, 2012, BGE filed an application for increases to its electric and gas base rates with the MDPSC. On February 22, 2013, the MDPSC issued an order in BGE's 2012 electric and natural gas distribution rate case for increases in annual distribution service revenue of \$81 million and \$32 million, respectively. The electric distribution rate increase was set using an allowed return on equity of 9.75% and the gas distribution rate increase was set using an allowed return on equity of 9.60%. The approved electric and natural gas distribution rates became effective for services rendered on or after February 23, 2013. As part of the rate order, the MDPSC approved both recovery of and return on merger integration costs, including severance. As a result, the order affirmed the treatment of \$20 million of severance-related costs that BGE had recorded as a regulatory asset in 2012, consistent with prior MDPSC decisions. Additionally, BGE established a new regulatory asset of \$8 million related to non-severance-related merger integration costs as of March 31, 2013, which includes \$6 million of costs incurred during 2012. These merger integration regulatory assets are recovered over a five year period.

MDPSC Derecho Storm Order (Exelon and BGE). Following the June 2012 Derecho storm which hit the mid-Atlantic region interrupting electrical service to a significant portion of the State of Maryland, the MDPSC issued an order on February 27, 2013 that requires BGE and other Maryland utilities to file several comprehensive reports on improving reliability and grid resiliency that are due at various times before August 30, 2013. BGE cannot predict the outcome of this review, which may result in increased capital expenditures and operating costs. BGE currently expects that any increased capital expenditures and operating costs would be recoverable in distribution rates.

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

The Maryland Strategic Infrastructure Development and Enhancement Program (Exelon and BGE). In February 2013, the Maryland General Assembly passed legislation intended to accelerate gas infrastructure replacements in Maryland by establishing a mechanism for gas companies to promptly recover reasonable and prudent costs of eligible infrastructure replacement projects separate from base rate proceedings. On May 2, 2013, the Governor of Maryland signed the legislation into law; the law takes effect June 1, 2013. Under the new law, following a proceeding before the MDPSC and with the MDPSC's approval of the eligible infrastructure replacement projects along with a corresponding surcharge, BGE could begin charging gas customers a monthly surcharge for infrastructure costs incurred after June 1, 2013. The legislation includes a cap on the monthly surcharge to residential customers, which effectively caps the surcharge for other customers, and would require an annual true-up of the surcharge revenues against actual expenditures. Investment levels in excess of the cap would be recoverable in a subsequent gas base rate proceeding at which time all costs for the infrastructure replacement projects would be rolled into gas distribution rates. Irrespective of the cap, BGE is required to file a gas rate case every five years under this legislation.

Federal Regulatory Matters

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

ComEd's most recent annual formula rate update filed in April 2013 reflects 2012 actual costs plus forecasted 2013 capital additions. The update resulted in a revenue requirement of \$488 million plus a \$25 million adjustment related to the reconciliation of 2012 actual costs for a net revenue requirement of \$513 million. This compares to the May 2012 updated revenue requirement of \$450 million offset by a \$5 million reduction related to the reconciliation of 2011 actual costs for a net revenue requirement of \$445 million. The increase in the revenue requirement was primarily driven by increased plant investment, higher pension and post-retirement healthcare costs, and higher operating and maintenance costs. The 2013 net revenue requirement will become effective June 1, 2013, and is recovered over the period extending through May 31, 2014. The regulatory asset associated with the true-up is being amortized as the associated amounts are recovered through rates.

ComEd's updated formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 8.70%, a decrease from the 8.91% return previously authorized. The decrease in return was primarily due to lower interest rates on ComEd's long-term debt outstanding. As part of the FERC-approved settlement of ComEd's 2007 transmission rate case, the rate of return on common equity is 11.5% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the formula transmission rate is currently capped at 55%.

BGE's most recent annual formula rate update filed in April 2013 reflects actual 2012 expenses and investments plus forecasted 2013 capital additions. The update resulted in a revenue requirement of \$158 million offset by a \$1 million reduction related to the reconciliation of 2012 actual costs for a net revenue requirement of \$157 million. This compares to the April 2012 updated revenue requirement of \$156 million increased by \$2 million related to the reconciliation of 2011 actual costs for a net revenue requirement of \$158 million. The decrease in the revenue requirement was primarily driven by a lower authorized rate of return and reduced rate base, offset partially by higher depreciation and operating and maintenance costs. The 2013 net revenue requirement will become effective June 1, 2013, and is recovered over the period extending through May 31, 2014. The regulatory asset associated with the true-up is being amortized as the associated amounts are recovered through rates.

BGE's updated formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 8.35%, a decrease from the 8.43% return previously authorized. The decrease in return was primarily due to a debt issuance in 2012 and lower interest rates on BGE's debt outstanding. As part

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

of the FERC-approved settlement in 2006 of BGE's 2005 transmission rate case and updated by FERC's November 2007 order in BGE's 2007 incentive rate filing, the base rate of return on common equity for BGE's electric transmission business is 11.3%.

FERC Transmission Complaint (Exelon and BGE). On February 27, 2013, consumer advocates and regulators from the District of Columbia, New Jersey, Delaware and Maryland, and the Delaware Electric Municipal Cooperatives (the parties), filed a complaint at FERC against BGE and the Pepco Holdings, Inc. companies relating to their respective transmission formula rates. BGE's formula rate includes a 10.8% base rate of return on common equity for most investments included in its rate base. The parties seek a reduction in the base return on equity to 8.7% and changes to the formula rate process. FERC docketed the matter and set April 3, 2013 as the deadline for interventions, protests and answers. Under FERC rules, the earliest date from which the base return on equity could be adjusted and refunds required is the date of the complaint. On March 19, 2013, BGE filed a motion to dismiss or sever the complaint. As of March 31, 2013, BGE cannot predict the likelihood or a reasonable estimate of the amount of a change, if any, in the allowed base ROE, or a reasonable estimate of the refund period start date. While BGE cannot predict the outcome of this matter, if FERC orders a reduction of BGE's base ROE to 8.7%, the annual impact would be a reduction in revenues of approximately \$10 million.

PJM Transmission Rate Design and Operating Agreements (Exelon, ComEd, PECO and BGE). PJM Transmission Rate Design specifies the rates for transmission service charged to customers within PJM. Currently, ComEd, PECO and BGE incur costs based on the existing rate design, which charges customers based on the cost of the existing transmission facilities within their load zone and the cost of new transmission facilities based on those who benefit. In April 2007, FERC issued an order concluding that PJM's current rate design for existing facilities is just and reasonable and should not be changed. In the same order, FERC held that the costs of new facilities 500 kV and above should be socialized across the entire PJM footprint and that the costs of new facilities less than 500 kV should be allocated to the customers of the new facilities who caused the need for those facilities. After FERC ultimately denied all requests for rehearing on all issues, several parties filed petitions in the U.S. Court of Appeals for the Seventh Circuit for review of the decision. On August 6, 2009, that court issued its decision affirming FERC's order with regard to the costs of existing facilities but reversing and remanding to FERC for further consideration its decision with regard to the costs of new facilities 500 kV and above. On January 21, 2010, FERC issued an order establishing paper hearing procedures to supplement the record. 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. ComEd anticipates that all impacts of any rate design changes effective after December 31, 2006, should be recoverable through retail rates and, thus, the rate design changes are not expected to have a material impact on ComEd's results of operations, cash flows or financial position. PECO anticipates that all impacts of any rate design changes should be recoverable through the transmission service charge rider approved in PECO's 2010 electric distribution rate case settlement and, thus, the rate design changes are not expected to have a material impact on PECO's results of operations, cash flows or financial position. To the extent any rate design changes are retroactive to periods prior to January 1, 2011, there may be an impact on PECO's results of operations. BGE anticipates that all impacts of any rate design changes effective after the implementation of its standard offer service programs in Maryland should be recoverable through retail rates and, thus, the rate design changes are not expected to have a material impact on BGE's results of operations, cash flows or financial position.

On October 11, 2012, the PJM Transmission Owners filed with FERC a cost allocation for new transmission facilities asking that the new cost allocation methodology apply to all transmission approved by the PJM Board on or after February 1, 2013. The proposed methodology is a hybrid methodology that would socialize 50% of the costs of new facilities at 500kV and above and double-circuit 345kV lines, and allocate the remaining 50% to

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

direct beneficiaries. For all other facilities, the costs would be allocated to the direct beneficiaries. On March 22, 2013, FERC issued an order accepting the cost allocation with minor exceptions and requiring a compliance filing on those few issues within 120 days of the order.

PJM Minimum Offer Price Rule (Exelon and Generation). PJM's capacity market rules include a Minimum Offer Price Rule (MOPR) that is intended to preclude sellers from artificially suppressing the competitive price signals for generation capacity. The proceedings leading to the FERC's approval of the existing MOPR were extensive. The parties disputed numerous elements of the MOPR including: (i) the default price that should apply to bids found subject to the MOPR, (ii) the duration of the MOPR and (iii) the application of the MOPR to self-supplying capacity and state-sponsored capacity. The FERC orders approving the existing MOPR have been appealed to the Third Circuit Court of Appeals. A resolution of that appeal is not expected until sometime in late 2013.

In May 2012, PJM announced the results of its capacity auction covering 2015 and 2016. Several new units with state-sanctioned subsidy contracts cleared in the auction at prices below the MOPR. Potentially, states will expand such state-sanctioned subsidy programs or other states may seek to establish similar programs. Generation believes that further revisions to the MOPR are necessary to ensure that the potential to artificially reduce capacity auction prices is appropriately limited in PJM. In late December 2012, PJM filed a new MOPR for approval at the FERC, which Exelon believed would be more effective in preventing state-sanctioned subsidy contracts from artificially reducing capacity prices. Generation was actively involved in the process through which the MOPR changes were developed and supported the changes. On February 5, 2013, the FERC issued a letter finding that PJM's new MOPR filing is deficient and requested that PJM provide additional information on several aspects of PJM's MOPR proposal. In early March 2013, PJM filed the additional information requested by the FERC. On May 3, 2013, the FERC issued its order. While the FERC order accepted certain aspects of the proposal that Exelon supported (such as applying the MOPR to all of PJM and not just certain zones within PJM), the FERC required PJM to retain a key element of its previous MOPR structure, the unit-specific exemption, an element that Exelon had supported removing. Exelon is currently considering its options with respect to this proceeding.

Market Based Rates (Exelon, Generation, ComEd, PECO and BGE). Generation, ComEd, PECO and BGE are public utilities for purposes of the Federal Power Act and are required to obtain FERC's acceptance of rate schedules for wholesale electricity sales. Currently, Generation, ComEd, PECO and BGE have authority to execute wholesale electricity sales at market-based rates. As is customary with market-based rate schedules, FERC has reserved the right to suspend market-based rate authority on a retroactive basis if it subsequently determines that Generation, ComEd, PECO or BGE 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, Generation, ComEd, PECO and BGE have filed market power analyses using the prescribed market share screens to demonstrate that Generation, ComEd, PECO and BGE qualify for market-based rates in the regions where they are selling energy and capacity under market-based rate tariffs. These analyses must examine historic test period data and must be updated every three years on a prescribed schedule. The most recent updated analysis for the PJM and Northeast Regions was filed in late 2010, based on 2009 historic test period data. On June 22, 2011, FERC issued an order confirming Generation's continued authority to charge market based rates, based on Generation's most recent updated analysis filed in 2010, stating that any market power concerns are adequately addressed by PJM's monitoring and mitigation programs. Similarly, on June 29, 2012, Generation, ComEd, BGE and PECO filed their updated market power analysis for the Central Region which the FERC accepted on November 13, 2012, and on December 23, 2011, Generation filed its updated market power analysis for the Southeast Region which

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

the FERC accepted on October 10, 2012. On December 21, 2012, Generation, ComEd, BGE and PECO filed their updated market power analysis for the SPP region, and the FERC has not yet acted on this filing.

Reliability Pricing Model (Exelon, Generation and BGE). PJM's RPM auctions take place 36 months ahead of the scheduled delivery year. The most recent auction for the delivery year ending May 31, 2016 occurred in May 2012.

License Renewals (Exelon and Generation). On June 22, 2011, Generation submitted applications to the NRC to extend the operating licenses of Limerick Units 1 and 2 by 20 years. The current operating licenses for Limerick Units 1 and 2 expire in 2024 and 2029, respectively. In June 2012, the United States District Court of Appeals for the DC Circuit vacated the NRC's temporary storage rule on the grounds that the NRC should have conducted a more comprehensive environmental review to support the rule. The temporary storage rule (also referred to as the waste confidence decision) recognizes that licensees can safely store spent nuclear fuel at nuclear plants for up to 60 years beyond the original and renewed licensed operating life of the plants and that licensing renewal decisions do not require discussion of the environmental impact of spent fuel stored on site. In August 2012, the NRC placed a hold on issuing new or renewed operating licenses that depend on the temporary storage rule until the court's decision is addressed. In September 2012, the NRC directed NRC Staff to revise the temporary storage rule through rulemaking no later than September 6, 2014. Generation does not expect the NRC to issue license renewals until the end of 2014, at the earliest.

On August 29, 2012 and August 30, 2012, Generation submitted hydroelectric license applications to the FERC for 46-year licenses for the Conowingo Hydroelectric Project (Conowingo) and the Muddy Run Pumped Storage Facility Project (Muddy Run), respectively. Generation is working with stakeholders to resolve licensing issues, including: (1) water quality, (2) fish passage and habitat, and (3) sediment. In the third quarter 2013, Exelon expects to file a water quality certification application pursuant to Section 401 of the Clean Water Act with the MDE for Conowingo, and a water quality certification application pursuant to Section 401 of the Clean Water Act with the PA DEP for Muddy Run, addressing these and other issues. The stations are being depreciated over their useful lives, which includes the license renewal period. Although Generation expects that these licenses will be renewed, it cannot predict the conditions that may be imposed. Resolution of these issues may require a substantial increase in capital expenditures or may result in increased operating costs and significantly affect Generation's results of operations or financial position. Based on the latest FERC procedural schedule, the FERC licensing process is not expected to be completed prior to the expiration of Muddy Run's current license on August 31, 2014, and the expiration of Conowingo's license on September 1, 2014. However, the stations would continue to operate under annual licenses until FERC takes action on the 46-year license applications.

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

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

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

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

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd, PECO and BGE as of March 31, 2013 and December 31, 2012. For additional information on the specific regulatory assets and liabilities, refer to Note 3 of the Exelon 2012 Form 10-K.

March 31, 2013	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory assets								
Pension and other postretirement benefits(a)	\$ 308	\$ 3,685	\$	\$	\$	\$	\$	\$
Deferred income taxes	14	1,397	5	63		1,269	9	65
AMI programs	3	81	3	16		28		37
AMI meter events		17				17		
Under-recovered distribution service costs	52	203	52	203				
Debt costs	13	65	10	60	3	5	1	9
Fair value of BGE long-term debt(b)		245						
Fair value of BGE supply contract(c)	61	9						
Severance	29	23	25	6			4	17
Asset retirement obligations		92		67		25		
MGP remediation costs	56	223	49	189	6	32	1	2
RTO start-up costs	3	2	3	2				
Under-recovered uncollectible accounts	6		6					
Under-recovered electric universal service fund costs	4				4			
Financial swap with Generation			85					
Renewable energy and associated RECs	15	60	15	60				
Under-recovered energy and transmission costs	32		32					
DSP Program costs	1	3			1	3		
DSP II Program costs	2	2			2	2		
Deferred storm costs	3	5					3	5
Electric generation-related regulatory asset	13	40					13	40
Rate stabilization deferral	67	209					67	209
Energy efficiency and demand response programs	49	129					49	129
Merger integration costs(d)	1	7					1	7
Other	33	24	16	15	17	8		2
Total regulatory assets	\$ 765	6,521	\$ 301	\$ 681	\$ 33	\$ 1,389	\$ 148	\$ 522

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

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

March 31, 2013	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory liabilities								
Nuclear decommissioning	\$	\$ 2,530	\$	\$ 2,138	\$	\$ 392	\$	\$
Removal costs	98	1,417	77	1,199			21	218
Energy efficiency and demand response programs	145		43		102			
Electric distribution tax repairs	20	125			20	125		
Gas distribution tax repairs	8	43			8	43		
Over-recovered uncollectible accounts								
Over-recovered energy and transmission costs	85		6		71(e)		8(i)	
Over-recovered gas universal service fund costs	3				3			
Over-recovered AEPS costs	1				1			
Revenue subject to refund(f)	40		40					
Over-recovered electric and gas revenue decoupling(g)	15						15	
Other	3						3	
Total regulatory liabilities	\$ 418	\$ 4,115	\$ 166	\$ 3,337	\$ 205	\$ 560	\$ 47	\$ 218

December 31, 2012	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory assets								
Pension and other postretirement benefits(a)	\$ 304	\$ 3,673	\$	\$	\$	\$	\$	\$
Deferred income taxes	14	1,382	5	62		1,255	9	65
AMI programs	3	70	3	10		29		31
AMI meter events		17				17		
Under-recovered distribution service costs	18	191	18	191				
Debt costs	14	68	11	62	3	6	1	9
Fair value of BGE long-term debt(b)		256						
Fair value of BGE supply contract(c)	77	12						
Severance	29	28	25	12			4	16
Asset retirement obligations		90		65		25		
MGP remediation costs	58	232	51	197	6	33	1	2
RTO start-up costs	3	2	3	2				
Under-recovered electric universal service fund costs	11				11			
Financial swap with Generation			226					
Renewable energy and associated RECs	18	49	18	49				
Under-recovered energy and transmission costs	43		14		1(h)		28(i)	
DSP Program costs	1	3			1	3		
DSP II Program costs	1	2			1	2		
Deferred storm costs	3	6					3	6
Electric generation-related regulatory asset	16	40					16	40
Rate stabilization deferral	67	225					67	225
Energy efficiency and demand response programs	56	126					56	126
Under-recovered electric revenue decoupling(g)	5						5	
Other	23	25	14	16	9	8		2

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Total regulatory assets	\$ 764	\$ 6,497	\$ 388	\$ 666	\$ 32	\$ 1,378	\$ 190	\$ 522
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Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

December 31, 2012	Exelon		ComEd		PECO		BGE	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Regulatory liabilities								
Nuclear decommissioning	\$	\$ 2,397	\$	\$ 2,037	\$	\$ 360	\$	\$
Removal costs	97	1,406	75	1,192			22	214
Energy efficiency and demand response programs	131		43		88			
Electric distribution tax repairs	20	132			20	132		
Gas distribution tax repairs	8	46			8	46		
Over-recovered uncollectible accounts	6		6					
Over-recovered energy and transmission costs	54		6		48(e)			
Over-recovered gas universal service fund costs	3				3			
Over-recovered AEPS costs	2				2			
Revenue subject to refund(f)	40		40					
Over-recovered gas revenue decoupling(g)	7						7	
Total regulatory liabilities	\$ 368	\$ 3,981	\$ 170	\$ 3,229	\$ 169	\$ 538	\$ 29	\$ 214

- (a) Pension and other postretirement benefit regulatory assets include a regulatory asset established at the date of the merger related to BGE's portion of the deferred costs associated with legacy Constellation's pension and other postretirement benefit plans. That BGE-related regulatory asset is being amortized over a period of approximately 12 years, which generally represents the expected average remaining service period of plan participants at the date of the merger.
- (b) Represents the regulatory asset recorded at Exelon Corporate for the difference in the fair value of the long-term debt of BGE as of the merger date.
- (c) Represents the regulatory asset recorded at Exelon Corporate representing the fair value of BGE's supply contracts as of the close of the merger date. BGE is allowed full recovery of the costs of its electric and gas supply contracts through approved, regulated rates.
- (d) Relates to integration costs to achieve distribution synergies related to the merger transaction.
- (e) Includes \$39 million related to the over-recovered electric supply costs under the GSA, \$26 million related to the over-recovered natural gas costs under the PGC and \$6 million related to over-recovered electric transmission costs as of March 31, 2013. As of December 31, 2012, includes \$47 million related to the over-recovered electric supply costs under the GSA and \$1 million related to the over-recovered natural gas costs under the PGC.
- (f) Primarily represents the regulatory liability for revenue subject to refund recorded pursuant to the ICC's order in the 2007 Rate Case. See Note 3 of Exelon's 2012 Form 10-K for additional information regarding the 2007 Rate Case.
- (g) Represents the electric and gas distribution costs recoverable from or refundable to customers under BGE's decoupling mechanism. As of March 31, 2013, includes \$5 million of over-recovered electric distribution costs and \$10 million of over-recovered gas distribution costs under BGE's decoupling mechanism. As of December 31, 2012, relates to \$5 million of under-recovered electric distribution costs and \$7 million of over-recovered gas distribution costs under BGE's decoupling mechanism.
- (h) Relates to under-recovered transmission costs.
- (i) Relates to \$8 million of over-recovered natural gas supply costs as of March 31, 2013. As of December 31, 2012, includes to \$9 million of under-recovered electric supply costs and \$19 million of under-recovered natural gas supply costs.

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

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

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

ComEd, PECO and BGE are required, under separate legislation and regulations in Illinois, Pennsylvania and Maryland, respectively, to purchase certain receivables from retail electric and natural gas suppliers. For retail suppliers participating in the utilities' consolidated billing, ComEd, PECO and BGE must purchase their customer accounts receivables. ComEd and BGE purchase receivables at a discount to primarily recover uncollectible accounts expense from the suppliers. PECO is required to purchase receivables at face value and permitted to recover uncollectible accounts expense from customers through distribution rates. Exelon, ComEd, PECO and BGE do not record unbilled commodity receivables under the POR programs. Purchased billed receivables are classified in other accounts receivable, net on Exelon's, ComEd's, PECO's and BGE's Consolidated Balance Sheets. The following tables provide information about the purchased receivables of the Registrants as of March 31, 2013 and December 31, 2012.

As of March 31, 2013	Exelon	ComEd	PECO	BGE
Purchased receivables(a)	\$ 244	\$ 86	\$ 69	\$ 89
Allowance for uncollectible accounts(b)	(25)	(13)	(7)	(5)
Purchased receivables, net	\$ 219	\$ 73	\$ 62	\$ 84
As of December 31, 2012	Exelon	ComEd	PECO	BGE
Purchased receivables(a)	\$ 191	\$ 55	\$ 65	\$ 71
Allowance for uncollectible accounts(b)	(21)	(9)	(6)	(6)
Purchased receivables, net	\$ 170	\$ 46	\$ 59	\$ 65

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

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

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

As a result of the Constellation merger, Generation owns a 50.01% interest in CENG, a nuclear generation business. Generation's total equity in earnings (losses) on the investment in CENG is as follows:

	Three Months Ended March 31, 2013	For the Period March 12, through March 31, 2012
Equity investment income (loss)	\$ 15	\$ (9)
Amortization of basis difference in CENG	(27)	(12)

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Total equity in losses	CENG	\$	(12)	\$	(21)
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As of March 12, 2012, Generation had an initial basis difference of approximately \$204 million between the initial carrying value of its investment in CENG and its underlying equity in CENG. This basis difference resulted from the requirement to record the investment in CENG at fair value under purchase accounting while the underlying assets and liabilities within CENG continue to be accounted for on a historical cost basis. Generation is amortizing this basis difference over the respective useful lives of the assets and liabilities of CENG or as those assets and liabilities impact the earnings of CENG.

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

In future periods, Generation may be eligible for distributions from its investment in CENG in excess of its 50.01% ownership interest based on tax sharing provisions contained in the operating agreement for CENG. Through purchase accounting, Generation recorded the fair value of expected future distributions. Generation will record these distributions when realized as a reduction in its investment in CENG. Distributions realized in excess of the fair value recorded would be recorded in earnings in the period earned.

Related Party Transactions (Exelon and Generation)*CENG*

A wholly-owned subsidiary of Generation has an agreement under which it is purchasing 85% of the output of CENG's nuclear plants that is not sold to third parties under pre-existing firm and unit contingent PPAs through 2014. Beginning on January 1, 2015 and continuing to the end of the life of the respective plants, Generation will purchase on a unit contingent basis 50.01% of the output of CENG's nuclear plants, and EDF will purchase on a unit contingent basis 49.99% of the output.

In addition to the PPA, a subsidiary of Generation has a power services agency agreement (PSAA) with the CENG plants, which expires on December 31, 2014. The PSAA is a five-year agreement under which Generation provides scheduling, asset management and billing services to the CENG plants for a specified monthly fee. The charges for services reflect the cost of the service.

In addition to the PSAA, Exelon has a shared services agreement (SSA) with CENG, which expires in 2017. Pursuant to an agreement between Exelon and EDF, the pricing in the SSA for services reflect actual costs determined on the same basis that BSC charges its affiliates for similar services subject to an annual cap for most SSA services provided.

The impact of transactions under these agreements on Exelon's and Generation's Consolidated Financial Statements is summarized below:

Agreement	Income/(Expense)	Income/(Expense)	Income	Accounts
	Three Months Ended March 31, 2013	For the Period March 12 through March 31, 2012	Statement Classification	Receivable/ (Accounts Payable) At March 31, 2013
PPA	\$ (248)	\$ (35)	Purchased power and fuel	\$ (70)
PSAA	1	1	Operating revenues	
SSA	11	3	Operating revenues	4

7. Goodwill (Exelon and ComEd)*Goodwill*

Under the authoritative guidance for the accounting for goodwill, ComEd is required to perform an assessment for possible impairment of its goodwill at least annually or more frequently if an event occurs that would more likely than not reduce the fair value of the ComEd reporting unit below its carrying amount. Management concluded the remeasurement of the like-kind exchange position and the charge to ComEd's earnings in the first quarter of 2013 triggered an interim goodwill impairment assessment and, as a result, ComEd tested its goodwill for impairment as of January 31, 2013.

The first step of the interim impairment assessment comparing the estimated fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill; therefore, the second step was not required. Consistent with prior impairment tests, the estimated fair value of ComEd was determined using a

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

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

weighted combination of a discounted cash flow analysis and a market multiples analysis. The discounted cash flow analysis relies on a single scenario reflecting base case or management's best estimate of projected cash flows for ComEd's business. The discounted cash flow analysis used in the interim goodwill impairment assessment reflected Exelon's indemnity to hold ComEd harmless from any unfavorable impacts of the after-tax interest amounts related to the like-kind exchange position on ComEd's equity.

While the interim assessment indicated no impairment of ComEd's goodwill, certain assumptions used to estimate the fair value of the company are highly sensitive to changes. Adverse regulatory actions such as the early termination of EIMA or changes in significant assumptions, including the discount and growth rates, utility sector market performance and transactions, projected operating and capital cash flows from ComEd's business, and the fair value of debt, could potentially result in a future impairment of ComEd's goodwill, which could be material. Based on the results of the interim goodwill test, the estimated fair value of ComEd would have needed to decrease by more than 10 percent for ComEd to fail the first step of the impairment test.

8. Fair Value of Financial Assets and Liabilities (Exelon, Generation, ComEd, PECO and BGE)***Fair Value of Financial Liabilities Recorded at the Carrying Amount***

The following tables present the carrying amounts and fair values of the Registrants' short-term liabilities, long-term debt, SNF obligation, trust preferred securities (long-term debt to financing trusts or junior subordinated debentures), and preferred securities as of March 31, 2013 and December 31, 2012:

Exelon

	Carrying Amount	March 31, 2013 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$ 444	\$ 1	\$ 443	\$	\$ 444
Long-term debt (including amounts due within one year)	18,871		20,200	422	20,622
Long-term debt to financing trusts	648			662	662
SNF obligation	1,020		794		794
Preferred securities of subsidiary	87		93		93

	Carrying Amount	December 31, 2012 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$ 214	\$ 4	\$ 210	\$	\$ 214
Long-term debt (including amounts due within one year)	18,745		20,244	276	20,520
Long-term debt to financing trusts	648			664	664
SNF obligation	1,020		763		763
Preferred securities of subsidiary	87		82		82

Generation

	Carrying Amount	March 31, 2013 Fair Value			Total
		Level 1	Level 2	Level 3	

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Short-term liabilities	\$ 13	\$	\$ 13	\$	\$ 13
Long-term debt (including amounts due within one year)	7,621		7,621	405	8,026
SNF obligation	1,020		794		794

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

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

	Carrying Amount	December 31, 2012 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$	\$	\$	\$	\$
Long-term debt (including amounts due within one year)	7,483		7,591	258	7,849
SNF obligation <i>ComEd</i>	1,020		763		763

	Carrying Amount	March 31, 2013 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$ 220	\$	\$ 220	\$	\$ 220
Long-term debt (including amounts due within one year)	5,568		6,485	18	6,503
Long-term debt to financing trust	206			213	213

	Carrying Amount	December 31, 2012 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$	\$	\$	\$	\$
Long-term debt (including amounts due within one year)	5,567		6,530	18	6,548
Long-term debt to financing trust <i>PECO</i>	206			212	212

	Carrying Amount	March 31, 2013 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$ 210	\$	\$ 210	\$	\$ 210
Long-term debt (including amounts due within one year)	1,948		2,242		2,242
Long-term debt to financing trusts	184			188	188
Preferred securities	87		93		93

	Carrying Amount	December 31, 2012 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$ 210	\$	\$ 210	\$	\$ 210
Long-term debt (including amounts due within one year)	1,947		2,264		2,264
Long-term debt to financing trusts	184			188	188
Preferred securities <i>BGE</i>	87		82		82

March 31, 2013

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	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$	\$	\$	\$	\$
Long-term debt (including amounts due within one year)	2,178		2,464		2,464
Long-term debt to financing trusts	258			261	261

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

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

	Carrying Amount	December 31, 2012 Fair Value			Total
		Level 1	Level 2	Level 3	
Short-term liabilities	\$	\$	\$	\$	\$
Long-term debt (including amounts due within one year)	2,178		2,468		2,468
Long-term debt to financing trusts	258			263	263

Short-Term Liabilities. The short-term liabilities included in the tables above are comprised of short-term borrowings (Level 2), short-term notes payable related to PECO's accounts receivable agreement (Level 2), and dividends payable (Level 1). The Registrants' carrying amounts of the short-term liabilities are representative of fair value because of the short-term nature of these instruments. See Note 10 Debt and Credit Agreements for additional information on PECO's accounts receivable agreement.

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

Generation has fixed rate project financing debt (Level 3), the fair value of which is largely based on a discounted cash flow methodology that is similar to the taxable debt securities methodology described above. Due to the lack of market trading data on similar debt, for certain government-backed debt, discount rates are derived based on the original loan interest rate spread to the applicable Treasury rate as well as a current market curve derived from government-backed securities. Variable rate project financing debt resets on a quarterly basis and the carrying value approximates fair value.

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

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

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

Preferred Securities and Junior Subordinated Debentures. The fair value of these securities is determined based on the last closing price prior to quarter end, less accrued interest. The securities are registered with the

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

SEC and are public. On March 25, 2013, PECO issued a notice of redemption for all outstanding series of preferred securities with a redemption date of May 1, 2013. See Note 16 Earnings Per Share and Shareholders Equity for additional information.

Recurring Fair Value Measurements

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

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

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

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

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2013.

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

The following tables present assets and liabilities measured and recorded at fair value on Exelon's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2013 and December 31, 2012:

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents(a)	\$ 383	\$	\$	\$ 383
Nuclear decommissioning trust fund investments				
Cash equivalents	216			216
Equity				
Individually held	1,649			1,649
Commingled funds		2,073		2,073
Equity funds subtotal	1,649	2,073		3,722
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,039			1,039
Debt securities issued by states of the United States and political subdivisions of the states		328		328
Debt securities issued by foreign governments		108		108
Corporate debt securities		1,796		1,796
Federal agency mortgage-backed securities		23		23
Commercial mortgage-backed securities (non-agency)		43		43
Residential mortgage-backed securities (non-agency)		11		11
Mutual funds		26		26
Fixed income subtotal	1,039	2,335		3,374
Middle market lending			210	210
Other debt obligations		16		16
Nuclear decommissioning trust fund investments subtotal(b)	2,904	4,424	210	7,538
Pledged assets for Zion Station decommissioning				
Cash equivalents		41		41
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	138	10		148
Debt securities issued by states of the United States and political subdivisions of the states		29		29
Corporate debt securities		224		224
Federal agency mortgage-backed securities		29		29
Fixed income subtotal	138	292		430

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Middle market lending			104	104
Pledged assets for Zion Station decommissioning subtotal(c)	138	333	104	575
Rabbi trust investments				
Cash equivalents	1			1
Mutual funds(d)(e)	66			66
Rabbi trust investments subtotal	67			67

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

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

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Commodity mark-to-market derivative assets				
Economic hedges	801	2,535	554	3,890
Proprietary trading	764	1,637	176	2,577
Effect of netting and allocation of collateral(f)	(1,428)	(3,152)	(572)	(5,152)
Commodity mark-to-market assets subtotal(g)	137	1,020	158	1,315
Interest rate mark-to-market derivative assets		100		100
Effect of netting and allocation of collateral		(43)		(43)
Interest rate mark-to-market derivative assets subtotal		57		57
Other investments	2		9	11
Total assets	3,631	5,834	481	9,946
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(884)	(2,131)	(283)	(3,298)
Proprietary trading	(782)	(1,530)	(187)	(2,499)
Effect of netting and allocation of collateral(f)	1,597	3,216	572	5,385
Commodity mark-to-market liabilities subtotal(g)(h)	(69)	(445)	102	(412)
Interest rate mark-to-market derivative liabilities		(71)		(71)
Effect of netting and allocation of collateral		43		43
Interest rate mark-to-market derivative assets subtotal		(28)		(28)
Deferred compensation		(101)		(101)
Total liabilities	(69)	(574)	102	(541)
Total net assets	\$ 3,562	\$ 5,260	\$ 583	\$ 9,405
As of December 31, 2012				
Assets				
Cash equivalents(a)	\$ 995	\$	\$	\$ 995
Nuclear decommissioning trust fund investments				
Cash equivalents	245			245
Equity				
Individually held	1,480			1,480
Commingled funds		1,933		1,933
Equity funds subtotal	1,480	1,933		3,413
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,057			1,057

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Debt securities issued by states of the United States and political subdivisions of the states	321	321
Debt securities issued by foreign governments	93	93
Corporate debt securities	1,788	1,788
Federal agency mortgage-backed securities	24	24
Commercial mortgage-backed securities (non-agency)	45	45
Residential mortgage-backed securities (non-agency)	11	11
Mutual funds	23	23

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

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

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Fixed income subtotal	1,057	2,305		3,362
Middle market lending			183	183
Other debt obligations		15		15
Nuclear decommissioning trust fund investments subtotal(b)	2,782	4,253	183	7,218
Pledged assets for Zion decommissioning				
Cash equivalents		23		23
Equity				
Individually held	14			14
Commingled funds		9		9
Equity funds subtotal	14	9		23
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	118	12		130
Debt securities issued by states of the United States and political subdivisions of the states		37		37
Corporate debt securities		249		249
Federal agency mortgage-backed securities		49		49
Commercial mortgage-backed securities (non-agency)		6		6
Fixed income subtotal	118	353		471
Middle market lending			89	89
Other debt obligations		1		1
Pledged assets for Zion Station decommissioning subtotal(c)	132	386	89	607
Rabbi trust investments				
Cash equivalents	2			2
Mutual funds(d)(e)	69			69
Rabbi trust investments subtotal	71			71
Commodity mark-to-market derivative assets				
Economic hedges	861	3,173	641	4,675
Proprietary trading	1,042	2,078	73	3,193
Effect of netting and allocation of collateral(f)	(1,823)	(4,175)	(58)	(6,056)
Commodity mark-to-market assets subtotal(g)	80	1,076	656	1,812
Interest rate mark-to-market derivative assets		114		114
Effect of netting and allocation of collateral		(51)		(51)
Interest rate mark-to-market derivative assets subtotal		63		63
Other Investments	2		17	19

Total assets	4,062	5,778	945	10,785
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Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(1,041)	(2,289)	(236)	(3,566)
Proprietary trading	(1,084)	(1,959)	(78)	(3,121)
Effect of netting and allocation of collateral(f)	2,042	4,020	25	6,087
Commodity mark-to-market liabilities subtotal(g)(h)	(83)	(228)	(289)	(600)
Interest rate mark-to-market derivative liabilities		(84)		(84)
Effect of netting and allocation of collateral		51		51
Interest rate mark-to-market derivative liabilities subtotal		(33)		(33)
Deferred compensation		(102)		(102)
Total liabilities	(83)	(363)	(289)	(735)
Total net assets	\$ 3,979	\$ 5,415	\$ 656	\$ 10,050

- (a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.
- (b) Excludes net assets of \$21 million and \$30 million at March 31, 2013 and December 31, 2012, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.
- (c) Excludes net assets of \$5 million and \$7 million at March 31, 2013 and December 31, 2012, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.
- (d) The mutual funds held by the Rabbi trusts include \$51 million related to deferred compensation and \$15 million related to Supplemental Executive Retirement Plan at March 31, 2013, and \$53 million related to deferred compensation and \$16 million related to Supplemental Executive Retirement Plan at December 31, 2012. These funds are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.
- (e) Excludes \$29 million and \$28 million of the cash surrender value of life insurance investments at March 31, 2013 and December 31, 2012, respectively.
- (f) Includes collateral postings (received) from counterparties. Collateral (received) from counterparties, net of collateral paid to counterparties, totaled \$169 million, \$64 million and \$0 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of March 31, 2013. Collateral (received) from counterparties, net of collateral paid to counterparties, totaled \$219 million, \$(155) million and \$(33) million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2012.
- (g) The Level 3 balance does not include current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$85 million and \$0 million at March 31, 2013 and \$226 million and \$0 million at December 31, 2012, respectively, related to the fair value of Generation's financial swap contract with ComEd.
- (h) The Level 3 balance includes the current and noncurrent liability of \$15 million and \$60 million at March 31, 2013, respectively, and \$18 million and \$49 million at December 31, 2012, respectively, related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

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

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

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012:

	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Other Investments	Total
Three Months Ended March 31, 2013					
Balance as of December 31, 2012	\$ 183	\$ 89	\$ 367	\$ 17	\$ 656
Total realized / unrealized losses					
Included in net income	1		(127)(a)		(126)
Included in regulatory assets	1		(8)(b)		(7)
Change in collateral			33		33
Purchases, sales, issuances and settlements					
Purchases(c)	32	22	(5)(c)		49
Sales	(7)	(7)	(4)	(8)	(26)
Transfers into Level 3			4		4
Transfers out of Level 3					
Balance as of March 31, 2013	\$ 210	\$ 104	\$ 260	\$ 9	\$ 583

The amount of total losses included in income attributed to the change in unrealized gains (losses) related to assets and liabilities held for the three months ended March 31, 2013

	\$ 1	\$	\$ (79)	\$	\$ (78)
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- (a) Includes the reclassification of \$48 million of realized losses due to the settlement of derivative contracts recorded in results of operations for the three months ended March 31, 2013, respectively.
- (b) Excludes increases in fair value of \$8 million and realized losses reclassified due to settlements of \$133 million associated with Generation s financial swap contract with ComEd for the three months ended March 31, 2013, respectively. All items eliminate upon consolidation in Exelon s Consolidated Financial Statements.
- (c) Includes \$10 million which Generation was paid to enter into out of the money purchase contracts.

	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Other Investments	Total
Three Months Ended March 31, 2012					
Balance as of December 31, 2011	\$ 13	\$ 37	\$ 17	\$	\$ 67
Total realized / unrealized gains					
Included in net income			85(a)		85
Included in regulatory assets			(35)		(35)
Change in collateral			(36)		(36)
Purchases, sales, issuances and settlements					
Purchases(c)		6	329	14	349
Sales		(1)			(1)
Transfers out of Level 3			(1)		(1)

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Balance as of March 31, 2012	\$	13	\$	42	\$	359	\$	14	\$	428
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The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the three months ended March 31, 2012	\$		\$		\$	104	\$		\$	104
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(a) Includes the reclassification of \$19 million of realized losses due to the settlement of derivative contracts recorded in results of operations for the three months ended March 31, 2012.

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

(b) Includes \$135 million of increases in fair value and \$147 million of realized losses due to settlements during 2012 of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

(c) Includes \$323 million of fair value from contracts and \$14 million of other investments acquired as a result of the merger.

The following tables present the income statement classification of the total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012:

	Operating Revenues	Purchased Power and Fuel
Total gains (losses) included in net income for the three months ended March 31, 2013	\$ (159)	\$ 32
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2013	\$ (117)	\$ 38
	Operating Revenues	Purchased Power and Fuel
Total gains (losses) included in net income for the three months ended March 31, 2012	\$ 87	\$ (2)
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2012	\$ 115	\$ (11)

Generation

The following tables present assets and liabilities measured and recorded at fair value on Generation's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2013 and December 31, 2012:

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 56	\$	\$	\$ 56
Nuclear decommissioning trust fund investments				
Cash equivalents	216			216
Equity				
Individually held	1,649			1,649
Commingled funds		2,073		2,073
Equity funds subtotal	1,649	2,073		3,722
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,039			1,039
Debt securities issued by states of the United States and political subdivisions of the states		328		328
Debt securities issued by foreign governments		108		108
Corporate debt securities		1,796		1,796
Federal agency mortgage-backed securities		23		23
Commercial mortgage-backed securities (non-agency)		43		43
Residential mortgage-backed securities (non-agency)		11		11
Mutual funds		26		26

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Fixed income subtotal	1,039	2,335		3,374
Middle market lending			210	210
Other debt obligations		16		16
Nuclear decommissioning trust fund investments subtotal(b)	2,904	4,424	210	7,538

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

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

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Pledged assets for Zion Station decommissioning				
Cash equivalents		41		41
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	138	10		148
Debt securities issued by states of the United States and political subdivisions of the states		29		29
Corporate debt securities		224		224
Federal agency mortgage-backed securities		29		29
Fixed income subtotal	138	292		430
Middle market lending			104	104
Pledged assets for Zion Station decommissioning subtotal(c)	138	333	104	575
Rabbi trust investments				
Mutual funds (d)(e)	12			12
Rabbi trust investments subtotal	12			12
Commodity mark-to-market derivative assets				
Economic hedges	801	2,535	639	3,975
Proprietary trading	764	1,637	176	2,577
Effect of netting and allocation of collateral(f)	(1,428)	(3,152)	(572)	(5,152)
Commodity mark-to-market assets subtotal(g)	137	1,020	243	1,400
Interest rate mark-to-market derivative assets		88		88
Effect of netting and allocation of collateral		(43)		(43)
Interest rate mark-to-market derivative assets subtotal		45		45
Other investments	2		9	11
Total assets	3,249	5,822	566	9,637
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(884)	(2,131)	(208)	(3,223)
Proprietary trading	(782)	(1,530)	(187)	(2,499)
Effect of netting and allocation of collateral(f)	1,597	3,216	572	5,385
Commodity mark-to-market liabilities subtotal	(69)	(445)	177	(337)

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Interest rate mark-to-market derivative liabilities	(71)			(71)
Effect of netting and allocation of collateral	43			43
Interest rate mark-to-market derivative liabilities subtotal	(28)			(28)
Deferred compensation	(26)			(26)
Total liabilities	(69)	(499)	177	(391)
Total net assets	\$ 3,180	\$ 5,323	\$ 743	\$ 9,246

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

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

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents(a)	\$ 487	\$	\$	\$ 487
Nuclear decommissioning trust fund investments				
Cash equivalents	245			245
Equity				
Individually held	1,480			1,480
Commingled funds		1,933		1,933
Equity funds subtotal	1,480	1,933		3,413
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,057			1,057
Debt securities issued by states of the United States and political subdivisions of the states		321		321
Debt securities issued by foreign governments		93		93
Corporate debt securities		1,788		1,788
Federal agency mortgage-backed securities		24		24
Commercial mortgage-backed securities (non-agency)		45		45
Residential mortgage-backed securities (non-agency)		11		11
Mutual funds		23		23
Fixed income subtotal	1,057	2,305		3,362
Middle market lending			183	183
Other debt obligations		15		15
Nuclear decommissioning trust fund investments subtotal(b)	2,782	4,253	183	7,218
Pledged assets for Zion Station decommissioning				
Cash equivalents		23		23
Equity				
Individually held	14			14
Commingled funds		9		9
Equity funds subtotal	14	9		23
Fixed income				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	118	12		130
Debt securities issued by states of the United States and political subdivisions of the states		37		37
Corporate debt securities		249		249
Federal agency mortgage-backed securities		49		49
Commercial mortgage-backed securities (non-agency)		6		6
Fixed income subtotal	118	353		471
Middle market lending			89	89

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Other debt obligations		1		1
Pledged assets for Zion Station decommissioning subtotal(c)	132	386	89	607
Rabbi trust investments				
Cash equivalents	1			1
Mutual funds(d)(e)	13			13
Rabbi trust investments subtotal	14			14

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

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

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Commodity mark-to-market derivative assets				
Economic hedges	861	3,173	867	4,901
Proprietary trading	1,042	2,078	73	3,193
Effect of netting and allocation of collateral(f)	(1,823)	(4,175)	(58)	(6,056)
Commodity mark-to-market assets subtotal(g)	80	1,076	882	2,038
Interest rate mark-to-market derivative assets		101		101
Effect of netting and allocation of collateral		(51)		(51)
Interest rate mark-to-market derivative assets subtotal		50		50
Other investments	2		17	19
Total assets	3,497	5,765	1,171	10,433
Liabilities				
Commodity mark-to-market derivative liabilities				
Economic hedges	(1,041)	(2,289)	(169)	(3,499)
Proprietary trading	(1,084)	(1,959)	(78)	(3,121)
Effect of netting and allocation of collateral(f)	2,042	4,020	25	6,087
Commodity mark-to-market liabilities subtotal	(83)	(228)	(222)	(533)
Interest rate mark-to-market derivative liabilities		(84)		(84)
Effect of netting and allocation of collateral		51		51
Interest rate mark-to-market derivative liabilities		(33)		(33)
Deferred compensation		(28)		(28)
Total liabilities	(83)	(289)	(222)	(594)
Total net assets	\$ 3,414	\$ 5,476	\$ 949	\$ 9,839

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

(b) Excludes net assets of \$21 million and \$30 million at March 31, 2013 and December 31, 2012, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(c) Excludes net assets of \$5 million and \$7 million at March 31, 2013 and December 31, 2012, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, and payables related to pending securities purchases.

(d) The \$12 million mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.

(e) Excludes \$9 million and \$8 million of the cash surrender value of life insurance investments at March 31, 2013 and December 31, 2012, respectively.

(f) Includes collateral postings (received) from counterparties. Collateral (received) from counterparties, net of collateral paid to counterparties, totaled \$169 million, \$64 million and \$0 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of

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March 31, 2013. Collateral (received) from counterparties, net of collateral paid to counterparties, totaled \$219 million, \$(155) million and \$(33) million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2012.

- (g) The Level 3 balance includes current and noncurrent assets for Generation of \$85 million and \$0 million at March 31, 2013 and \$226 million and \$0 million at December 31, 2012, respectively, related to the fair value of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

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

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

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012:

	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Other Investments	Total
Three Months Ended March 31, 2013					
Balance as of December 31, 2012	\$ 183	\$ 89	\$ 660	\$ 17	\$ 949
Total realized / unrealized losses					
Included in net income	1		(144)(a)(b)		(143)
Included in other comprehensive income			(124)(b)		(124)
Included in noncurrent payables to affiliates	1				1
Change in collateral			33		33
Purchases, sales, issuances and settlements					
Purchases	32	22	(5)(c)		49
Sales	(7)	(7)	(4)	(8)	(26)
Transfers into Level 3			4		4
Transfers out of Level 3					
Balance as of March 31, 2013	\$ 210	\$ 104	\$ 420	\$ 9	\$ 743

The amount of total losses included in income attributed to the change in unrealized gains (losses) related to assets and liabilities held for the three months ended March 31, 2013	\$ 1	\$	\$ (86)	\$	\$ (85)
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- (a) Includes the reclassification of \$58 million of realized losses due to the settlement of derivative contracts recorded in results of operations.
(b) Includes \$8 million of increases in fair value and \$133 million of realized losses due to settlements during 2013 of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
(c) Includes \$10 million which Generation was paid to enter into out of the money purchase contracts.

	Nuclear Decommissioning Trust Fund Investments	Pledged Assets for Zion Station Decommissioning	Mark-to-Market Derivatives	Other Investments	Total
Three Months Ended March 31, 2012					
Balance as of December 31, 2011	\$ 13	\$ 37	\$ 817	\$	\$ 867
Total realized / unrealized losses					
Included in net income			74(a)		74
Included in other comprehensive income			(1)(b)		(1)
Change in collateral			(36)		(36)
Purchases, sales, issuances and settlements					
Purchases(c)		6	329	14	349
Sales		(1)			(1)
Transfers out of Level 3			(1)		(1)

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Balance as of March 31, 2012	\$	13	\$	42	\$	1,182	\$	14	\$	1,251
The amount of total gains included in income attributed to the change in unrealized gains related to assets and liabilities held for the three months ended March 31, 2012	\$		\$		\$	93	\$		\$	93

(a) Includes the reclassification of \$19 million of realized losses due to the settlement of derivative contracts recorded in results of operations.

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

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

(b) Includes \$135 million of increases in fair value and \$147 million of realized losses due to settlements during 2012 of Generation's financial swap contract with ComEd, which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

(c) Includes \$323 million of fair value from contracts and \$14 of other investments acquired as a result of the merger.

The following tables present the income statement classification of the total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012:

	Operating Revenues	Purchased Power and Fuel
Total gains (losses) included in net income for the three months ended March 31, 2013	\$ (176)	\$ 32
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2013	\$ (124)	\$ 38
	Operating Revenues	Purchased Power and Fuel
Total gains (losses) included in net income for the three months ended March 31, 2012	\$ 76	\$ (2)
Change in the unrealized gains (losses) relating to assets and liabilities held for the three months ended March 31, 2012	\$ 104	\$ (11)
<i>ComEd</i>		

The following tables present assets and liabilities measured and recorded at fair value on ComEd's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2013 and December 31, 2012:

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Rabbi trust investments				
Mutual funds(a)	\$ 7	\$	\$	\$ 7
Rabbi trust investments subtotal	7			7
Total assets	7			7
Liabilities				
Deferred compensation obligation		(9)		(9)
Mark-to-market derivative liabilities(b)(c)			(160)	(160)
Total liabilities		(9)	(160)	(169)
Total net assets (liabilities)	\$ 7	\$ (9)	\$ (160)	\$ (162)

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

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

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 111	\$	\$	\$ 111
Rabbi trust investments				
Mutual funds(a)	8			8
Rabbi trust investments subtotal	8			8
Total assets	119			119
Liabilities				
Deferred compensation obligation		(8)		(8)
Mark-to-market derivative liabilities(b)(c)			(293)	(293)
Total liabilities		(8)	(293)	(301)
Total net assets (liabilities)	\$ 119	\$ (8)	\$ (293)	\$ (182)

- (a) The mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.
- (b) The Level 3 balance includes the current liability of \$85 million at March 31, 2013, and \$226 million at December 31, 2012, related to the fair value of ComEd's financial swap contract with Generation which eliminates upon consolidation in Exelon's Consolidated Financial Statements.
- (c) The Level 3 balance includes the current and noncurrent liability of \$15 million and \$60 million at March 31, 2013, respectively, and \$18 million and \$49 million at December 31, 2012, respectively, related to floating-to-fixed energy swap contracts with unaffiliated suppliers. The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012:

Three Months Ended March 31, 2013	Mark-to-Market Derivatives
Balance as of December 31, 2012	\$ (293)
Total realized / unrealized gains included in regulatory assets(a)(b)	133
Balance as of March 31, 2013	\$ (160)

- (a) Includes \$8 million of decreases in fair value and realized losses due to settlements of \$133 million associated with ComEd's financial swap contract with Generation for the three months ended March 31, 2013. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes \$11 million of increases in the fair value and realized losses due to settlements of \$3 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers for the three months ended March 31, 2013.

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Three Months Ended March 31, 2012	Mark-to-Market Derivatives
Balance as of December 31, 2011	\$ (800)
Total unrealized / realized losses included in regulatory assets(a)(b)	(23)
Balance as of March 31, 2012	\$ (823)

- (a) Includes \$135 million of changes in the fair value and \$147 million of realized gains due to settlements associated with ComEd's financial swap with Generation. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.
- (b) Includes an increase in fair value of \$35 million associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.

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

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

PECO

The following tables present assets and liabilities measured and recorded at fair value on PECO's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2013 and December 31, 2012:

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 225	\$	\$	\$ 225
Rabbi trust investments				
Mutual funds(a)(b)	9			9
Rabbi trust investments subtotal	9			9
Total assets	234			234
Liabilities				
Deferred compensation obligation		(18)		(18)
Total liabilities		(18)		(18)
Total net assets (liabilities)	\$ 234	\$ (18)	\$	\$ 216
As of December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 346	\$	\$	\$ 346
Rabbi trust investments				
Mutual funds(a)(b)	9			9
Rabbi trust investments subtotal	9			9
Total assets	355			355
Liabilities				
Deferred compensation obligation		(18)		(18)
Total liabilities		(18)		(18)
Total net assets (liabilities)	\$ 355	\$ (18)	\$	\$ 337

(a) The mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets

(b) Excludes \$14 million and \$13 million of the cash surrender value of life insurance investments at March 31, 2013 and December 31, 2012, respectively.

PECO had no Level 3 assets or liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013.

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

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

BGE

The following tables present assets and liabilities measured and recorded at fair value on BGE's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2013 and December 31, 2012:

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 58	\$	\$	\$ 58
Rabbi trust investments				
Mutual funds(a)	5			5
Rabbi trust investments subtotal	5			5
Total assets	63			63
Liabilities				
Deferred compensation obligation		(5)		(5)
Total liabilities		(5)		(5)
Total net assets (liabilities)	\$ 63	\$ (5)	\$	\$ 58
As of December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$ 33	\$	\$	\$ 33
Rabbi trust investments				
Mutual funds(a)	5			5
Rabbi trust investments subtotal	5			5
Total assets	38			38
Liabilities				
Deferred compensation obligation		(5)		(5)
Total liabilities		(5)		(5)
Total net assets (liabilities)	\$ 38	\$ (5)	\$	\$ 33

(a) The mutual funds held by the Rabbi trusts are classified as Level 1 as they are valued based upon quoted prices (unadjusted) in active markets.

BGE had no Level 3 assets or liabilities measured at fair value on a recurring basis during the three months ended March 31, 2013 and 2012.

Valuation Techniques Used to Determine Fair Value

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

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

Nuclear Decommissioning Trust Fund Investments and Pledged Assets for Zion Station Decommissioning (Exelon and Generation). The trust fund investments have been established to satisfy Generation's nuclear decommissioning obligations as required by the NRC. The NDT funds hold debt and equity securities directly and indirectly through commingled funds. Generation's investment policies place limitations on the types and

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

investment grade ratings of the securities that may be held by the trusts. These policies limit the trust funds' exposures to investments in highly illiquid markets and other alternative investments. Investments with maturities of three months or less when purchased, including certain short-term fixed income securities are considered cash equivalents and included in the recurring fair value measurements hierarchy as Level 1.

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

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

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

Middle market lending funds are investments in loans or managed funds which invest in private companies. Generation elected the fair value option for its investments held by certain limited partnerships that invest in middle market lending managed funds. The fair value of these loans is determined using a combination of valuation models including cost models, market models, and income models. Investments in middle market lending are categorized as Level 3 because the fair value of these securities is based largely on inputs that are unobservable and utilize complex valuation models. Investments in middle market lending typically cannot be redeemed until maturity of the term loan.

Rabbi Trust Investments (Exelon, Generation, ComEd, PECO and BGE). The Rabbi trusts were established to hold assets related to deferred compensation plans existing for certain active and retired members of Exelon's executive management and directors. The investments in the Rabbi trusts are included in investments in the Registrants' Consolidated Balance Sheets. The investments are in fixed-income commingled funds and

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

mutual funds, including short-term investment funds. These funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of some of these funds are publicly quoted. For fixed-income commingled funds and mutual funds which are not publicly quoted, the fund administrators value the funds using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized as Level 2. Fixed-income commingled funds and mutual funds which are publicly quoted, such as money market funds, have been categorized as Level 1 given the clear observability of the prices.

Mark-to-Market Derivatives (Exelon, Generation, ComEd and PECO). Derivative contracts are traded in both exchange-based and non-exchange-based markets. Exchange-based derivatives that are valued using unadjusted quoted prices in active markets are categorized in Level 1 in the fair value hierarchy. Certain non-exchange-based derivatives' pricing is verified using indicative price quotations available through brokers or over-the-counter, on-line exchanges and are categorized in Level 2. These price quotations reflect the average of the bid-ask, mid-point prices and are obtained from sources that the Registrants believe provide the most liquid market for the commodity. The price quotations are reviewed and corroborated to ensure the prices are observable and representative of an orderly transaction between market participants. This includes consideration of actual transaction volumes, market delivery points, bid-ask spreads and contract duration. The remainder of non-exchange-based derivative contracts is valued using the Black model, an industry standard option valuation model. The Black model takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the future prices of energy, interest rates, volatility, credit worthiness and credit spread. For non-exchange-based derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs are generally observable. Such instruments are categorized in Level 2. The Registrants' non-exchange-based derivatives are predominately at liquid trading points. For non-exchange-based derivatives that trade in less liquid markets with limited pricing information, such as the financial swap contract between Generation and ComEd, model inputs generally would include both observable and unobservable inputs. These valuations may include an estimated basis adjustment from an illiquid trading point to a liquid trading point for which active price quotations are available. Such instruments are categorized in Level 3.

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

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

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)*****Additional Information Regarding Level 3 Fair Value Measurements (Exelon, Generation, ComEd)***

Mark-to-Market Derivatives (Exelon, Generation, ComEd). For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations whose contract tenure extends into unobservable periods. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. Exelon's RMC approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval, and the monitoring and reporting of risk exposures. The RMC is chaired by the chief risk officer and includes the chief financial officer, corporate controller, general counsel, treasurer, vice president of strategy, vice president of audit services and officers representing Exelon's business units. The RMC reports to the Exelon Board of Directors on the scope of the risk management activities and is responsible for approving all valuation procedures at Exelon. Forward price curves for the power market utilized by the front office to manage the portfolio, are reviewed and verified by the middle office, and used for financial reporting by the back office. The Registrants consider credit and nonperformance risk in the valuation of derivative contracts categorized in Level 2 and 3, including both historical and current market data in its assessment of credit and nonperformance risk by counterparty. Due to master netting agreements and collateral posting requirements, the impacts of credit and nonperformance risk were not material to the financial statements. Transfers in and out of levels are recognized as of the end of the reporting period the transfer occurred. Given derivatives categorized within Level 1 are valued using exchange-based quoted prices within observable periods, transfers between Level 2 and Level 1 generally do not occur. Transfers into Level 2 from Level 3 generally occur when the contract tenure becomes more observable. Transfers into Level 3 from level 2 generally occur due to changes in market liquidity or assumptions for certain commodity contracts.

Disclosed below is detail surrounding the Registrants' significant Level 3 valuations. The most significant position is the long term intercompany swap with ComEd, which is further discussed in Note 9 Derivative Financial Instruments. The calculated fair value includes marketability discounts for margining provisions and notional size. Generation's remaining Level 3 balance generally consists of forward sales and purchases of power and natural gas, coal purchases, transmission congestion contracts, and project financing debt. Generation utilizes various inputs and factors including market data and assumptions that market participants would use in pricing assets or liabilities as well as assumptions about the risks inherent in the inputs to the valuation technique. The inputs and factors include forward commodity prices, commodity price volatility, contractual volumes, delivery location, interest rates, credit quality of counterparties and credit enhancements.

For commodity derivatives, the primary input to the valuation models is the forward commodity price curve for each instrument. Forward commodity price curves are derived by risk management for liquid locations and by the traders and portfolio managers for illiquid locations. All locations are reviewed and verified by risk management considering published exchange transaction prices, executed bilateral transactions, broker quotes, and other observable or public data sources. The relevant forward commodity curve used to value each of the derivatives depends on a number of factors, including commodity type, delivery location, and delivery period. Price volatility varies by commodity and location. When appropriate, Generation discounts future cash flows using risk free interest rates with adjustments to reflect the credit quality of each counterparty for assets and Generation's own credit quality for liabilities. The level of observability of a forward commodity price is generally due to the delivery location and delivery period. Certain delivery locations including PJM West Hub (for power) and Henry Hub (for natural gas) are highly liquid and prices are observable for up to three years in the future. The observability period of volatility is generally shorter than the underlying power curve used in option valuations. The forward curve for a less liquid location is estimated by using the forward curve from the liquid location and applying a spread to represent the cost to transport the commodity to the delivery location.

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

This spread does not typically represent a majority of the instrument's market price. As a result, the change in fair value is closely tied to liquid market movements and not a change in the applied spread. The change in fair value associated with a change in the spread is generally immaterial. An average spread calculated across all Level 3 power and gas delivery locations is generally less than \$2.50 and \$0.15 for power and natural gas, respectively. Many of the commodity derivatives are short term in nature and thus a majority of the fair value may be based on observable inputs even though the contract as a whole must be classified as Level 3. See ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK for information regarding the maturity by year of the Registrant's mark-to-market derivative assets and liabilities.

On December 17, 2010, ComEd entered into several 20-year floating to fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. See Note 9 Derivative Financial Instruments for more information. The fair value of these swaps has been designated as a Level 3 valuation due to the long tenure of the positions and internal modeling assumptions. The modeling assumptions include using natural gas heat rates to project long term forward power curves adjusted by a renewable factor that incorporates time of day and seasonality factors to reflect accurate renewable energy pricing. In addition, marketability reserves are applied to the positions based on the tenor and supplier risk. The table below discloses the significant inputs to the forward curve used to value these positions.

Type of trade		Fair Value at March 31, 2013(d)	Valuation Technique	Unobservable Input	Range			
Mark-to-market derivatives	Economic Hedges (Generation)(a)	\$ 346	Discounted Cash Flow	Forward power price	\$14 - \$88			
				Forward gas price	\$3.43 - \$4.73			
				Option Model	Volatility percentage	28% - 177%		
Mark-to-market derivatives	Proprietary trading (Generation)(a)	\$ (11)	Discounted Cash Flow	Forward power price	\$16 - \$88			
				Option Model	Volatility percentage	14% - 34%		
				Mark-to-market derivatives	Transactions with affiliates (Generation and ComEd)(b)	\$ 85	Discounted Cash Flow	Marketability reserve
Mark-to-market derivatives (ComEd)	\$ (75)	Discounted Cash Flow	Forward heat rate(c)					8.5% - 9.5%
			Marketability reserve					3.5% - 8.3%
			Renewable factor	85% - 128%				

- a) The valuation techniques, unobservable inputs and ranges are the same for the asset and liability positions.
b) Includes current assets for Generation and current liabilities for ComEd of \$85 million, related to the fair value of the five-year financial swap contract between Generation and ComEd, which eliminates in consolidation.
c) Quoted forward natural gas rates are utilized to project the forward power curve for the delivery of energy at specified future dates. The natural gas curve is extrapolated beyond its observable period to the end of the contract's delivery.
d) The fair values do not include cash collateral held on level three positions which are immaterial as of March 31, 2013.

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The inputs listed above would have a direct impact on the fair values of the above instruments if they were adjusted. The significant unobservable inputs used in the fair value measurement of Generation's commodity

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

derivatives are forward commodity prices and for options is price volatility. Increases (decreases) in the forward commodity price in isolation would result in significantly higher (lower) fair values for long positions (contracts that give Generation the obligation or option to purchase a commodity), with offsetting impacts to short positions (contracts that give Generation the obligation or right to sell a commodity). Increases (decreases) in volatility would increase (decrease) the value for the holder of the option (writer of the option). Generally, a change in the estimate of forward commodity prices is unrelated to a change in the estimate of volatility of prices. An increase to the reserves listed above would decrease the fair value of the positions. An increase to the heat rate or renewable factors would increase the fair value accordingly. Generally, interrelationships exist between market prices of natural gas and power. As such, an increase in natural gas pricing would potentially have a similar impact on forward power markets.

Nuclear Decommissioning Trust Fund Investments and Pledged Assets for Zion Station Decommissioning (Exelon and Generation). For middle market lending the fair value of these loans is determined using a combination of valuations models including cost models, market models and income models. The valuation estimates are based on valuations of comparable companies, discounting the forecasted cash flows of the portfolio company, estimating the liquidation or collateral value of the portfolio company or its assets, considering offers from third parties to buy the portfolio company, its historical and projected financial results, as well as other factors that may impact value. Significant judgment is required in the applications of discounts or premiums applied to the prices of comparable companies for factors such as size, marketability and relative performance.

Because Generation relies on third party fund managers to develop the quantitative unobservable inputs without adjustment for the valuations of its middle market lending, quantitative information about significant unobservable inputs used in valuing these investments is not reasonably available to Generation. This includes information regarding the sensitivity of the fair values to changes in the unobservable inputs. Generation gains an understanding of the fund managers' inputs and assumptions used in preparing the valuations. Generation performed procedures to assess the reasonableness of the valuations. For a sample of its middle market lending, Generation reviewed independent valuations and reviewed the assumptions in the detailed pricing models used by the fund managers.

As of March 31, 2013, Generation has outstanding commitments to invest in middle market lending of approximately \$186 million. These commitments will be funded by Generation's existing nuclear decommissioning trust funds.

9. Derivative Financial Instruments (Exelon, Generation, ComEd, PECO and BGE)

The Registrants are exposed to certain risks related to ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk.

Commodity Price Risk (Exelon, Generation, ComEd, PECO and BGE)

To the extent the amount of energy Exelon generates differs from the amount of energy it has contracted to sell, the Registrants are exposed to market fluctuations in the prices of electricity, fossil fuels and other commodities. The Registrants employ established policies and procedures to manage their risks associated with market fluctuations by entering into physical and financial derivative contracts including swaps, futures, forwards, options and short-term and long-term commitments to purchase and sell energy and energy-related products. The Registrants believe these instruments, which are classified as either economic hedges or non-derivatives, mitigate exposure to fluctuations in commodity prices.

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

Derivative accounting guidance requires that derivative instruments be recognized as either assets or liabilities at fair value, with changes in fair value of the derivative recognized in earnings each period. Other accounting treatments are available through special election and designation, provided they meet specific, restrictive criteria both at the time of designation and on an ongoing basis. These alternative permissible accounting treatments include normal purchase normal sale (NPNS), cash flow hedge, and fair value hedge. For commodity transactions, effective with the date of merger with Constellation, Generation no longer utilizes the special election provided for by the cash flow hedge designation and de-designated all of its existing cash flow hedges prior to the merger. Because the underlying forecasted transactions remain at least reasonably possible, the fair value of the effective portion of these cash flow hedges was frozen in accumulated OCI and will be reclassified to results of operations when the forecasted purchase or sale of the energy commodity occurs, or becomes probable of not occurring. None of Constellation's designated cash flow hedges for commodity transactions prior to the merger were re-designated as cash flow hedges. The effect of this decision is that all derivative economic hedges for commodities are recorded at fair value through earnings for the combined company, referred to as economic hedges in the following tables. The Registrants have applied the NPNS scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements, and natural gas supply agreements. Non-derivative contracts for access to additional generation and certain sales to load-serving entities are accounted for primarily under the accrual method of accounting, which is further discussed in Note 19 Commitments and Contingencies of the Exelon 2012 Form 10-K. Additionally, Generation is exposed to certain market risks through its proprietary trading activities. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's overall energy marketing activities.

Economic Hedging. The Registrants are exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels, and other commodities associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies, and other factors. Within Exelon, Generation has the most exposure to commodity price risk. Generation uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including power sales, fuel and energy purchases, natural gas transportation and pipeline capacity agreements and other energy-related products marketed and purchased. In order to manage these risks, Generation may enter into fixed-price derivative or non-derivative contracts to hedge the variability in future cash flows from forecasted sales of energy and purchases of fuel and energy. The objectives for entering into such hedges include fixing the price for a portion of anticipated future electricity sales at a level that provides an acceptable return on electric generation operations, fixing the price of a portion of anticipated fuel purchases for the operation of power plants, and fixing the price for a portion of anticipated energy purchases to supply load-serving customers. The portion of forecasted transactions hedged may vary based upon management's policies and hedging objectives, the market, weather conditions, operational and other factors. Generation is also exposed to differences between the locational settlement prices of certain economic hedges and the hedged generating units. This price difference is actively managed through other instruments which include derivative congestion products, whose changes in fair value are recognized in earnings each period, and auction revenue rights, which are accounted for on an accrual basis.

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions that have not been hedged. Generation hedges commodity price risk on a ratable basis over three-year periods. As of March 31, 2013, the percentage of expected generation hedged for the major reportable segments was 98%-101%, 70%-73%, and 33%-36% for 2013, 2014, and 2015, respectively. The percentage of expected generation hedged is the amount of equivalent sales divided by the expected generation. Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted capacity. Equivalent sales represent all hedging products, which include economic hedges and certain non-derivative contracts including, Generation's sales to ComEd, PECO and BGE to serve their retail load.

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

ComEd has locked in a fixed price for a significant portion of its commodity price risk through the five-year financial swap contract with Generation that expires on May 31, 2013, which is discussed in more detail below. In addition, the physical contracts that Generation has entered into with ComEd and that ComEd has entered into with Generation and other suppliers as part of the ComEd power procurement process, which are further discussed in Note 3 Regulatory Matters of the Exelon 2012 Form 10-K, qualify and are accounted for under the NPNS exception. Based on the Illinois Settlement Legislation and ICC-approved procurement methodologies permitting ComEd to recover its electricity procurement costs from retail customers with no mark-up, ComEd's price risk related to power procurement is limited.

In order to fulfill a requirement of the Illinois Settlement Legislation, Generation and ComEd entered into a five-year financial swap contract effective August 28, 2007. The financial swap is designed to hedge spot market purchases, which, along with ComEd's remaining energy procurement contracts, meet its load service requirements. The remaining swap contract volume is 3,000 MWs through May 2013. The terms of the financial swap contract require Generation to pay the around-the-clock market price for a portion of ComEd's electricity supply requirement, while ComEd pays a fixed price. The contract is to be settled net, for the difference between the fixed and market pricing, and the financial terms only cover energy costs and do not cover capacity or ancillary services. The financial swap contract is a derivative financial instrument that was originally designated by Generation as a cash flow hedge. As discussed previously, effective with the date of merger with Constellation, Generation de-designated this swap as a cash flow hedge and began recording changes in fair value through current earnings as of that date. Generation records the fair value of the swap on its balance sheet and originally recorded changes in fair value to OCI. The value frozen in OCI as of the date of merger for this swap is reclassified into Generation's earnings as the swap settles. ComEd has not elected hedge accounting for this derivative financial instrument. Since the financial swap contract was deemed prudent by the Illinois Settlement Legislation, ComEd receives full cost recovery for the contract in rates and, therefore, the change in fair value each period is recorded as a regulatory asset or liability on ComEd's Consolidated Balance Sheets. See Note 3 Regulatory Matters of the Exelon 2012 Form 10-K for additional information regarding the Illinois Settlement Legislation. In Exelon's consolidated financial statements, all financial statement effects of the financial swap recorded by Generation and ComEd are eliminated.

On December 17, 2010, ComEd entered into several 20-year floating-to-fixed energy swap contracts with unaffiliated suppliers for the procurement of long-term renewable energy and associated RECs. Delivery under the contracts began in June 2012. Pursuant to the ICC's Order on December 19, 2012, ComEd's commitments under the existing long-term contracts for energy and associate RECs were reduced in the first quarter of 2013. These contracts are designed to lock in a portion of the long-term commodity price risk resulting from the renewable energy resource procurement requirements in the Illinois Settlement Legislation. ComEd has not elected hedge accounting for these derivative financial instruments. ComEd records the fair value of the swap contracts on its balance sheet. Because ComEd receives full cost recovery for energy procurement and related costs from retail customers, the change in fair value each period is recorded by ComEd as a regulatory asset or liability. See Note 5 Regulatory Matters for additional information.

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 5 - 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.

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

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 2012 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 2012 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.

BGE has contracts to procure SOS electric supply that are executed through a competitive procurement process approved by the MDPSC. The SOS rates charged recover BGE's wholesale power supply costs and include an administrative fee. The administrative fee includes an incremental cost component and a shareholder return component for commercial and industrial rate classes. BGE's price risk related to electric supply procurement is limited. BGE locks in fixed prices for all of its SOS requirements through full requirements contracts. Certain of BGE's full requirements contracts, which are considered derivatives, qualify for the normal purchases and normal sales scope exception under current derivative authoritative guidance. Other BGE full requirements contracts are not derivatives.

BGE provides natural gas to its customers under a MBR mechanism approved by the MDPSC. Under this mechanism, BGE's actual cost of gas is compared to a market index (a measure of the market price of gas in a given period). The difference between BGE's actual cost and the market index is shared equally between shareholders and customers. BGE must also secure fixed price contracts for at least 10%, but not more than 20%, of forecasted system supply requirements for flowing (i.e., non-storage) gas for the November through March period. These fixed-price contracts are not subject to sharing under the market-based rates incentive mechanism. BGE also ensures it has sufficient pipeline transportation capacity to meet customer requirements. All of BGE's natural gas supply and asset management agreements qualify for the normal purchases and normal sales exception and result in physical delivery.

Proprietary Trading. Generation also enters into certain energy-related derivatives for proprietary trading purposes. Proprietary trading includes all contracts entered into with the intent of benefiting from shifts or changes in market prices as opposed to those entered into with the intent of hedging or managing risk. Proprietary trading activities are subject to limits established by Exelon's RMC. The proprietary trading activities, which included settled physical sales volumes of 1,572 GWhs and 1,888 GWhs for the three months ended March 31, 2013 and 2012, respectively, are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's revenue from energy marketing activities. ComEd, PECO and BGE do not enter into derivatives for proprietary trading purposes.

Interest Rate Risk (Exelon, Generation, ComEd, PECO and BGE)

The Registrants use a combination of fixed-rate and variable-rate debt to manage interest rate exposure. The Registrants may also utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to manage their interest rate exposure. In addition, the Registrants may utilize interest rate

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

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

derivatives to lock in rate levels in anticipation of future financings, which are typically designated as cash flow hedges. These strategies are employed to manage interest rate risks. At March 31, 2013, Exelon had \$800 million of notional amounts of fixed-to-floating hedges outstanding and \$394 million of notional amounts of floating-to-fixed hedges outstanding. Assuming the fair value and cash flow interest rate hedges are 100% effective, a hypothetical 50 bps increase in the interest rates associated with unhedged variable-rate debt (excluding Commercial Paper and PECO Accounts Receivables Facility) and fixed-to-floating swaps would result in less than \$ 1 million decrease in Exelon Consolidated pre-tax income for the three months ended March 31, 2013. Below is a summary of the interest rate hedges as of March 31, 2013.

Description	Derivatives Designated as		Generation		Subtotal	Other Derivatives Designated as		Exelon Total
	Hedging Instruments	Economic Hedges	Proprietary Trading (a)	Collateral and Netting (b)		Hedging Instruments	Total	
Mark-to-market derivative assets (Current Assets)	\$	\$ 3	\$ 19	\$ (18)	\$ 4	\$	\$ 4	
Mark-to-market derivative assets (Noncurrent Assets)	34	7	25	(25)	41	12	53	
Total mark-to-market derivative assets	\$ 34	\$ 10	\$ 44	\$ (43)	\$ 45	\$ 12	\$ 57	
Mark-to-market derivative liabilities (Current Liabilities)	\$ (1)	\$ (1)	\$ (17)	\$ 18	\$ (1)	\$	\$ (1)	
Mark-to-market derivative liabilities (Noncurrent liabilities)	(26)		(26)	25	(27)		(27)	
Total mark-to-market derivative liabilities	\$ (27)	\$ (1)	\$ (43)	\$ 43	\$ (28)	\$	\$ (28)	
Total mark-to-market derivative net assets (liabilities)	\$ 7	\$ 9	\$ 1	\$	\$ 17	\$ 12	\$ 29	

(a) Generation enters into interest rate derivative contracts to economically hedge risk associated with the interest rate component of commodity positions. The characterization of the interest rate derivative contracts between the proprietary trading activity in the above table is driven by the corresponding characterization of the underlying commodity position that gives rise to the interest rate exposure. Generation does not utilize interest rate derivatives with the objective of benefiting from shifts or changes in market interest rates.

(b) Represents the netting of fair value balances with the same counterparty and any associated cash collateral.

Fair Value Hedges. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Exelon includes the gain or loss on the hedged items and the offsetting loss or gain on the related interest rate swaps in interest expense as follows:

Income Statement Classification	Loss on Swaps		Gain (Loss) on Borrowings	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2013	2012	2013	2012
Interest expense(a)	\$ (4)	\$ (3)	\$ (1)	\$ 1

- (a) For the three months ended March 31, 2013, the loss on the swaps in the table above includes \$4 million reclassified to earnings, with an immaterial amount excluded from hedge effectiveness testing.

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

At March 31, 2013 and December 31, 2012, Exelon had \$650 million of notional amounts of fixed-to-floating fair value hedges outstanding related to interest rate swaps, with unrealized gain of \$44 million and \$49 million, respectively, which expire in 2015. Upon merger closing, \$550 million of fixed-to-floating interest rate swaps previously at Constellation with a fair value of \$44 million, as of March 12, 2012, were re-designated as fair value hedges. During the three months ended March 31, 2013 and March 31, 2012, the impact of loss on the results of operations as a result of ineffectiveness from fair value hedges was immaterial.

Cash Flow Hedges. In connection with the DOE guaranteed loan for the Antelope Valley acquisition, as discussed in Note 10 Debt and Credit Agreements, Generation entered into a floating-to-fixed forward starting interest rate swap with a notional amount of \$485 million and a mandatory early termination date of April 5, 2014, by which date Generation anticipates the DOE loan to be fully drawn. The swap hedges approximately 75% of Generation's future interest rate exposure associated with the financing and was designated as a cash flow hedge. As such, the effective portion of the hedge will be recorded in other comprehensive income within Generation's Consolidated Balance Sheets, with any ineffectiveness recorded in Generation's Consolidated Statements of Operations and Comprehensive Income. Net gains (or losses) from settlement of the hedges, to the extent effective, will be amortized as an adjustment to the interest expense over the term of the DOE guaranteed loan.

Every time Generation draws down on the loan, an offsetting hedge (fixed-to-floating) is executed and a portion of the cash flow hedge, with a notional amount equal to the offsetting hedge, is de-designated and the related gains or losses going forward will be reflected in earnings, which is largely offset by the losses or gains in the offsetting hedge.

Antelope Valley received its first loan advance on April 5, 2012, and several additional advances subsequently. Generation has entered into a series of fixed-to-floating interest rate swaps with an aggregated notional amount of \$273 million, 75% of the loan advance amount to offset portions of the original interest rate hedge, which are not designated as cash flow hedges. The remaining cash flow hedge has a notional amount of \$211 million. At March 31, 2013, Generation's mark-to-market non-current derivative liability relating to the interest rate swaps in connection with the loan agreement to fund Antelope Valley was \$23 million.

During the third quarter of 2011, a subsidiary of Constellation entered into floating-to-fixed interest rate swaps to manage a portion of the interest rate exposure for anticipated long-term borrowings to finance Sacramento PV Energy. The swaps have a total notional amount of \$29 million as of March 31, 2013 and expire in 2027. After the closing of the merger with Constellation, the swaps were re-designated as cash flow hedges. At March 31, 2013, the subsidiary had an immaterial current and a \$3 million non-current derivative liability related to these swaps.

During the third quarter of 2012, a subsidiary of Exelon Generation entered into a floating-to-fixed interest rate swap to manage a portion of the interest rate exposure of anticipated long-term borrowings to finance Constellation Solar Horizons. The swap has a notional amount of \$29 million as of March 31, 2013 and expires in 2030. This swap is designated as a cash flow hedge. At March 31, 2013, the subsidiary had an immaterial current derivative liability and an immaterial non-current derivative asset related to the swap.

During the third quarter of 2012 and first quarter of 2013, Exelon entered into \$125 million floating-to-fixed interest rate hedges to manage interest rate risks associated with anticipated future debt issuance. These swaps are designated as cash flow hedges. At March 31, 2013, Exelon had a \$2 million non-current derivative asset related to these swaps.

During the three months ended March 31, 2013 and 2012, the impact on the results of operations as a result of ineffectiveness from cash flow hedges was immaterial.

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Economic Hedges. At March 31, 2013, Exelon had \$150 million of notional amounts of fixed-to-floating interest rate swaps that are marked-to-market, with unrealized gains of \$4 million. These swaps, which were acquired as part of the merger with Constellation, expire in 2014. During the three months ended March 31, 2013 and the period from March 12 to March 31, 2012, the impact on the results of operations was immaterial.

Fair Value Measurement and Accounting for the Offsetting of Amounts Related to Certain Contracts (Exelon, Generation, ComEd, PECO and BGE)

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 Consolidated 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 Consolidated 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 either as the contracts deliver, when collateral is requested or in the event of default. Generation's use of cash collateral is generally unrestricted unless Generation is downgraded below investment grade (i.e. to BB+ or Ba1). In the table below, Generation's energy related economic hedges and proprietary trading derivatives are shown gross and the impact of the netting of fair value balances with the same counterparty that are subject to legally enforceable master netting agreements, as well as netting of cash collateral, is aggregated in the collateral and netting column. As of March 31, 2013 and December 31, 2012, \$2 million and \$3 million, respectively, of cash collateral received was not offset against derivative positions because they were not associated with energy-related derivatives or as of the balance sheet date there were no positions to offset. Excluded from the tables below are economic hedges that qualify for the NPNS scope exception and other non-derivative contracts that are accounted for under the accrual method of accounting.

ComEd's use of cash collateral is generally unrestricted unless ComEd is downgraded below investment grade (i.e. to BB+ or Ba1).

Cash collateral held by PECO and BGE must be deposited in a non affiliate major U.S. commercial bank or foreign bank with a U.S. branch office that meet certain qualifications.

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

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

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of March 31, 2013:

Derivatives	Generation			Subtotal (c)	ComEd		Exelon Total Derivatives
	Economic Hedges(a)	Proprietary Trading	Collateral and Netting(b)		Economic Hedges (a)(d)	Intercompany Eliminations (a)	
Mark-to-market derivative assets (current assets)	\$ 2,475	\$ 1,989	\$ (3,802)	\$ 662	\$	\$	\$ 662
Mark-to-market derivative assets with affiliate (current assets)	85			85		(85)	
Mark-to-market derivative assets (noncurrent assets)	1,415	588	(1,350)	653			653
Total mark-to-market derivative assets	\$ 3,975	\$ 2,577	\$ (5,152)	\$ 1,400	\$	\$ (85)	\$ 1,315
Mark-to-market derivative liabilities (current liabilities)	\$ (2,218)	\$ (1,946)	\$ 3,999	\$ (165)	\$ (15)	\$	\$ (180)
Mark-to-market derivative liability with affiliate (current liabilities)					(85)	85	
Mark-to-market derivative liabilities (noncurrent liabilities)	(1,005)	(553)	1,386	(172)	(60)		(232)
Total mark-to-market derivative liabilities	\$ (3,223)	\$ (2,499)	\$ 5,385	\$ (337)	\$ (160)	\$ 85	\$ (412)
Total mark-to-market derivative net assets (liabilities)	\$ 752	\$ 78	\$ 233	\$ 1,063	\$ (160)	\$	\$ 903

- (a) Includes current assets for Generation and current liabilities for ComEd of \$85 million related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above.
- (b) Exelon and Generation net all available amounts allowed under the derivative accounting guidance on the balance sheet. These amounts include unrealized derivative transactions with the same counterparty under legally enforceable master netting agreements and cash collateral. In some cases Exelon and Generation may have other offsetting exposures, subject to a master netting or similar agreement, such as trade receivables and payables, transactions that do not qualify as derivatives, letters of credit and other forms of non-cash collateral. These are not reflected in the table above.
- (c) Current and noncurrent assets are shown net of collateral of \$(98) million and \$70 million, respectively, and current and noncurrent liabilities are shown net of collateral of \$(99) million and \$(106) million, respectively. The total cash collateral posted, net of cash collateral received and offset against mark-to-market assets and liabilities was \$233 million at March 31, 2013.
- (d) Includes current and noncurrent liabilities relating to floating-to-fixed energy swap contracts with unaffiliated suppliers.

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

The following table provides a summary of the derivative fair value balances recorded by the Registrants as of December 31, 2012:

Derivatives	Generation			Subtotal (c)	ComEd		Exelon Total Derivatives
	Economic Hedges(a)	Proprietary Trading	Collateral and Netting(b)		Economic Hedges (a)(d)	Intercompany Eliminations (a)	
Mark-to-market derivative assets (current assets)	\$ 2,883	\$ 2,469	\$ (4,418)	\$ 934	\$	\$	\$ 934
Mark-to-market derivative assets with affiliate (current assets)	226			226		(226)	
Mark-to-market derivative assets (noncurrent assets)	1,792	724	(1,638)	878			878
Mark-to-market							
Total mark-to-market derivative assets	\$ 4,901	\$ 3,193	\$ (6,056)	\$ 2,038	\$	\$ (226)	\$ 1,812
Mark-to-market derivative liabilities (current liabilities)	\$ (2,419)	\$ (2,432)	\$ 4,519	\$ (332)	\$ (18)	\$	\$ (350)
Mark-to-market derivative liability with affiliate (current liabilities)					(226)	226	
Mark-to-market derivative liabilities (noncurrent liabilities)	(1,080)	(689)	1,568	(201)	(49)		(250)
Mark-to-market							
Total mark-to-market derivative liabilities	\$ (3,499)	\$ (3,121)	\$ 6,087	\$ (533)	\$ (293)	\$ 226	\$ (600)
Total mark-to-market derivative net assets (liabilities)	\$ 1,402	\$ 72	\$ 31	\$ 1,505	\$ (293)	\$	\$ 1,212

- (a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of \$226 million related to the fair value of the five-year financial swap contract between Generation and ComEd, as described above. For Generation excludes \$28 million noncurrent liability relating to an interest rate swap in connection with a loan agreement to fund Antelope Valley as discussed above.
- (b) Exelon and Generation net all available amounts allowed under the derivative accounting guidance on the balance sheet. These amounts include unrealized derivative transactions with the same counterparty under legally enforceable master netting agreements and cash collateral. In some cases Exelon and Generation may have other offsetting exposures, subject to a master netting or similar agreement, such as trade receivables and payables, transactions that do not qualify as derivatives, and letters of credit. These are not reflected in the table above.
- (c) Current and noncurrent assets are shown net of collateral of \$113 million and \$201 million, respectively, and current and noncurrent liabilities are shown net of collateral of \$ (214) million and \$ (131) million, respectively. The total cash collateral received, net of cash collateral posted and offset against mark-to-market assets and liabilities was \$31 million at December 31, 2012.
- (d) Includes current and noncurrent liabilities relating to floating-to-fixed energy swap contracts with unaffiliated suppliers. *Cash Flow Hedges (Exelon, Generation and ComEd).* As discussed previously, effective prior to the merger with Constellation, Generation de-designated all of its cash flow hedges relating to commodity price risk. Because the underlying forecasted transactions remain at least reasonably possible, the fair value of the effective portion of these cash flow hedges was frozen in accumulated OCI and will be reclassified to results of operations when the forecasted purchase or sale of the energy commodity occurs, or becomes probable of not occurring.

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

Generation began recording prospective changes in the fair value of these instruments through current earnings from the date of de-designation. The net unrealized gains associated with the de-designated cash flow hedges prior to the merger was \$1,928 million including \$693 million related to the intercompany swap with ComEd. Approximately \$404 million of these net pre-tax unrealized gains within accumulated OCI are expected to be reclassified from accumulated OCI during the next twelve months by Generation, including approximately \$95 million related to the financial swap with ComEd. Generation expects the settlement of the majority of its cash flow hedges, including the ComEd financial swap contract, will occur during 2013 through 2014.

Exelon discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item or when it is no longer probable that the forecasted transaction will occur. For the three months ended March 31, 2013 and 2012, amounts reclassified into earnings as a result of the discontinuance of cash flow hedges were immaterial.

The tables below provide the activity of accumulated OCI related to cash flow hedges for the three months ended March 31, 2013 and 2012, containing information about the changes in the fair value of cash flow hedges and the reclassification from accumulated OCI into results of operations. The amounts reclassified from accumulated OCI, when combined with the impacts of the actual physical power sales, result in the ultimate recognition of net revenues at the contracted price.

	Income Statement Location	Total Cash Flow Hedge OCI Activity, Net of Income Tax	
		Generation Energy-Related Hedges	Exelon Total Cash Flow Hedges
Three Months Ended March 31, 2013			
Accumulated OCI derivative gain at December 31, 2012		\$ 532(a)(c)	\$ 368
Effective portion of changes in fair value			(1)(d)
Reclassifications from accumulated OCI to net income	Operating Revenues	(135)(b)	(58)
Accumulated OCI derivative gain at March 31, 2013		\$ 397(a)(c)	\$ 309

(a) Includes \$58 million and \$133 million of gains, net of taxes, related to the fair value of the five-year financial swap contract with ComEd, as of March 31, 2013 and December 31, 2012, respectively.

(b) Includes \$75 million of losses, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to the settlements of the five-year financial swap contract with ComEd.

(c) Excludes \$16 million of losses and \$20 million of losses net of taxes, related to interest rate swaps and treasury rate locks as of March 31, 2013 and December 31, 2012, respectively.

(d) Includes \$3 million of losses, net of taxes, related to the effective portion of changes in fair value of interest rate swaps and treasury rate locks.

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

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

	Income Statement Location	Total Cash Flow Hedge OCI Activity, Net of Income Tax	
		Generation Energy-Related Hedges	Exelon Total Cash Flow Hedges
Three Months Ended March 31, 2012			
Accumulated OCI derivative gain at December 31, 2011		\$ 925(a)(c)	\$ 488
Effective portion of changes in fair value		432(e)	317(d)
Reclassifications from accumulated OCI to net income	Operating Revenues	(194)(b)	(105)
Ineffective portion recognized in income	Purchased Power	3	3
Accumulated OCI derivative gain at March 31, 2012		\$ 1,166(a)(c)	\$ 703

- (a) Includes \$419 million and \$420 million of gains, net of taxes, related to the fair value of the five-year financial swap contract with ComEd at March 31, 2012 and December 31, 2011, respectively.
- (b) Includes a \$89 million of losses, net of taxes, reclassified from accumulated OCI to recognize gains in net income related to the settlements of the five-year financial swap contract with ComEd.
- (c) Excludes \$12 million of gains and \$10 million of losses, net of tax, related to interest rate swaps and treasury rate locks for the three months ended March 31, 2012 and the year ended December 31, 2011, respectively.
- (d) Includes \$12 million of losses, net of taxes, related to the effective portion of changes in fair value of interest rate swaps and treasury rate locks.
- (e) Includes \$88 million of gains, net of taxes, related to the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the period ended March 9, 2012.

During the three months ended March 31, 2013 and 2012, Generation's former energy related cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a \$ 223 million and a \$320 million pre-tax gain, respectively. Given that the cash flow hedges had primarily consisted of forward power sales and power swaps and did not include power and gas options or sales, the ineffectiveness of Generation's cash flow hedges was primarily the result of differences between the locational settlement prices of the cash flow hedges and the hedged generating units. This price difference was actively managed through other instruments, which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights. Changes in cash flow hedge ineffectiveness, were losses of \$ 5 million for the three months ended March 31, 2012.

Exelon's former energy-related cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a \$ 99 million and a \$173 million pre-tax gain for the three months ended March 31, 2013 and 2012, respectively. Changes in cash flow hedge ineffectiveness was losses of \$ 5 million for the three months ended March 31, 2012. Neither Exelon nor Generation will incur changes in cash flow hedge ineffectiveness in future periods as all energy-related cash flow hedge positions were de-designated prior to the merger date.

Economic Hedges (Exelon and Generation). These instruments represent hedges that economically mitigate exposure to fluctuations in commodity prices and include financial options, futures, swaps, and physical forward sales and purchases but for which the fair value or cash flow hedge elections were not made. For the three months ended March 31, 2013 and 2012, the following net pre-tax mark-to-market gains (losses) of certain purchase and sale contracts were reported in operating revenues or purchased power and fuel expense at Exelon and Generation in the Consolidated Statements of Operations and Comprehensive Income and are included in Net fair value changes related to derivatives in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, Change in fair value represents the change in fair value of the

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

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

derivative contracts held at the reporting date. The Reclassification to realized at settlement represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Operating Revenues	Generation Purchased Power and Fuel	Total	Intercompany Eliminations Operating Revenues(a)	Exelon Total
Three Months Ended March 31, 2013					
Change in fair value	\$ (485)	\$ 149	\$ (336)	\$ 7	\$ (329)
Reclassification to realized at settlement	(101)	34	(67)	10	(57)
Net mark-to-market gains (losses)	\$ (586)	\$ 183	\$ (403)	\$ 17	\$ (386)

	Operating Revenues	Exelon and Generation Purchased Power and Fuel	Total	Intercompany Eliminations Operating Revenues(a)	Exelon Total
Three Months Ended March 31, 2012					
Change in fair value	\$ 138	\$ (40)	\$ 98	\$ 11	\$ 109
Reclassification to realized at settlement	(60)	27	(33)		(33)
Net mark-to-market gains (losses)	\$ 78	\$ (13)	\$ 65	\$ 11	\$ 76

(a) Prior to the merger, the five-year financial swap contract between Generation and ComEd was de-designated. As a result, all prospective changes in fair value are recorded to operating revenues and eliminated in consolidation.

Proprietary Trading Activities (Exelon and Generation). For the three months ended March 31, 2013 and 2012, Exelon and Generation recognized the following net unrealized mark-to-market gains (losses), net realized mark-to-market gains (losses) and total net mark-to-market gains (losses) (before income taxes) relating to mark-to-market activity on derivative instruments entered into for proprietary trading purposes. Gains and losses associated with proprietary trading are reported as operating revenue in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and are included in Net fair value changes related to derivatives in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, Change in fair value represents the change in fair value of the derivative contracts held at the reporting date. The Reclassification to realized at settlement represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Location on Income Statement	Three Months Ended March 31,	
		2013	2012
Change in fair value	Operating Revenues	\$ (4)	\$ 2
Reclassification to realized at settlement	Operating Revenues	6	1
Net mark-to-market gains (losses)	Operating Revenues	\$ 2	\$ 3

Credit Risk (Exelon, Generation, ComEd, PECO and BGE)

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The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties that enter into derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. For energy-related derivative instruments, Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with

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

respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allow for cross product netting. In addition to payment netting language in the enabling agreement, Generation's credit department establishes credit limits, margining thresholds and collateral requirements for each counterparty, which are defined in the derivative contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings by credit rating agencies, and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

The following tables provide information on Generation's credit exposure for all derivative instruments, NPNS, and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of March 31, 2013. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties. The figures in the tables below do not include credit risk exposure from uranium procurement contracts or exposure through RTOs, ISOs, NYMEX, ICE and Nodal commodity exchanges, further discussed in ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. Additionally, the figures in the tables below do not include exposures with affiliates, including net receivables with ComEd, PECO and BGE of \$44 million, \$59 million and \$25 million, respectively.

Rating as of March 31, 2013	Total Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number of Counterparties Greater than 10% of Net Exposure	Net Exposure of Counterparties Greater than 10% of Net Exposure
Investment grade	\$ 1,459	\$ 184	\$ 1,275	1	\$ 387
Non-investment grade	49	29	20		
No external ratings					
Internally rated investment grade	403	5	398	1	252
Internally rated non-investment grade	44	1	43		
Total	\$ 1,955	\$ 219	\$ 1,736	2	\$ 639

	As of March 31, 2013
Net Credit Exposure by Type of Counterparty	
Investor-owned utilities, marketers and power producers	\$ 515
Energy cooperatives and municipalities	824
Financial institutions	352
Other	45
Total	\$ 1,736

ComEd's power procurement contracts provide suppliers with a certain amount of unsecured credit. The credit position is based on forward market prices compared to the benchmark prices. The benchmark prices are the forward prices of energy projected through the contract term and are set at the point of supplier bid submittals. If the forward market price of energy exceeds the benchmark price, the suppliers are required to post collateral for the secured credit portion after adjusting for any unpaid deliveries and unsecured credit allowed under the contract. The unsecured credit used by the suppliers represents ComEd's net credit exposure. As of March 31, 2013, ComEd's credit exposure to suppliers was immaterial.

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

ComEd is permitted to recover its costs of procuring energy through the Illinois Settlement Legislation as well as the ICC-approved procurement tariffs. ComEd's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 3 Regulatory Matters of the Exelon 2012 Form 10-K for further information.

PECO's supplier master agreements that govern the terms of its electric supply procurement contracts, which define a supplier's performance assurance requirements, allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from the major credit rating agencies and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of March 31, 2013, PECO's net credit exposure with suppliers was immaterial and did not exceed the allowed unsecured credit levels.

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 5 - 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 March 31, 2013, PECO had immaterial credit exposure under its natural gas supply and asset management agreements with investment grade suppliers.

BGE is permitted to recover its costs of procuring energy through the MDPSC-approved procurement tariffs. BGE's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 5 - Regulatory Matters for further information.

BGE's full requirement wholesale electric power agreements that govern the terms of its electric supply procurement contracts, which define a supplier's performance assurance requirements, allow a supplier, or its guarantor, to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from the major credit rating agencies and the supplier's tangible net worth, subject to an unsecured credit cap. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. The seller's credit exposure is calculated each business day. As of March 31, 2013, BGE had no net credit exposure to suppliers.

BGE's regulated gas business is exposed to market-price risk. This market-price risk is mitigated by BGE's recovery of its costs to procure natural gas through a gas cost adjustment clause approved by the MDPSC. BGE does make off-system sales after BGE has satisfied its customers demands, which are not covered by the gas cost adjustment clause. At March 31, 2013, BGE had credit exposure of \$8 million related to off-system sales which is mitigated by parental guarantees, letters of credit, or right to offset clauses within other contracts with those third party suppliers.

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)*****Collateral and Contingent-Related Features (Exelon, Generation, ComEd, PECO and BGE)***

As part of the normal course of business, Generation routinely enters into physical or financially settled contracts for the purchase and sale of electric capacity, energy, fuels, emissions allowances and other energy-related products. Certain of Generation's derivative instruments contain provisions that require Generation to post collateral. Generation also enters into commodity transactions on exchanges (i.e., NYMEX, ICE). The exchanges act as the counterparty to each trade. Transactions on the exchanges must adhere to comprehensive collateral and margining requirements. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Generation's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit-risk-related contingent features stipulate that if Generation were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. This incremental collateral requirement allows for the offsetting of derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master netting agreements. In the absence of expressly agreed-to provisions that specify the collateral that must be provided, collateral requested will be a function of the facts and circumstances of the situation at the time of the demand. In this case, Generation believes an amount of several months of future payments (i.e., capacity payments) rather than a calculation of fair value is the best estimate for the contingent collateral obligation, which has been factored into the disclosure below.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features in a liability position that are not fully collateralized (excluding transactions on the exchanges that are fully collateralized) is detailed in the table below:

Credit-Risk Related Contingent Feature	Offsetting Fair Value of In-the-Money Contracts Under Master Netting Arrangements(b)	March 31, 2013
Gross Fair Value of Derivative Contracts Containing this Feature(a)		Net Fair Value of Derivative Contracts Containing This Feature(c)
(\$1,521)	\$1,246	(\$275)
Credit-Risk Related Contingent Feature		December 31, 2012
Gross Fair Value of Derivative Contracts Containing this Feature(a)	Offsetting Fair Value of In-the-Money Contracts Under Master Netting Arrangements(b)	Net Fair Value of Derivative Contracts Containing This Feature(c)
(\$1,849)	\$1,426	(\$423)

(a) Amount represents the gross fair value of out-of-the-money derivative contracts containing credit-risk-related contingent features that are not fully collateralized by posted cash collateral on an individual, contract-by-contract basis ignoring the effects of master netting agreements.

(b) Amount represents the offsetting fair value of in-the-money derivative contracts under legally enforceable master netting agreements with the same counterparty, which reduces the amount of any liability for which a Registrant could potentially be required to post collateral.

(c) Amount represents the net fair value of out-of-the-money derivative contracts containing credit-risk related contingent features after considering the mitigating effects of offsetting positions under master netting arrangements and reflects the actual net liability upon which any potential contingent collateral obligations would be based.

Generation has cash collateral posted of \$467 million and letters of credit posted of \$142 million and cash collateral held of \$236 million and letters of credit held of \$48 million as of March 31, 2013 and cash collateral posted of \$527 million and letters of credit posted of \$563 million and cash collateral held of \$499 million and letters of credit held of \$45 million at December 31, 2012 for counterparties with derivative positions. In the event of a credit downgrade below investment grade (i.e. to BB+ or Ba1), Exelon Generation Company, LLC could be required to post additional collateral of \$1,747 million as of March 31, 2013 and \$2,007 million as of

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

December 31, 2012. These amounts represent the potential additional collateral required after giving consideration to offsetting derivative and non-derivative positions under master netting agreements.

Generation's and Exelon's interest rate swaps contain provisions that, in the event of a merger, if Generation's debt ratings were to materially weaken, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity. Collateralization would not be required under any circumstance. Termination of the agreement could result in a settlement payment by Exelon or the counterparty on any interest rate swap in a net liability position. The settlement amount would be equal to the fair value of the swap on the termination date. As of March 31, 2013, Generation's and Exelon's swaps were in an asset position, with a fair value of \$17 million and \$29 million, respectively.

See Note 21 Segment Information of the Exelon 2012 Form 10-K for further information regarding the letters of credit supporting the cash collateral.

Generation entered into SFCs with certain utilities, including PECO and BGE, with one-sided collateral postings only from Generation. If market prices fall below the benchmark price levels in these contracts, the utilities are not required to post collateral. However, when market prices rise above the benchmark price levels, counterparty suppliers, including Generation, are required to post collateral once certain unsecured credit limits are exceeded. Under the terms of the financial swap contract between Generation and ComEd, if a party is downgraded below investment grade by Moody's or S&P, collateral postings would be required by that party depending on how market prices compare to the benchmark price levels. Under the terms of the financial swap contract, collateral postings will never exceed \$200 million from either ComEd or Generation. Under the terms of ComEd's standard block energy contracts, collateral postings are one-sided from suppliers, including Generation, should exposures between market prices and benchmark prices exceed established unsecured credit limits outlined in the contracts. As of March 31, 2013, ComEd held neither cash nor letters of credit for the purpose of collateral from suppliers in association with energy procurement contracts. Under the terms of ComEd's annual renewable energy contracts, collateral postings are required to cover a fixed value for RECs only. In addition, under the terms of ComEd's long-term renewable energy contracts, collateral postings are required from suppliers for both RECs and energy. The REC portion is a fixed value and the energy portion is one-sided from suppliers should the forward market prices exceed contract prices. As of March 31, 2013, ComEd held approximately \$19 million in the form of cash and letters of credit as margin for both the annual and long-term REC obligations. See Note 3 Regulatory Matters of the Exelon 2012 Form 10-K for further information.

PECO's natural gas procurement contracts contain provisions that could require PECO to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PECO's credit rating from the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. As of March 31, 2013, PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of March 31, 2013, 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.

BGE's full requirements wholesale power agreements that govern the terms of its electric supply procurement contracts do not contain provisions that would require BGE to post collateral.

BGE's natural gas procurement contracts contain provisions that could require BGE to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon BGE's credit rating from the major credit rating agencies. The collateral and credit support requirements vary by contract and

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

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

by counterparty. As of March 31, 2013, BGE was not required to post collateral for any of these agreements. If BGE lost its investment grade credit rating as of March 31, 2013, BGE could have been required to post approximately \$127 million of collateral to its counterparties.

10. Debt and Credit Agreements (Exelon, Generation, ComEd, PECO and BGE)**Short-Term Borrowings**

Exelon, ComEd and BGE meet their short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool.

The Registrants had the following amounts of commercial paper borrowings outstanding as of March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Commercial Paper Borrowings		
Exelon Corporate	\$	\$
Generation		
ComEd	220	
PECO		
BGE		

Credit Facilities

Exelon had bank lines of credit under committed credit facilities at March 31, 2013 for short-term financial needs, as follows:

Type of Credit Facility	Amount(a) (In billions)	Expiration Dates	Capacity Type
Exelon Corporate			
Syndicated Revolver	\$ 0.5	August 2017	Letters of credit and cash
Generation			
Syndicated Revolver	5.3	August 2017	Letters of credit and cash
Bilateral	0.3	December 2015 and March 2016	Letters of credit and cash
Bilateral	0.1	January 2015	Letters of credit
ComEd			
Syndicated Revolver	1.0	March 2018	Letters of credit and cash
PECO			
Syndicated Revolver	0.6	August 2017	Letters of credit and cash
BGE			
Syndicated Revolver	0.6	August 2017	Letters of credit and cash
Total	\$ 8.4		

(a) Excludes additional credit facility agreements for Generation, ComEd, PECO and BGE with aggregate commitments of \$50 million, \$34 million, \$34 million and \$5 million, respectively, arranged with minority and community banks located primarily within ComEd's, PECO's

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and BGE's service territories. These facilities expire on October 19, 2013 and are solely utilized to issue letters of credit. As of March 31, 2013, letters of credit issued under these agreements totaled \$25 million, \$26 million, \$21 million and \$1 million, respectively.

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

As of March 31, 2013, there were no borrowings under the Registrants' credit facilities.

On March 14, 2013, ComEd extended its unsecured revolving credit facility with aggregate bank commitments of \$1.0 billion. Under this facility, ComEd may issue letters of credit in the aggregate amount of up to \$500 million. The credit agreement expires on March 28, 2018, and ComEd may request another one-year extension of that term. The credit facility also allows ComEd to request increases in the aggregate commitments of up to an additional \$500 million. Any such extension or increases are subject to the approval of the lenders party to the credit agreement in their sole discretion. Costs incurred to extend the facility for ComEd were not material.

Borrowings under Exelon Corporate's, Generation's, ComEd's, PECO's and BGE's credit agreements bear interest at a rate based upon either the prime rate or a LIBOR-based rate, plus an adder based upon the registrants' credit rating. Exelon Corporate, Generation, ComEd, PECO and BGE have adders of 27.5, 27.5, 27.5, 0.0 and 7.5 basis points for prime based borrowings and 127.5, 127.5, 127.5, 100.0 and 107.5 basis points for LIBOR-based borrowings. The maximum adders for prime rate borrowings and LIBOR-based rate borrowings are 65 basis points and 165 basis points, respectively. The credit agreement also requires each entity to pay a facility fee based upon the aggregate commitments under the agreement. The fee varies depending upon the respective credit ratings of each entity.

On January 23, 2013, Generation entered into a two year \$75 million bilateral letter of credit facility with a bank. The credit agreement expires in January 2015. This facility will solely be utilized by Generation to issue letters of credit.

Long-Term Debt**Issuance of Long-Term Debt**

During the three months ended March 31, 2013, the following long-term debt was issued:

Company	Type	Interest Rate	Maturity	Amount	Use of Proceeds
Generation	Upstream Gas Lending Agreement	2.21%	July 22, 2016	\$ 3	Used to fund Upstream gas activities
Generation	DOE Project Financing	2.72 - 2.81%	January 5, 2037	146	Funding for Antelope Valley Solar Development

During the three months ended March 31, 2012, there were no issuances of long-term debt.

Retirement of Current and Long-Term Debt

During the three months ended March 31, 2013, the following long-term debt was retired:

Company	Type	Interest Rate	Maturity	Amount
Generation	Kennett Square Capital Lease	7.83%	September 20, 2020	\$ 1

On April 15, 2013, ComEd retired \$125 million aggregate principal of its 7.625% Series 92 First Mortgage Bonds due April 15, 2013.

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

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

During the three months ended March 31, 2012, the following long-term debt was retired:

Company	Type	Interest Rate	Maturity	Amount
ComEd	First Mortgage Bond Series 98	6.15%	March 15, 2012	\$ 450
Generation	Kennett Square Capital Lease	7.83%	September 20, 2020	\$ 1

Accounts Receivable Agreement

PECO is party to an agreement with a financial institution under which it transferred an undivided interest, adjusted daily, in its accounts receivable designated under the agreement in exchange for proceeds of \$210 million, which is classified as a short-term note payable on Exelon's and PECO's Consolidated Balance Sheets. As of March 31, 2013 and December 31, 2012, the financial institution's undivided interest in Exelon's and PECO's gross accounts receivable was equivalent to \$322 million and \$289 million, respectively, which represents the financial institution's interest in PECO's eligible receivables as calculated under the terms of the agreement. The agreement requires PECO to maintain eligible receivables at least equivalent to the financial institution's undivided interest. Upon termination or liquidation of this agreement, the financial institution is entitled to recover up to \$210 million plus the accrued yield payable from its undivided interest in PECO's receivables. The amended agreement terminates on August 30, 2013 unless extended in accordance with its terms. As of March 31, 2013, PECO was in compliance with the requirements of the agreement. In the event the agreement is not extended, PECO has sufficient short-term liquidity and may seek alternate financing.

11. Income Taxes (Exelon, Generation, ComEd, PECO and BGE)

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

For the Three Months Ended March 31, 2013	Exelon	Generation(a)	ComEd(a)	PECO	BGE
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:					
State income taxes, net of Federal income tax benefit	68.0	82.0	5.8	2.8	5.7
Qualified nuclear decommissioning trust fund income	62.0	(192.3)			
Domestic production activities deduction	(2.4)	7.4			
Tax exempt income	(1.6)	4.8			
Health care reform legislation	2.2		(0.5)		0.4
Amortization of investment tax credit, net deferred taxes	(25.8)	75.6	0.4	(0.1)	(0.2)
Plant basis differences	(24.9)		0.9	(6.7)	(0.6)
Production tax credits and other credits	(21.7)	67.2			
Other	7.4	(74.1)	0.1	0.1	0.4
Effective income tax rate	98.2%	5.6%	41.7%	31.1%	40.7%

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

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

For the Three Months Ended March 31, 2012	Exelon(b)	Generation(b)	ComEd	PECO	BGE(c)
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:					
State income taxes, net of Federal income tax benefit	(27.4)	1.2	5.9	3.4	4.4
Qualified nuclear decommissioning trust fund income	16.0	14.7			
Domestic production activities deduction	(1.2)	(1.2)			
Tax exempt income	(0.4)	(0.4)			
Health care reform legislation	0.2		0.4		
Amortization of investment tax credit, net deferred taxes	(0.8)	(0.5)	(0.3)	(0.3)	0.9
Plant basis differences	(3.0)			(3.5)	2.7
Production tax credits and other credits	(0.5)	(3.1)			
Fines and Penalties	13.3	11.9			
Merger expenses(d)	13.2				(8.5)
Other	(0.3)	0.5	0.2	(0.1)	0.3
Effective income tax rate	44.1%	58.1%	41.2%	34.5%	34.8%

- (a) Generation and ComEd recognized a loss before income taxes for the three months ended March 31, 2013. As a result, positive percentages represent an income tax benefit for Generation and ComEd for the three months ended March 31, 2013.
- (b) Exelon activity for the three months ended March 31, 2012 includes the results of Constellation and BGE for March 12, 2012 – March 31, 2012. Generation activity for the three months ended March 31, 2012 includes the results of Constellation for March 12, 2012 – March 31, 2012.
- (c) BGE activity represents the activity for the three months ended March 31, 2013 and 2012. BGE recognized a loss before income taxes for the three months ended March 31, 2012. As a result, positive percentages represent an income tax benefit for BGE for the three months ended March 31, 2012.
- (d) Prior to the close of the merger, the Registrants recorded the applicable taxes on merger transaction costs assuming the merger would not be completed. Upon closing of the merger, the Registrants reversed such taxes for those merger transaction costs that were determined to be non tax-deductible upon successful completion of a merger.

Accounting for Uncertainty in Income Taxes

Exelon, Generation, ComEd, PECO, and BGE have \$1,656 million, \$903 million, \$334 million, \$44 million, and \$0 million, of unrecognized tax benefits as of March 31, 2013, respectively, and \$1,024 million, \$876 million, \$67 million, \$44 million and \$0 million, of unrecognized tax benefits as of December 31, 2012, respectively. The increase in Exelon's and ComEd's unrecognized tax benefits is primarily attributable to the like-kind exchange position discussed below.

Other Income Tax Matters***Involuntary Conversion, Like-Kind Exchange and Competitive Transition Charges***

1999 Sale of Fossil Generating Assets (Exelon and ComEd). Exelon, through its ComEd subsidiary, took two positions on its 1999 income tax return to defer approximately \$2.8 billion of tax gain on the sale of ComEd's fossil generating assets. Exelon deferred approximately \$1.6 billion of the gain under the involuntary conversion provisions of the IRC. Exelon believed that it was economically compelled to dispose of ComEd's fossil generating plants as a result of the Illinois Act and that the proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that the gain could be deferred over the lives of the replacement property under the involuntary conversion provisions. The remaining approximately \$1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the

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

like-kind exchange provisions of the IRC. The like-kind exchange replacement property purchased by Exelon included interests in three municipal-owned electric generation facilities which were properly leased back to the municipalities. The IRS disagreed with both positions and asserted that the entire gain of approximately \$2.8 billion was taxable in 1999.

Competitive Transition Charges (Exelon, ComEd, and PECO). Exelon contended that the Illinois Act and the Competition Act resulted in the taking of certain of ComEd's and PECO's assets used in their respective businesses of providing electricity services in their defined service areas. Exelon filed refund claims with the IRS taking the position that CTCs collected during ComEd's and PECO's transition periods represent compensation for that taking and, accordingly, were excludible from taxable income as proceeds from an involuntary conversion. The tax basis of property acquired with the funds provided by the CTCs would be reduced such that the benefits of the position are temporary in nature. The IRS disallowed the refund claims for the 1999-2001 tax years.

Status of Involuntary Conversion and CTC Positions. In the second quarter of 2010, the IRS offered to settle the disagreement over the involuntary conversion and CTC positions. Exelon concluded, based on that offer, that it had sufficient new information that a remeasurement of the involuntary conversion and CTC positions was required in accordance with applicable accounting standards. As a result of the required remeasurement, Exelon recorded \$65 million (after-tax) of interest expense, of which \$36 million (after-tax) and \$22 million (after-tax) were recorded at ComEd and PECO, respectively. ComEd also recorded a current tax expense of \$70 million offset with a tax benefit recorded at Generation of \$70 million. In the third quarter of 2010, Exelon and the IRS reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion on terms consistent with the settlement offer received in the second quarter. As a result of the preliminary agreement, Exelon and ComEd eliminated any liability for unrecognized tax benefits and established a current tax payable to the IRS. Exelon paid \$302 million in late 2010 in advance of the final settlement and the assessment. In November 2012, the IRS and Exelon finalized and executed definitive agreements to resolve Exelon's involuntary conversion and CTC positions.

Status of Like-Kind Exchange Position. Exelon has been unable to reach agreement with the IRS regarding the dispute over the like kind exchange position. The IRS has asserted that the Exelon purchase and leaseback transaction is substantially similar to a leasing transaction, known as a SILO, which the IRS does not respect as the acquisition of an ownership interest in property. A SILO is a listed transaction that the IRS has identified as a potentially abusive tax shelter under guidance issued in 2005. Accordingly, the IRS has asserted that the sale of the fossil plants followed by the purchase and leaseback of the municipal owned generation facilities does not qualify as a like-kind exchange and the gain on the sale is fully subject to tax. The IRS has also asserted a penalty of approximately \$86 million for a substantial understatement of tax.

Exelon disagrees with the IRS and continues to believe that its like-kind exchange transaction is not the same as or substantially similar to a SILO. Exelon expects to initiate litigation in 2013 to contest the IRS's disallowance of the like-kind exchange position. Although Exelon has been and remains willing to settle the disagreement on terms commensurate with the hazards of litigation, Exelon does not believe a settlement is possible. Because Exelon believed, as of December 31, 2012, that it was more-likely-than-not that Exelon would prevail in litigation, Exelon and ComEd had no liability for unrecognized tax benefits with respect to the like kind exchange position.

On January 9, 2013, the U.S. Court of Appeals for the Federal Circuit reversed the U.S. Court of Federal Claims and reached a decision for the government in *Consolidated Edison v. United States*. The Court disallowed Consolidated Edison's deductions stemming from its participation in a LILO transaction that the IRS also has characterized as a tax shelter.

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

In accordance with applicable accounting standards, Exelon is required to assess whether it is more-likely-than-not that it will prevail in litigation. Exelon continues to believe that its transaction is not a SILO and that it has a strong case on the merits. However, in light of the Consolidated Edison decision and Exelon's current determination that settlement is unlikely, Exelon has concluded that subsequent to December 31, 2012, it is no longer more-likely-than-not that its position will be sustained. As a result, in the first quarter of 2013 Exelon recorded a non-cash charge to earnings of approximately \$265 million, which represents the amount of interest expense (after-tax) and incremental state income tax expense for periods through March 31, 2013 that would be payable in the event that Exelon is unsuccessful in litigation. Of this amount, approximately \$170 million was recorded at ComEd. Exelon intends to hold ComEd harmless from any unfavorable impacts of the after-tax interest amounts on ComEd's equity. As such, ComEd recorded on its consolidated balance sheet as of March 31, 2013, a \$172 million receivable and non-cash equity contributions from Exelon. Exelon and ComEd will continue to accrue interest on the uncertain tax position, and the charges arising from future interest accruals are not expected to be material to the annual operating earnings of Exelon or ComEd. In addition, ComEd will continue to record a receivable and non-cash equity contribution from Exelon in amounts equal to the additional interest recorded by ComEd on the uncertain tax position. The IRS also continues to assert an \$86 million penalty for a substantial understatement of tax with respect to the like-kind exchange position. Exelon continues to believe that it is unlikely that the penalty assertion will ultimately be sustained and therefore no liability for the penalty has been recorded.

This determination for accounting purposes does not alter Exelon's intent to aggressively litigate the issue through appeals, if necessary, which could take three to five years. Exelon currently expects to initiate the litigation in the United States Tax Court, whose decisions are not controlled by the Federal Circuit's decision in Consolidated Edison.

As of March 31, 2013, in the event of a fully successful IRS challenge to Exelon's like-kind exchange position, the potential tax and after-tax interest, exclusive of penalties, that could become currently payable may be as much as \$840 million, of which approximately \$302 million would be attributable to ComEd after consideration of Exelon's agreement to hold ComEd harmless, and the balance at Exelon. Litigation could take several years such that the estimated cash and interest impacts would likely change by a material amount.

Accounting for Generation Repairs (Exelon and Generation).

On April 30, 2013, the IRS issued guidance that will facilitate the determination of the appropriate tax treatment of costs incurred to repair electric generation assets. Exelon and Generation will assess its impact and expect to file a request for change in method of tax accounting for repair costs beginning with its 2014 taxable year.

12. Nuclear Decommissioning (Exelon and Generation)***Nuclear Decommissioning Asset Retirement Obligations***

Generation has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. To estimate its decommissioning obligation related to its nuclear generating stations, Generation uses a probability-weighted, discounted cash flow model which, on a unit-by-unit basis, considers multiple outcome scenarios that include significant estimates and assumptions, and are based on decommissioning cost studies, cost escalation rates, probabilistic cash flow models and discount rates. Generation generally updates its ARO annually during the third quarter, unless circumstances warrant more frequent updates, based on its review of updated cost studies and its annual evaluation of cost escalation factors and probabilities assigned to various scenarios.

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

The following table provides a rollforward of the nuclear decommissioning ARO reflected on Exelon's and Generation's Consolidated Balance Sheets from December 31, 2012 to March 31, 2013:

Nuclear decommissioning ARO at December 31, 2012(a)	\$ 4,741
Accretion expense	64
Costs incurred to decommission retired plants	(1)
Nuclear decommissioning ARO at March 31, 2013(a)	\$ 4,804

(a) Includes \$10 million as the current portion of the ARO at March 31, 2013 and December 31, 2012, which is included in other current liabilities on Exelon's and Generation's Consolidated Balance Sheets.

Nuclear Decommissioning Trust Fund Investments

NDT funds have been established for each generating station unit to satisfy Generation's nuclear decommissioning obligations. NDT funds established for a particular unit may not be used to fund the decommissioning obligations of any other unit.

The NDT funds associated with the former ComEd, former PECO and former AmerGen units have been funded with amounts collected from ComEd customers, PECO customers and the previous owners of the former AmerGen plants, respectively. Based on an ICC order, ComEd ceased collecting amounts from its customers to pay for decommissioning costs. PECO currently collects funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections are expected to continue through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the NDT funds. Every five years, PECO files a rate adjustment with the PAPUC 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. With respect to the former AmerGen units, Generation does not collect any amounts, nor is there any mechanism by which Generation can seek to collect additional amounts, from customers. Apart from the contributions made to the NDT funds from amounts collected from ComEd and PECO customers, Generation has not made contributions to the NDT funds.

Any shortfall of funds necessary for decommissioning, determined for each generating station unit, is ultimately required to be funded by Generation. Generation has recourse to collect additional amounts from PECO customers related to a shortfall of NDT funds for the former PECO units, subject to certain limitations and thresholds, as prescribed by an order from the PAPUC. Generally, PECO will not be allowed to collect amounts associated with the first \$50 million of any shortfall of trust funds, on an aggregate basis for all former PECO units, compared to decommissioning obligations, as well as 5% of any additional shortfalls. The initial \$50 million and up to 5% of any additional shortfalls would be borne by Generation. No recourse exists to collect additional amounts from ComEd customers for the former ComEd units or from the previous owners of the former AmerGen units. With respect to the former ComEd and PECO units, any funds remaining in the NDTs after decommissioning has been completed are required to be refunded to ComEd's or PECO's customers, subject to certain limitations that allow sharing of excess funds with Generation related to the former PECO units. With respect to the former AmerGen units, Generation retains any funds remaining in the funds after decommissioning.

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

At March 31, 2013 and December 31, 2012, Exelon and Generation had NDT fund investments totaling \$7,559 million and \$7,248 million, respectively. The following table provides unrealized gains (losses) on NDT funds for the three months ended March 31, 2013 and 2012:

		Three Months Ended March 31,	
		2013	2012
Net unrealized gains on decommissioning trust funds	Regulatory Agreement Units(a)	\$ 195	\$ 247
Net unrealized gains on decommissioning trust funds	Non-Regulatory Agreement Units(b)(c)	64	65

- (a) Net unrealized gains related to Generation's NDT funds associated with Regulatory Agreement Units are included in regulatory liabilities on Exelon's Consolidated Balance Sheets and noncurrent payables to affiliates on Generation's Consolidated Balance Sheets.
- (b) Excludes \$2 and \$35 million of net unrealized gains related to the Zion Station pledged assets for the three months ended March 31, 2013 and 2012, respectively. Net unrealized gains related to Zion Station pledged assets are included in the payable for Zion Station decommissioning on Exelon's and Generation's Consolidated Balance Sheets.
- (c) Net unrealized gains related to Generation's NDT funds associated with Non-Regulatory Agreement Units are included within Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Interest and dividends on NDT fund investments are recognized when earned and are included in Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. Interest and dividends earned on the NDT fund investments for the Regulatory Agreement Units, which are subject to regulatory accounting, are eliminated within Other, net in Exelon's and Generation's Consolidated Statement of Operations and Comprehensive Income.

See Note 3 and Note 22 of the Exelon 2012 Form 10-K for information regarding regulatory liabilities at ComEd and PECO and intercompany balances between Generation, ComEd and PECO reflecting the obligation to refund to customers any decommissioning-related assets in excess of the related decommissioning obligations.

Zion Station Decommissioning. On September 1, 2010, Generation completed an Asset Sale Agreement (ASA) with EnergySolutions Inc. and its wholly owned subsidiaries, EnergySolutions, LLC (EnergySolutions) and ZionSolutions under which ZionSolutions has assumed responsibility for decommissioning Zion Station, which is located in Zion, Illinois and ceased operation in 1998. On January 7, 2013, EnergySolutions announced that it had entered a definitive acquisition agreement to be acquired by another Company. Generation reviewed the acquisition as it relates to the ASA to decommission Zion Station. Based on that review, Generation determined that the acquisition will not adversely impact decommissioning activities under the ASA. See Note 13 of the Exelon 2012 Form 10-K for information regarding the specific treatment of assets, including NDT funds, and decommissioning liabilities transferred in the transaction.

On July 14, 2011, three people filed a purported class action lawsuit in the United States District Court for the Northern District of Illinois naming ZionSolutions and Bank of New York Mellon as defendants and seeking, among other things, an accounting for use of NDT funds, an injunction against the use of NDT funds, the appointment of a trustee for the NDT funds, and the return of NDT funds to customers of ComEd to the extent legally entitled thereto. If the plaintiffs prevail on the merits of their claims, some or all of the NDT funds may no longer be available to ZionSolutions for decommissioning Zion Station, in which case, the contractual arrangement would require ZionSolutions to utilize a line of credit to complete the decommissioning. In addition, the appointment of a NDT fund trustee in this matter could impact Generation's future decommissioning activities at other stations by setting a precedent for the appointment of trustees for NDT funds. On July 20, 2012, ZionSolutions and Bank of New York Mellon filed a motion to dismiss the amended complaint for failing to state a claim. The matter is currently under review by the court.

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

ZionSolutions is subject to certain restrictions on its ability to request reimbursements from the Zion Station NDT funds as defined within the ASA. Therefore, the transfer of the Zion Station assets did not qualify for asset sale accounting treatment and, as a result, the related NDT funds were reclassified to pledged assets for Zion Station decommissioning within Generation's and Exelon's Consolidated Balance Sheets and will continue to be measured in the same manner as prior to the completion of the transaction. Additionally, the transferred ARO for decommissioning was replaced with a payable to ZionSolutions in Generation's and Exelon's Consolidated Balance Sheets. Changes in the value of the Zion Station NDT assets, net of applicable taxes, will be recorded as a change in the payable to ZionSolutions. At no point will the payable to ZionSolutions exceed the project budget of the costs remaining to decommission Zion Station. Any Zion Station NDT funds remaining after the completion of all decommissioning activities will be returned to ComEd customers. Generation has retained its obligation to transfer the SNF at Zion Station to the DOE for ultimate disposal and has a liability of approximately \$79 million, which is included within the nuclear decommissioning ARO at March 31, 2013. Generation also has retained NDT assets to fund its obligation to maintain and transfer the SNF at Zion Station. The following table provides the pledged assets and payable to ZionSolutions, and withdrawals by ZionSolutions at March 31, 2013 and December 31, 2012:

	Exelon and Generation	
	March	December
	31,	31,
	2013	2012
Carrying value of Zion Station pledged assets	\$ 580	\$ 614
Payable to Zion Solutions(a)	531	564
Current portion of payable to Zion Solutions(b)	159	132
Withdrawals by Zion Solutions to pay decommissioning costs(c)	371	335

- (a) Excludes a liability recorded within Generation's Consolidated Balance Sheets related to the tax obligation on the unrealized activity associated with the Zion Station NDT Funds. The NDT Funds will be utilized to satisfy the tax obligations as gains and losses are realized.
- (b) Included in other current liabilities within Generation's Consolidated Balance Sheets.
- (c) Cumulative withdrawals since September 1, 2010.

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 has in place a \$115 million parent guarantee to cover the NRC minimum funding assurance requirements.

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 Fund 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. 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. While Generation does not believe that any sanction is appropriate, the ultimate outcome of this proceeding including the amount of a potential fine or sanction, if any, is uncertain. Generation anticipates that the NRC will issue its findings sometime this year. 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.

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

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

13. Retirement Benefits (Exelon, Generation, ComEd, PECO and BGE)

Exelon sponsors defined benefit pension plans and other postretirement benefit plans for essentially all Generation, ComEd, PECO, BGE and BSC employees.

Defined Benefit Pension and Other Postretirement Benefits

During the first quarter of 2013, Exelon received an updated valuation of its legacy Exelon pension and other postretirement benefit obligations to reflect actual census data as of January 1, 2013. This valuation resulted in an increase to the pension obligation of \$8 million and a decrease to the other postretirement benefit obligation of \$39 million. Additionally, accumulated other comprehensive loss decreased by approximately \$75 million (after tax) and regulatory assets increased by \$93 million. The updated valuation for legacy Constellation plans will be completed in the second quarter of 2013.

The following tables present the components of Exelon's net periodic benefit costs for the three months ended March 31, 2013 and 2012. The 2013 pension benefit cost for all plans is calculated using an expected long-term rate of return on plan assets of 7.50% and a discount rate of 3.92%. The 2013 other postretirement benefit cost is calculated using an expected long-term rate of return on plan assets of 6.45% for funded plans and a discount rate of 4.00% for all plans. Legacy Constellation other postretirement benefit plans are not funded. A portion of the net periodic benefit cost is capitalized within the Consolidated Balance Sheets.

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Service cost	\$ 80	\$ 61	\$ 41	\$ 37
Interest cost	163	164	48	51
Expected return on assets	(253)	(232)	(33)	(29)
Amortization of:				
Transition obligation				3
Prior service cost (benefit)	3	4	(4)	(3)
Actuarial loss	140	106	20	19
Net periodic benefit cost	\$ 133	\$ 103	\$ 72	\$ 78

The amounts below were included in capital additions and operating and maintenance expense during the three months ended March 31, 2013 and 2012, for Generation's, ComEd's, PECO's, BGE's and BSC's allocated portion of the pension and postretirement benefit plan costs.

Pension and Other Postretirement Benefit Costs	Three Months Ended	
	2013	2012
Generation	\$ 87	\$ 81
ComEd	77	69
PECO	11	13
BGE(a)	13	16
BSC(b)	17	14

- (a) BGE's pension and postretirement benefit costs for the three months ended March 31, 2012 include \$12 million of costs incurred prior to the closing of Exelon's merger with Constellation on March 12, 2012. These amounts are not included in Exelon's net periodic benefit costs for the three months ended March 31, 2012 shown in the first table of the Defined Benefit Pension and Other Postretirement Benefits section above.
- (b) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations. These amounts are not included in the Generation, ComEd, PECO or BGE amounts above.

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Management considers various factors when making pension funding decisions, including actuarially determined minimum contribution requirements under ERISA, contributions required to avoid benefit restrictions and at-risk status as defined by the Pension Protection Act of 2006, management of the pension obligation and regulatory implications. Exelon expects to contribute \$255 million to its qualified pension plans in 2013, of which Generation, ComEd, PECO and BGE will contribute \$113 million, \$116 million, \$11 million and \$0 million, respectively. Unlike the qualified pension plans, Exelon's non-qualified pension plans are not funded. Exelon expects to make non-qualified pension plan benefit payments of \$79 million in 2013, of which Generation, ComEd, PECO, and BGE will make payments of \$6 million, \$1 million, \$1 million, and \$2 million, respectively.

Unlike qualified pension plans, other postretirement plans are not subject to regulatory 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 regulator expectations and best assure continued recovery). In 2013, Exelon anticipates funding its other postretirement benefit plans based on the funding considerations discussed above, with the exception of those plans previously sponsored by Constellation and AmerGen, which remain unfunded. Exelon expects to make other postretirement benefit plan contributions, including benefit payments related to unfunded plans, of approximately \$292 million in 2013, of which Generation, ComEd, PECO, and BGE expect to contribute \$117 million, \$114 million, \$22 million, and \$18 million, respectively.

Plan Assets

Investment Strategy. On a regular basis, Exelon evaluates its investment strategy to ensure that plan assets will be sufficient to pay plan benefits when due. As part of this ongoing evaluation, Exelon may make changes to its targeted asset allocation and investment strategy.

Exelon has developed and implemented an investment strategy for its qualified pension plans that has reduced the volatility of its pension assets relative to its pension liabilities. Exelon is likely to continue to gradually increase the liability hedging portfolio as the funded status of its plans improves. The overall objective is to achieve attractive risk-adjusted returns that will balance the liquidity requirements of the plans' liabilities while striving to minimize the risk of significant losses. This investment strategy would tend to result in a lower expected rate of return on plan assets in future years. Trust assets for Exelon's other postretirement plans are managed in a diversified investment strategy that prioritizes maximizing liquidity and returns while minimizing asset volatility.

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

The Registrants participate in various 401(k) defined contribution savings plans that are sponsored by Exelon. The plans are qualified under applicable sections of the IRC and allow employees to contribute a portion of their pre-tax income in accordance with specified guidelines. All Registrants match a percentage of the employee contributions up to certain limits. The following table presents the matching contributions to the savings plans during the three months ended March 31, 2013 and 2012:

Savings Plan Matching Contributions	Three Months Ended	
	March 31,	
	2013	2012
Exelon	\$ 22	\$ 16
Generation	11	8
ComEd	5	4
PECO	2	2
BGE(a)	2	2
BSC(b)	2	1

(a) BGE's matching contributions for the three months ended March 31, 2012 include \$1 million of costs incurred prior to the closing of Exelon's merger with Constellation on March 12, 2012, which is not included in Exelon's matching contributions for the three months ended March 31, 2012.

(b) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations. These costs are not included in the Generation, ComEd, PECO or BGE amounts above.

14. Stock-Based Compensation Plans (Exelon, Generation, ComEd, PECO and BGE)

Exelon grants stock-based awards through its LTIP, which primarily includes stock options, restricted stock units and performance share awards. At March 31, 2013, there were approximately 16 million shares authorized for issuance under the LTIP. For the three months ended March 31, 2013 and 2012, exercised and distributed stock-based awards were primarily issued from authorized but unissued common stock shares.

The Compensation Committee of Exelon's Board of Directors changed the mix of awards granted under the LTIP in 2013 by eliminating stock options in favor of the use of full value shares, consisting of performance shares and restricted stock. The performance share awards granted in 2013 will vest at the end of a three-year performance period. The performance share awards granted in 2012 and earlier had a one-year performance period and vested ratably over three years. To address the reduction in annual award opportunity resulting from the transition to a three-year performance period, the Compensation Committee also approved a one-time grant of performance share transition awards in 2013, which will vest one-third after one year, with the remaining balance vesting over a two-year performance period.

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

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

The following table presents the stock-based compensation expense included in Exelon's Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2013 and 2012:

Components of Stock-Based Compensation Expense	Three Months Ended March 31,	
	2013	2012
Performance share awards	\$ 16	\$ 16
Stock options	1	7
Restricted stock units	20	19
Other stock-based awards	1	1
Total stock-based compensation expense included in operating and maintenance expense	38	43
Income tax benefit	(15)	(16)
Total after-tax stock-based compensation expense	\$ 23	\$ 27

The following table presents stock-based compensation expense (pre-tax) for the three months ended March 31, 2013 and 2012:

Subsidiaries	Three Months Ended March 31,	
	2013	2012
Generation	\$ 15	\$ 14
ComEd	2	5
PECO	2	3
BGE(a)	2	2
BSC(b)	17	19
Total(c)	\$ 38	\$ 43

- (a) BGE's stock-based compensation expense (pre-tax) for the three months ended March 31, 2012 includes \$2 million of cost incurred prior to the closing of Exelon's merger with Constellation on March 12, 2012. This amount is not included in Exelon's stock-based compensation expense for the three months ended March 31, 2012 shown in the table titled Components of Stock-Based Compensation Expense above.
- (b) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations. These amounts are not included in the Generation, ComEd, PECO and BGE amounts above.
- (c) The stock-based compensation expense (pre-tax) for the three months ended March 31, 2013 reflects the impact of changes to the retirement eligibility requirements for employees participating in the LTIP. In addition, the stock-based compensation expense at ComEd reflects the adoption of the ComEd Key Manager Long-Term Performance Program in 2013 for certain employees, which is not consider stock-based compensation expense under the applicable authoritative guidance. In 2012, these employees participated in the Exelon Restricted Stock Award Program.

There were no significant stock-based compensation costs capitalized during the three months ended March 31, 2013 and 2012.

Stock Options

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Non-qualified stock options are granted under the LTIP with exercise prices equal to the fair market value of the underlying stock at the date of grant. Generally, the stock options vest ratably over a four-year vesting period and expire ten years from the date of grant.

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

There were no stock options granted in 2013. The Compensation Committee eliminated stock option grants by changing the mix of long-term incentives for Senior Vice Presidents (SVPs) and higher officers from 75% performance shares and 25% stock options to 67% performance shares and 33% restricted stock units (RSUs).

At March 31, 2013, \$5 million of total unrecognized compensation costs related to nonvested stock options are expected to be recognized over the remaining weighted-average period of 2.1 years.

Restricted Stock Units

Restricted stock units are granted under the LTIP with the majority being settled in a specific number of shares of common stock after the service condition has been met. The corresponding cost of services is measured based on the grant date fair value of the restricted stock unit issued. The requisite service period for restricted stock units is generally three to five years. However, certain restricted stock unit awards become fully vested upon the employee reaching retirement-eligibility.

At March 31, 2013, Exelon had obligations related to outstanding restricted stock units not yet settled of \$48 million, which are included in common stock in Exelon's Consolidated Balance Sheets. As of March 31, 2013, Exelon had no obligations related to outstanding restricted stock units that will be settled in cash. During the three months ended March 31, 2013 and 2012, Exelon settled restricted stock units with a fair value totaling \$22 million and \$20 million, respectively. At March 31, 2013, \$94 million of total unrecognized compensation costs related to nonvested restricted stock units are expected to be recognized over the remaining weighted-average period of 2.6 years.

Performance Share and Performance Share Transition Awards

Performance share awards are granted under the LTIP with the 2013 performance share awards being settled 50% in common stock and 50% in cash at the end of the three-year performance period except for awards granted to executive vice presidents and higher officers that may be settled 100% in cash if certain ownership requirements are satisfied. The 2012 performance share awards are being settled 50% in common stock and 50% in cash over the three-year vesting term with executive vice presidents and higher officers receiving 100% cash if certain ownership requirements are satisfied. The performance shares granted prior to 2012 generally vest and settle over a three-year period with the holders receiving shares of common stock and/or cash annually during the vesting period.

The one-time 2013 performance share transition awards, which provide an opportunity to earn an award contingent on company performance, will be settled 50% in common stock and 50% in cash, except for awards granted to executive vice presidents and higher officers that may be settled 100% in cash if certain ownership requirements are satisfied. One-third of the award vests and is payable after a one-year performance period while the remaining two-thirds vests and is payable after a two-year performance period.

The payout of the 2013 performance share awards and one-time performance share transition awards are based on the Company's performance against specific operational and financial goals set annually during the respective performance periods. As a result, the 2013 performance share awards have been divided into equal tranches for the purpose of expense recognition as though the respective award were multiple awards; with each tranche representing a corresponding fiscal year. The one-time performance share transition awards have also been divided into multiple tranches for the purpose of expense recognition. One tranche reflects the one-third of the awards that vests and are payable after a one-year period. The two-thirds of the one-time performance share transition awards that are subject to a two-year performance period have also been divided into equal tranches; with each tranche representing a corresponding fiscal year. The grant date for each tranche of the 2013

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

performance share and one-time performance share transition awards is the date in which the performance goals for that fiscal year are approved and communicated, which typically occurs at the corresponding January Compensation Committee meeting.

The 2013 performance share awards and one-time performance share transition awards are recorded at fair value at the grant dates for each tranche, with the estimated grant date fair value based on the expected payout of the award, which may range from 50% to 150% of the payout target. The 2013 performance share awards also include a total shareholder return modifier (TSR) that may increase or decrease the award up to 25% and an individual performance modifier (IPM) that can decrease the award by up to 50% or increase the award by up to 10% for senior vice presidents and higher officers or up to 20% for vice presidents. The one-time performance share transition award is not affected by either TSR or the IPM.

The common stock portion of the performance share and one-time performance share transition awards is considered an equity award being valued based on Exelon's stock price on the grant date. The cash portion of the awards is considered a liability award which is remeasured each reporting period based on Exelon's current stock price. As the value of the common stock and cash portions of the awards are based on Exelon's stock price during the performance period, coupled with changes in the total shareholder return modifier and expected payout of the award, the compensation costs are subject to volatility until payout is established.

The 2012 performance share awards are recorded at fair value at the date of grant with the estimated grant date fair value based on the expected payout of the award, which may range from 75% to 125% of the payout target. The common stock portion is considered an equity award with the 75% payout floor being valued based on Exelon's stock price on the grant date. The cash portion of the award is considered a liability award with the 75% payout floor being remeasured each reporting period based on Exelon's current stock price. The expected payout in excess of the 75% floor for the equity and liability portions are remeasured each reporting period based on Exelon's current stock price and changes in the expected payout of the award; therefore these portions of the award are subject to volatility until the payout is established.

For nonretirement-eligible employees, stock-based compensation costs are recognized over the vesting period of three years using the graded-vesting method. For performance share and one-time performance share transition awards granted to retirement-eligible employees, the value of the performance shares is recognized ratably over the vesting period, which is the year of grant.

During the three months ended March 31, 2013 and 2012, Exelon settled performance shares with a fair value totaling \$22 million and \$18 million, respectively, of which \$9 million and \$3 million was paid in cash, respectively. As of March 31, 2013, \$47 million of total unrecognized compensation costs related to nonvested performance shares are expected to be recognized over the remaining weighted-average period of 2.7 years. In addition, as of March 31, 2013, \$29 million of total unrecognized compensation costs related to nonvested one-time performance share transition awards are expected to be recognized over the remaining weighted-average period of 1.8 years.

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

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

15. Changes in Accumulated Other Comprehensive Income (Exelon, Generation, and PECO)

The following table presents changes in accumulated other comprehensive income (loss) by component for three months ended March 31, 2013:

	Gains and (Losses) on Cash Flow Hedges	Unrealized Gains and (Losses) on Marketable Securities	Pension and Non-Pension Postretirement Benefit Plan items	Foreign Currency Items	AOCI of Equity Investments	Total
Exelon(a)						
Beginning balance	\$ 368	\$	\$ (3,137)	\$	\$ 2	\$ (2,767)
OCI before reclassifications		(1)	76	(1)	26	100
Amounts reclassified from AOCI(b)	(58)		50		2	(6)
Net current-period OCI	(58)	(1)	126	(1)	28	94
Ending balance	\$ 310	\$ (1)	\$ (3,011)	\$ (1)	\$ 30	\$ (2,673)
Generation(a)						
Beginning balance	\$ 513	\$ (1)	\$ (19)	\$	\$ 20	\$ 513
OCI before reclassifications	5	(1)		(1)	26	29
Amounts reclassified from AOCI(b)	(135)				2	(133)
Net current-period OCI	(130)	(1)		(1)	28	(104)
Ending balance	\$ 383	\$ (2)	\$ (19)	\$ (1)	\$ 48	\$ 409
PECO(a)						
Beginning balance	\$	\$ 1	\$	\$	\$	\$ 1
OCI before reclassifications						
Amounts reclassified from AOCI(b)						
Net current-period OCI						
Ending balance	\$	\$ 1	\$	\$	\$	\$ 1

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- (a) All amounts are net of tax. Amounts in parenthesis represent a decrease in accumulated other comprehensive income.
- (b) See next table for details about these reclassifications.

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

The following table presents amounts reclassified out of AOCI to Net Income during the three months ended March 31, 2013:

Details about AOCI components	Items reclassified out of AOCI(a)					Affected line item in the statement where Net Income is presented
	Exelon	Generation	ComEd	PECO	BGE	
Gains and (losses) on cash flow hedges						
Energy related hedges	\$ 99	\$ 223	\$	\$	\$	Operating revenues
Other cash flow hedges	(1)					Interest expense
	98	223				Total before tax
	(40)	(88)				Tax (expense)
	\$ 58	\$ 135	\$	\$	\$	Net of tax
Amortization of pension and other postretirement benefit plan items						
Actuarial gains/ (losses)	\$ (83)					(b)
	(83)					Total before tax
	33					Tax benefit
	\$ (50)	\$	\$	\$	\$	Net of tax
Equity investments						
Capital activity	\$ (3)	\$ (3)	\$	\$	\$	Equity in losses of unconsolidated affiliates
	(3)	(3)				Total before tax
	1	1				Tax benefit
	\$ (2)	\$ (2)	\$	\$	\$	Net of tax
Total reclassifications for the period	\$ 6	\$ 133	\$	\$	\$	Net of Tax

(a) All amounts are net of tax. Amounts in parenthesis represent a decrease in net income.

(b) This accumulated other comprehensive income component is included in the computation of net periodic pension and OPEB cost (see Note 13 Retirement Benefits for additional details).

16. Earnings Per Share and Equity (Exelon)**Earnings per Share**

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, including shares to be issued upon exercise of stock options, performance share awards and restricted stock outstanding under Exelon's LTIPs considered to be common stock equivalents. The following table sets forth the components of basic and diluted earnings per share and shows the

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effect of these stock options, performance share awards and restricted stock on the weighted average number of shares outstanding (in millions) used in calculating diluted earnings per share:

	Three Months Ended	
	March 31,	
	2013	2012
Net (loss) income	\$ (4)	\$ 200
Weighted average common shares outstanding basic	855	705
Assumed exercise and/or distributions of stock based awards		2
Weighted average common shares outstanding diluted	855	707

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

For the three months ended March 31, 2013 in which there was a net loss to common stockholders, no potentially dilutive securities are included in the calculation of diluted loss per share, as inclusion of these securities would have reduced the net loss per share. For the three months ended March 31, 2012, the number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 11 million.

Under share repurchase programs, 35 million shares of common stock are held as treasury stock with a cost of \$2.327 billion as of March 31, 2013. In 2008, Exelon management decided to defer indefinitely any share repurchases.

Preferred Securities

PECO has \$87 million of cumulative preferred securities that are redeemable at its option at any time for the redemption price established when each series of securities were issued. On March 25, 2013, PECO issued a notice of redemption for all outstanding series of preferred securities with a redemption date of May 1, 2013. The redemption premium will be reflected as a direct charge to retained earnings in PECO's Consolidated Balance Sheet in the second quarter of 2013.

17. Commitments and Contingencies (Exelon, Generation, ComEd, PECO and BGE)

The following is an update to the current status of commitments and contingencies set forth in Note 19 of the Exelon 2012 Form 10-K.

Commitments**Energy Commitments**

As of March 31, 2013, Generation's short- and long-term commitments relating to the purchases from unaffiliated utilities and others of energy, capacity and transmission rights, are as indicated in the following table:

	Net Capacity Purchases(a)	Power-Related Purchases(b)	Transmission Rights Purchases(c)	Purchased Energy from CENG	Total
2013	\$ 274	\$ 60	\$ 22	\$ 584	\$ 940
2014	356	76	26	588	1,046
2015	351	36	13		400
2016	266	19	2		287
2017	203	4	2		209
Thereafter	472	3	34		509
Total	\$ 1,922	\$ 198	\$ 99	\$ 1,172	\$ 3,391

(a) Net capacity purchases include PPAs and other capacity contracts including those that are accounted for as operating leases. Amounts presented in the commitments represent Generation's expected payments under these arrangements at March 31, 2013, net of fixed capacity payments expected to be received by Generation under contracts to resell such acquired capacity to third parties under long-term capacity sale contracts. These capacity payments represent the fixed, or pre-determined, payment for output from contracted generation facilities. Output in this context generally includes products such as energy, capacity, and various ancillary services associated with generating facilities. Expected payments include certain capacity charges which are contingent on plant availability.

(b)

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Power-Related Purchases include firm REC purchase agreements. The table excludes renewable energy purchases that are contingent in nature.

- (c) Transmission rights purchases include estimated commitments for additional transmission rights that will be required to fulfill firm sales contracts.

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

In connection with Constellation's comprehensive agreement with EDF in October 2010, Constellation's and EDF's existing power purchase agreements with CENG were modified to be unit-contingent through the end of their original term in 2014. Under these agreements, CENG has the ability to fix the energy price on a forward basis by entering into monthly energy hedge transactions for a portion of the future sale, while any unhedged portions will be provided at market prices by default. Additionally, beginning in 2015 and continuing to the end of the life of the respective plants, Generation agreed to purchase 50.01% of the available output of CENG's nuclear plants at market prices. Generation discloses in the table above commitments to purchase from CENG at fixed prices. All commitments to purchase at market prices, which include all purchases subsequent to December 31, 2014, are excluded from the table. Generation continues to own a 50.01% membership interest in CENG that is accounted for as an equity method investment. See Note 5 Investment in Constellation Energy Nuclear Group, LLC for more details on this arrangement.

ComEd's, PECO's and BGE's electric supply procurement, curtailment services, REC and AEC purchase commitments as of March 31, 2013 are as follows:

	Total	2013	2014	Expiration within			2018 and beyond
				2015	2016	2017	
ComEd							
Electric supply procurement(a)	\$ 1,103	\$ 367	\$ 323	\$ 136	\$ 137	\$ 140	\$
Renewable energy and RECs(b)	1,632	49	66	74	76	82	1,285
PECO							
Electric supply procurement(c)	1,073	704	309	60			
AECs	27	10	5	2	2	2	6
BGE							
Electric supply procurement(d)	1,191	651	466	74			
Curtailment services	140	37	46	41	16		

- (a) ComEd entered into various contracts for the procurement of electricity that started to expire in 2012, and will continue to expire through 2017. ComEd is permitted to recover its electric supply procurement costs from retail customers with no mark-up. See Note 5 Regulatory Matters for additional information.
- (b) ComEd entered into 20-year contracts for renewable energy and RECs beginning June 2012. ComEd is permitted to recover its renewable energy and REC costs from retail customers with no mark-up. Pursuant to the ICC's Order on December 19, 2012, ComEd's commitments under the existing long-term contracts for energy and associate RECs were reduced in the first quarter of 2013. See Note 5 Regulatory Matters for additional information.
- (c) PECO entered into various contracts for the procurement of electric supply to serve its default service customers that expire between 2013 and 2015. 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 5 Regulatory Matters for additional information.
- (d) BGE entered into various contracts for the procurement of electricity that expire between 2013 and 2015. The cost of power under these contracts is recoverable under MDPSC approved fuel clauses. See Note 5 Regulatory Matters for additional information.

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

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

Fuel Purchase Obligations

In addition to the energy commitments described above, Generation has commitments to purchase fuel supplies for nuclear and fossil generation (and with respect to coal, commitments to sell coal). PECO and BGE have commitments to purchase natural gas, related to transportation, storage capacity and services to serve customers in their gas distribution service territory. As of March 31, 2013, these net commitments were as follows:

	Total	2013	2014	Expiration within			2018 and beyond
				2015	2016	2017	
Generation	\$ 8,622	\$ 940	\$ 1,239	\$ 1,256	\$ 1,021	\$ 1,068	\$ 3,098
PECO	461	141	103	75	49	15	78
BGE	588	104	72	50	48	48	266

Other Purchase Obligations

The Registrants' other purchase obligations as of March 31, 2013, which primarily represent commitments for services, materials and information technology, are as follows:

	Total	2013	2014	Expiration within			2018 and beyond
				2015	2016	2017	
Exelon	\$ 817	\$ 204	\$ 196	\$ 127	\$ 61	\$ 58	\$ 171
Generation	570	135	141	107	41	38	108
ComEd	14	2	12				
PECO	47	18	19	1	1	1	7
BGE							

Construction Commitments

Generation has committed to the construction of a solar PV facility in Los Angeles County, California. The first portion of the project began operations in December 2012, with additional phases to come online and an expectation of full commercial operation in December 2013. Generation's estimated remaining commitment for the project is \$304 million for 2013.

Refer to Note 3 of the Exelon 2012 Form 10-K for information on investment programs associated with regulatory mandates, such as ComEd's Infrastructure Investment Plan under EIMA, PECO's Smart Meter Procurement and Installation Plan and BGE's comprehensive smart grid initiative.

Constellation Merger Commitments

In December 2011, Exelon and Constellation reached a settlement with the State of Maryland and the City of Baltimore and other interested parties in connection with the regulatory proceedings related to the merger that was pending before the MDPSC. As part of this settlement and the application for approval of the merger by MDPSC, Exelon agreed to provide a package of benefits to BGE customers, the City of Baltimore and the State of Maryland, resulting in an estimated direct investment in the State of Maryland of more than \$1 billion.

On February 17, 2012, the MDPSC approved the merger with conditions. Many of the conditions were reflective of the settlement agreements described above. The following costs were recognized after the closing of

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

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

the merger and are included in Exelon's, Generation's and BGE's Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2012. See Note 4 of the Exelon 2012 Form 10-K for additional information on the merger.

Description	Payment Period	BGE	Generation	Exelon	Statement of Operations Location
BGE rate credit of \$100 per residential customer(a)	Q2 2012	\$ 113	\$	\$ 113	Revenues
Customer investment fund to invest in energy efficiency and low-income energy assistance to BGE customers	2012 to 2014			113.5	O&M Expense
Contribution for renewable energy, energy efficiency or related projects in Baltimore	2012 to 2014			2	O&M Expense
Charitable contributions at \$7 million per year for 10 years	2012 to 2021	28	35	70	O&M Expense
State funding for offshore wind development projects	Q2 2012			32	O&M Expense
Miscellaneous tax benefits	Q2 2012	(2)		(2)	Taxes Other Than Income
Total		\$ 139	\$ 35	\$ 328.5	

(a) Exelon made a \$66 million equity contribution to BGE in the second quarter of 2012 to fund the after-tax amount of the rate credit as directed in the MDPSC order approving the merger transaction.

Contingencies**Commercial Commitments**

The Registrants' commercial commitments as of March 31, 2013, representing commitments potentially triggered by future events were as follows:

	Exelon	Generation	ComEd	PECO	BGE
Letters of credit (non-debt)(a)	\$ 1,573	\$ 1,522	\$ 26	\$ 22	\$ 1
Guarantees	7,550(b)	1,848(c)	209(d)	181(e)	252(f)
Nuclear insurance premiums(g)	2,494	2,494			
Total commercial commitments	\$ 11,617	\$ 5,864	\$ 235	\$ 203	\$ 253

(a) Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties.

(b) Primarily reflects parental guarantees issued on behalf of Generation to allow the flexibility needed to conduct business with counterparties without having to post other forms of collateral. Also reflects guarantees issued to ensure performance under specific contracts, preferred securities of financing trusts, property leases, indemnifications, NRC minimum funding assurance requirements and \$211 million on behalf of CENG nuclear generating facilities for credit support and miscellaneous guarantees. The estimated net exposure for obligations under commercial transactions covered by these guarantees was \$1.1 billion at March 31, 2013, which represents the total amount Exelon could be required to fund based on March 31, 2013 market prices.

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- (c) Primarily reflects guarantees issued to ensure performance under energy marketing and other specific contracts and \$211 million on behalf of CENG nuclear generating facilities for credit support. The estimated net exposure for obligations under commercial transactions covered by these guarantees was \$0.4 billion at March 31, 2013, which represents the total amount Generation could be required to fund based on March 31, 2013 market prices.
- (d) Primarily reflects full and unconditional guarantees of \$200 million Trust Preferred Securities of ComEd Financing III which is a 100% owned finance subsidiary of ComEd.

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

- (e) Primarily reflects full and unconditional guarantees of \$178 million Trust Preferred Securities of PECO Trust III and IV which is a 100% owned finance subsidiary of PECO.
- (f) Primarily reflects full and unconditional guarantees of \$250 million Trust Preferred Securities of BGE Capital Trust II which is a 100% owned finance subsidiary of BGE.
- (g) Represents the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act as well as the current aggregate annual retrospective premium obligation that could be imposed by NEIL. See the Nuclear Insurance section within this note for additional details on Generation's nuclear insurance premiums.

Nuclear Insurance (Exelon and Generation)

The Price-Anderson Act requires mandatory participation in a retrospective rating plan for power reactors (currently 104 reactors) resulting in \$12.2 billion in funds available for public liability claims for any single incident at any power reactor site that exceeds the primary level of financial protection currently required (\$375 million). Additionally, Generation is also required each year to report to the NRC the current levels and sources of property insurance that demonstrates Generation possesses sufficient financial resources to stabilize and decontaminate a reactor and reactor station site in the event of an accident. The property insurance maintained for each facility is currently provided through insurance policies purchased from NEIL, an industry mutual insurance company of which Generation is a member. Premiums paid to NEIL by its members are subject to assessment for adverse loss experience (the retrospective premium obligation). The maximum combined retrospective premium amount that Generation could be required to pay due to participation in the Price-Anderson Act retrospective rating plan for power reactors and the NEIL retrospective premium obligation is \$2.2 billion, which is included above in the Commercial Commitments table. See the Nuclear Insurance section within Note 19 of the Exelon 2012 Form 10-K for additional details on Generation's nuclear insurance premiums.

Indemnifications Related to Sale of Sithe (Exelon and Generation)

On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. Specifically, subsidiaries of Generation consummated the acquisition of Reservoir Capital Group's 50% interest in Sithe and subsequently sold 100% of Sithe to Dynegy, Inc. (Dynegy).

The estimated maximum possible exposure to Exelon related to the guarantees provided as part of the sales transaction to Dynegy was approximately \$200 million at March 31, 2013. Generation believes that it is remote that it will be required to make any additional payments under the guarantee, and currently has no recorded liabilities associated with this guarantee. Generation expects that the exposure covered by this guarantee will expire in 2014. The guarantee is included above in the Commercial Commitments table under performance guarantees.

Indemnifications Related to Sale of TEG and TEP (Exelon and Generation)

On February 9, 2007, Tamuin International Inc. (TII), a wholly owned subsidiary of Generation, sold its 49.5% ownership interests in TEG and TEP to a subsidiary of AES Corporation for \$95 million in cash plus certain purchase price adjustments. In connection with the transaction, Generation entered into a guarantee agreement under which Generation guarantees the timely payment of TII's obligations to the subsidiary of AES Corporation pursuant to the terms of the purchase and sale agreement relating to the sale of TII's ownership interests. Generation would be required to perform in the event that TII does not pay any obligation covered by the guarantee that is not otherwise subject to a dispute resolution process. Generation's maximum obligation under the guarantee is \$95 million as of March 31, 2013. Generation believes that it is remote that it will be required to make payments under the guarantee and has not recorded a liability associated with this guarantee.

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

The exposures covered by this guarantee expired in part during 2008. Generation expects that the remaining exposure will expire in the third quarter of 2013. The guarantee of \$95 million is included above in the Commercial Commitments table under performance guarantees.

Environmental Issues

General. The Registrants' operations have in the past, and may in the future, require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, the Registrants are generally liable for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances generated by them. The Registrants own or lease a number of real estate parcels, including parcels on which their operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. In addition, the Registrants are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

ComEd, PECO and BGE have identified sites where former MGP activities have or may have resulted in actual site contamination. For almost all of these sites, ComEd, PECO or BGE is one of several PRPs that may be responsible for ultimate remediation of each location.

ComEd has identified 42 sites, 15 of which have been approved for cleanup by the Illinois EPA or the U.S. EPA and 27 that are currently under some degree of active study and/or remediation. ComEd expects the majority of the remediation at these sites to continue through at least 2016.

PECO has identified 26 sites, 16 of which have been approved for cleanup by the PA DEP 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 2019.

BGE has identified 13 former gas manufacturing or purification sites that it currently owns or owned at one time through a predecessor's acquisition. Two gas manufacturing sites require some level of remediation and ongoing monitoring under the direction of the MDE. The required costs at these two sites are not considered material. One gas purification site is in the initial stages of investigation at the direction of the MDE.

ComEd, pursuant to an ICC order, and PECO, pursuant to settlements of natural gas distribution rate cases with the PAPUC, are currently recovering environmental remediation costs of former MGP facility sites through customer rates. BGE is authorized to and is currently recovering environmental costs for the remediation of former MGP facility sites from customers; however, while BGE does not have a rider for MGP clean-up costs, BGE has historically received recovery of actual clean-up costs in distribution rates. ComEd, PECO and BGE have recorded regulatory assets for the recovery of these costs. See Note 5 Regulatory Matters for additional information regarding the associated regulatory assets.

As of March 31, 2013 and December 31, 2012, the Registrants had accrued the following undiscounted amounts for environmental liabilities in other current liabilities and other deferred credits and other liabilities within their respective Consolidated Balance Sheets:

	Total Environmental Investigation and Remediation Reserve	Portion of Total Related to MGP Investigation and Remediation
March 31, 2013		
Exelon	\$ 337	\$ 296

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Generation	30	
ComEd	259	252
PECO	47	44
BGE	1	

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

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

December 31, 2012	Total Environmental Investigation and Remediation Reserve	Portion of Total Related to MGP Investigation and Remediation
Exelon	\$ 338	\$ 298
Generation	30	
ComEd	260	254
PECO	47	44
BGE	1	

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

Water Quality

Section 316(b) of the Clean Water Act. Section 316(b) requires that the cooling water intake structures at electric power plants reflect the best technology available to minimize adverse environmental impacts, and is implemented through state-level NPDES permit programs. All of Generation's and CENG's power generation facilities with cooling water systems are subject to the regulations. Facilities without closed-cycle recirculating systems (e.g., cooling towers) are potentially most affected. For Generation, those facilities are Clinton, Dresden, Eddystone, Fairless Hills, Gould Street, Handley, Mountain Creek, Mystic 7, Oyster Creek, Peach Bottom, Quad Cities, Riverside, Salem and Schuylkill. For CENG, those facilities are Calvert Cliffs, Nine Mile Point Unit 1 and R.E. Ginna.

On March 28, 2011, the U.S. EPA issued the proposed regulation under Section 316(b). The proposal does not require closed-cycle cooling (e.g., cooling towers) as the best technology available to address impingement and entrainment. The proposal provides the state permitting agency with discretion to determine the best technology available to limit entrainment (drawing aquatic life into the plants cooling system) mortality, including application of a cost-benefit test and the consideration of a number of site-specific factors. After consideration of these factors, the state permitting agency may require closed cycle cooling, an alternate technology, or determine that the current technology is the best available. The proposed rule also imposes limits on impingement (trapping aquatic life on screens) mortality, which likely will be accomplished by the installation of screens or another technology at the intake. Exelon filed comments on the proposed regulation on August 18, 2011, stating its support for a number of its provisions (e.g., cooling towers not required as best technology available, and the use of site-specific and cost benefit analysis) while also noting a number of technical provisions that require revision to take into account existing unit operations and practices within the industry.

In June 2012, the U.S. EPA published two Notices of Data Availability (NODA) seeking public comment on alternate compliance technologies for impingement and the use of a public opinion survey to calculate the so-called non-use benefits of the rule. Exelon filed comments for each NODA, supporting the additional flexibility afforded by the impingement NODA, and opposing the NODA relating to calculation of non-use benefits due to its inaccurate and unreliable methodologies that would artificially inflate the benefits of proposed technologies that would otherwise not be cost-effective. On July 18, 2012, the U.S. EPA announced that it had agreed to extend the court approved Settlement Agreement to extend the deadline to issue a final rule until June 27, 2013. Until the rule is finalized, the state permitting agencies will continue to apply their best professional judgment to address impingement and entrainment.

Salem and Other Power Generation Facilities. In June 2001, the NJDEP issued a renewed NPDES permit for Salem, allowing for the continued operation of Salem with its existing cooling water system. NJDEP advised PSEG, in July 2004 that it strongly recommended reducing cooling water intake flow commensurate

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

with closed-cycle cooling as a compliance option for Salem. PSEG submitted an application for a renewal of the permit on February 1, 2006. In the permit renewal application, PSEG analyzed closed-cycle cooling and other options and demonstrated that the continuation of the Estuary Enhancement Program, an extensive environmental restoration program at Salem, is the best technology to meet the Section 316(b) requirements. PSEG continues to operate Salem under the approved June 2001 NPDES permit while the NPDES permit renewal application is being reviewed. If the final permit or Section 316(b) regulations ultimately requires the retrofitting of Salem's cooling water intake structure to reduce cooling water intake flow commensurate with closed-cycle cooling, Exelon's and Generation's share of the total cost of the retrofit and any resulting interim replacement power would likely be in excess of \$430 million, based on a 2006 estimate, and would result in increased depreciation expense related to the retrofit investment.

It is unknown at this time whether the NJDEP permit programs will require closed-cycle cooling at Salem. In addition, the economic viability of Generation's other power generation facilities, as well as CENG's, without closed-cycle cooling water systems will be called into question by any requirement to construct cooling towers. Should the final rule not require the installation of cooling towers, and retain the flexibility afforded the state permitting agencies in applying a cost benefit test and to consider site-specific factors, the impact of the rule would be minimized even though the costs of compliance could be material to Generation and CENG.

Given the uncertainties associated with the requirements that will be contained in the final rule, Generation cannot predict the eventual outcome or estimate the effect that compliance with any resulting Section 316(b) or interim state requirements will have on the operation of its and CENG's generating facilities and its future results of operations, cash flows and financial position.

Groundwater Contamination. In October 2007, a subsidiary of Constellation entered into a consent decree with the MDE relating to groundwater contamination at a third party facility that was licensed to accept fly ash, a byproduct generated by coal-fired plants. The consent decree required the payment of a \$1 million penalty, remediation of groundwater contamination resulting from the ash placement operations at the site, replacement of drinking water supplies in the vicinity of the site, and monitoring of groundwater conditions. Prior to the merger, Constellation recorded a liability in its Consolidated Balance Sheets of approximately \$23 million to comply with the consent decree. The remaining liability as of March 31, 2013, is approximately \$3 million. In addition, a private party has asserted claims relating to groundwater contamination. The company believes that these claims are without merit and is vigorously contesting them.

Air Quality

Cross State Air Pollution Rule (CSAPR). On July 11, 2008, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) vacated the CAIR, which had been promulgated by the U.S. EPA to reduce power plant emissions of SO₂ and NO_x. The D.C. Circuit Court later remanded the CAIR to the U.S. EPA, without invalidating the entire rulemaking, so that the U.S. EPA could correct CAIR in accordance with the D.C. Circuit Court's July 11, 2008 opinion. On July 7, 2011, the U.S. EPA published the final rule, known as the CSAPR. The CSAPR requires 28 states in the eastern half of the United States to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states.

Numerous entities challenged the CSAPR in the D.C. Circuit Court, and some requested a stay of the rule pending the Court's consideration of the matter on the merits. On December 30, 2011, the Court granted a stay of the CSAPR, and directed the U.S. EPA to continue the administration of CAIR in the interim. On August 21, 2012, a three-judge panel of the D.C. Circuit Court held that the U.S. EPA has exceeded its authority in certain material aspects of the CSAPR and vacated the rule and remanded it to the U.S. EPA for further rulemaking.

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

consistent with its decision. The Court also ordered that CAIR remain in effect pending finalization of CSAPR on remand. On January 24, 2013, the Court denied petitions for reconsideration of the ruling by the three-judge panel. In March 2013, the U.S. EPA petitioned the U.S. Supreme Court to review the D.C. Circuit Court's CSAPR decision, and Exelon has filed in support of the U.S. EPA's petition.

Under the CSAPR, Generation units were to receive allowances based on historic heat input and intrastate and limited interstate, trading of allowances was permitted. The CSAPR restricted entirely the use of pre-2012 allowances. Existing SO₂ allowances under the ARP would remain available for use under ARP. As of March 31, 2013, Generation had \$51 million of emission allowances carried at the lower of weighted average cost or market.

EPA Mercury and Air Toxics Standards (MATS). The MATS rule became final on April 16, 2012. The MATS rule reduces emissions of toxic air pollutants, and finalized the new source performance standards for fossil fuel-fired electric utility steam generating units (EGUs). The MATS rule requires coal-fired EGUs to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (uncontrolled coal units) will have to make capital investments and incur higher operating expenses. It is expected that smaller, older, uncontrolled coal units will retire rather than make these investments. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. In addition, the new standards will cause oil units to achieve high removal rates of metals. Owners of oil units not currently meeting the proposed emission standards may choose to convert the units to light oils or natural gas, install control technologies or retire the units. The MATS rule requires generating stations to meet the new standards three years after the rule takes effect, April 16, 2015, with specific guidelines for an additional one or two years in limited cases. Numerous entities have challenged MATS in the D.C. Circuit Court, and Exelon was granted permission by the Court to intervene in support of the rule. A decision by the Court is expected sometime in 2013. The outcome of the appeal, and its impact on power plant operators' investment and retirement decisions, is uncertain.

Exelon, along with the other co-owners of Conemaugh Generating Station are moving forward with plans to improve the existing scrubbers and install Selective Catalytic Reduction (SCR) controls to meet the mercury removal requirements of MATS.

In addition, as of March 31, 2013, Exelon had a \$700 million net investment in coal-fired plants in Georgia and Texas subject to long-term leases extending through 2028-2032. While Exelon currently estimates the value of these plants at the end of the lease term will be in excess of the recorded residual lease values, final applications of the CSAPR and MATS regulations could negatively impact the end-of-lease term values of these assets, which could result in a future impairment loss that could be material.

National Ambient Air Quality Standards (NAAQS). The U.S. EPA previously announced that it would complete a review of all NAAQS by 2014. Oral argument in the litigation (*State of Miss. v. EPA*) of the final 2008 ozone standard occurred in the D.C. Circuit Court in November 2012 and a final Court decision is expected in 2013. Concurrent with litigation of the 2008 ozone standard, the U.S. EPA continues its regular, periodic review of the ozone NAAQS and is expected to propose revisions in the fall of 2014, with preliminary indications that the U.S. EPA will likely propose a tightened standard. It is unclear at this point in time whether the U.S. EPA would be able to respond to a Court directive for the U.S. EPA to revisit the 2008 ozone NAAQS on remand on a timeframe that would be any quicker than that of the U.S. EPA's current, periodic review schedule. In December 2012, the U.S. EPA issued its final revisions to the Agency's particulate matter (PM) NAAQS. In its final rule, the U.S. EPA lowered the annual PM_{2.5} standard, but declined to issue a new secondary NAAQS to improve urban visibility. The U.S. EPA indicated in its final rule that by 2020 it expects

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

most areas of the country will be in attainment of the new PM_{2.5} NAAQS based on currently expected regulations, such as the MATS regulation. It is unclear if the vacatur of the CSAPR, one of the regulations that the U.S. EPA is relying on to assist with future PM reduction, would alter the U.S. EPA's view since either CAIR or a finalized CSAPR regulation would be in effect leading up to 2020. In March 2013, a number of industry coalitions filed a joint lawsuit challenging the new PM_{2.5} standard. Also during early 2013, the D.C. Circuit remanded several rules for implementation of earlier PM_{2.5} NAAQS to the U.S. EPA for revision of certain aspects of the rules, with a requirement that the U.S. EPA re-promulgate regulations in conformance with the correct subparts of the Clean Air Act.

In addition to these NAAQS, the U.S. EPA also expects to finalize initial designations for the 2010 one-hour SO₂ standard in June 2013 and require states to submit state implementation plans (SIPs) for nonattainment areas by February 2015. In a February 2013 strategy document, the U.S. EPA establishes the direction and timeframe for state air agencies to achieve compliance with certain aspects of the NAAQS and also establishes a methodology, based on 2009-2011 air quality monitoring, for establishing nonattainment designations by June 2013. Based on its strategy document, the U.S. EPA regional offices sent 120 Day letters to states, in February 2013, to indicate U.S. EPA's intentions with regard to designations in the states. With regard to Texas and Maryland, no nonattainment areas were identified in these letters. With regard to Illinois and Pennsylvania, several counties, or portions of counties, in each state were identified as likely to be designated nonattainment in June 2013. The U.S. EPA's strategy document also outlines a process and timeline for it to address additional designations in states' counties under separate, future action that will occur after June 2013. Nonattainment county compliance with the one-hour SO₂ standard is required by February 2018. While significant SO₂ reductions will occur as a result of MATS compliance in 2015, Exelon is unable to predict the requirements of pending states' SIPs to further reduce SO₂ emissions in support of attainment of the one hour SO₂ standard.

Notices and Finding of Violations and Midwest Generation Bankruptcy. In December 1999, ComEd sold several generating stations to Midwest Generation, LLC (Midwest Generation), a subsidiary of Edison Mission Energy (EME). Under the terms of the sale agreement, Midwest Generation and EME assumed responsibility for environmental liabilities associated with the ownership, occupancy, use and operation of the stations, including responsibility for compliance by the stations with environmental laws before their purchase by Midwest Generation. Midwest Generation and EME additionally agreed to indemnify and hold ComEd and its affiliates harmless from claims, fines, penalties, liabilities and expenses arising from third party claims against ComEd resulting from or arising out of the environmental liabilities assumed by Midwest Generation and EME under the terms of the agreement governing the sale. In connection with Exelon's 2001 corporate restructuring, Generation assumed ComEd's rights and obligations with respect to its former generation business, including its rights and obligations under the sale agreement with Midwest Generation and EME.

On August 6, 2007, ComEd received a NOV addressed to it and Midwest Generation from the U.S. EPA, alleging, in relevant part, that ComEd and Midwest Generation violated and are continuing to violate provisions of the Clean Air Act as a result of the modification and/or operation of six electric generation stations located in northern Illinois that have been owned and operated by Midwest Generation since their purchase from ComEd in 1999. In August 2009, the United States and the State of Illinois filed a complaint against Midwest Generation with the U.S. District Court for the Northern District of Illinois initiating enforcement proceedings with respect to most of the alleged Clean Air Act violations set forth in the NOV. Neither ComEd nor Exelon was named as a defendant in this original complaint. In March 2010, the District Court granted Midwest Generation's partial motion to dismiss all but one of the claims against Midwest Generation. The District Court held that Midwest Generation cannot be liable for any alleged violations relating to construction that occurred prior to Midwest Generation's ownership of the stations. In May 2010, the government plaintiffs filed an amended complaint against Midwest Generation asserting claims substantially similar to those in the original complaint, and added ComEd and EME as defendants. The amended complaint seeks injunctive relief and civil penalties against all

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

defendants, although not all of the claims specifically pertain to ComEd. On March 16, 2011, the District Court granted ComEd's motion to dismiss the May 2010 complaint in its entirety as it relates to ComEd. On January 3, 2012, upon leave of the District Court, the government parties appealed the dismissal of ComEd to the U.S. Circuit Court of Appeals for the Seventh Circuit. Exelon, Generation and ComEd are unable to predict the ultimate resolution of the claims alleged in the amended complaint, however, Exelon, Generation and ComEd have concluded that, in light of the March 2011 District Court decision, the likelihood of loss is remote. Therefore, no reserve has been established.

On December 17, 2012, EME and certain of its subsidiaries, including Midwest Generation, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the Petition Date).

The Bankruptcy Court approved the rejection of a coal rail car lease under which Midwest Generation had agreed to reimburse ComEd for all obligations. The rejection left Generation as the party responsible to make remaining payments under the lease. In January 2013, Generation made the final \$10 million payment due under the lease agreement which had been reserved for at December 31, 2012. As a result of the bankruptcy filing, Exelon and Generation have recorded liabilities as of March 31, 2013 of \$3 million for estimated payments for asbestos personal injury claims filed pre-Petition Date. Exelon and Generation currently expect Midwest Generation or its successor will remain responsible for asbestos personal injury claims filed post-Petition Date, and as such have recorded no liability for such amounts. Requirements for Generation to ultimately satisfy such claims could have a material adverse impact on Exelon's and Generation's future results of operations.

As of the Petition Date, Generation had wholesale power transactions with Edison Mission Marketing and Trading, an affiliate of Midwest Generation not included in the bankruptcy proceeding. Generation expects these transactions to be fully settled in the normal course.

Certain environmental laws and regulations subject current and prior owners of properties or generators of hazardous substances at such properties to liability for remediation costs of environmental contamination. As a prior owner of the generating stations, ComEd (and Generation, through its agreement in the 2001 restructuring to assume ComEd's rights and obligations associated with its former generation business) could face liability (along with any other potentially responsible parties) for environmental conditions requiring remediation, with the determination of the allocation among the parties subject to many uncertain factors, including the impact of Midwest Generation's bankruptcy. Additionally, the obligations of EME and Midwest Generation to ComEd under the sale agreement, including the environmental indemnity, may be discharged in the bankruptcy proceeding. In such circumstances, ComEd (and Generation, through ComEd) may only have an unsecured claim against EME and Midwest Generation for the environmental remediation costs that would have otherwise been obligations of EME and Midwest Generation under the sale agreement. This unsecured claim may yield a fractional, or possibly no, recovery for ComEd and Generation.

ComEd and Generation continue to monitor the bankruptcy proceedings and available public information as to potential environmental exposures regarding the Midwest Generation plant sites. Midwest Generation publicly disclosed in its 2012 Form 10-K that (i) it has accrued a probable amount of approximately \$9 million for estimated environmental investigation and remediation costs under CERCLA, or similar laws, for the investigation and remediation of contaminated property at four Midwest Generation plant sites, (ii) it has identified stations for which a reasonable estimate for investigation and/or remediation cannot be made and (iii) it and the Illinois EPA entered into Compliance Commitment Agreements outlining specified environmental remediation measures and groundwater monitoring activities to be undertaken at its Crawford, Powerton, Joliet, Will County and Waukegan generating stations. At this time, however, ComEd and Generation do not have sufficient information to reasonably assess the potential likelihood or magnitude of any such exposures. Further, Midwest Generation's reorganization process will likely extend beyond one year and the outcome is uncertain, including whether the facilities will continue to operate and the identity or financial wherewithal of potential

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

future plant owners. For these reasons, ComEd and Generation are unable to predict whether and to what extent they may ultimately be held responsible for remediation and other costs relating to the generating stations, and no liability has been recorded as of March 31, 2013. Any liability imposed on ComEd or Generation for environmental matters relating to the generating stations could have a material adverse impact on their future results of operations and cash flows.

Solid and Hazardous Waste

Cotter Corporation. The U.S. EPA has advised Cotter Corporation (Cotter), a former ComEd subsidiary, that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability arising in connection with the West Lake Landfill. In connection with Exelon's 2001 corporate restructuring, this responsibility to indemnify Cotter was transferred to Generation. On May 29, 2008, the U.S. EPA issued a Record of Decision approving the remediation option submitted by Cotter and the two other PRPs that required additional landfill cover. The current estimated cost of the anticipated landfill cover remediation for the site is approximately \$42 million, which will be allocated among all PRPs. Generation has accrued what it believes to be an adequate amount to cover its anticipated share of such liability. By letter dated January 11, 2010, the U.S. EPA requested that the PRPs perform a supplemental feasibility study for a remediation alternative that would involve complete excavation of the radiological contamination. On September 30, 2011, the PRPs submitted the final supplemental feasibility study to the U.S. EPA for review. In June 2012, the U.S. EPA requested that the PRPs perform additional analysis and groundwater sampling as part of the SFS that could take up to one year to complete, and subsequently requested additional analysis sampling and modeling to be conducted in 2013. In light of these additional requests, it is unknown when the U.S. EPA will propose a remedy for public comment. Thereafter the U.S. EPA will select a final remedy and enter into a Consent Decree with the PRPs to effectuate the remedy. A complete excavation remedy would be significantly more expensive than the previously selected additional cover remedy; however, Generation believes the likelihood that the U.S. EPA would require a complete excavation remedy is remote.

On August 8, 2011, Cotter was notified by the DOJ that Cotter is considered a PRP with respect to the government's clean-up costs for contamination attributable to low level radioactive residues at a former storage and reprocessing facility named Latty Avenue near St. Louis, Missouri. The Latty Avenue site is included in ComEd's indemnification responsibilities discussed above as part of the sale of Cotter. The radioactive residues had been generated initially in connection with the processing of uranium ores as part of the U.S. government's Manhattan Project. Cotter purchased the residues in 1969 for initial processing at the Latty Avenue facility for the subsequent extraction of uranium and metals. In 1976, the NRC found that the Latty Avenue site had radiation levels exceeding NRC criteria for decontamination of land areas. Latty Avenue was investigated and remediated by the United States Army Corps of Engineers pursuant to funding under the Formerly Utilized Sites Remedial Action Program. The DOJ has not yet formally advised the PRPs of the amount that it is seeking, but it is believed to be approximately \$90 million. The DOJ and the PRPs agreed to toll the statute of limitations until August 2013 so that settlement discussions could proceed. Based on Exelon's preliminary review, it appears probable that Exelon has liability to Cotter under the indemnification agreement and has established an appropriate accrual for this liability.

On February 28, 2012, and April 12, 2012, two lawsuits were filed in the U.S. District Court for the Eastern District of Missouri against 15 and 14 defendants, respectively, including Exelon, Generation and ComEd (the Exelon defendants). The suits allege that individuals living in the North St. Louis area developed some form of cancer due to the defendants' negligent or reckless conduct in processing, transporting, storing, handling and/or disposing of radioactive materials. Plaintiffs have asserted claims for negligence, strict liability, emotional distress, medical monitoring, and violations of the Price-Anderson Act. The complaints do not contain specific damage claims. On May 30, 2012, the plaintiffs filed voluntary motions to dismiss the Exelon defendants from

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

both lawsuits which was subsequently granted. On October 23, 2012, a third lawsuit was filed in the same court on behalf of three additional plaintiffs against Cotter and seven other defendants, but not Exelon. On April 19, 2013, a fourth lawsuit was filed in the same court on behalf of two additional plaintiffs against Cotter and seven other defendants, but not Exelon. The allegations in these latter two complaints mirror the two previously-filed lawsuits. It is reasonably possible that Exelon would be considered liable due to its indemnification responsibilities of Cotter described above. On March 27, 2013, the U.S. District Court dismissed all state common law actions brought under the initial two lawsuits; and also found that the plaintiffs had not properly brought the actions under the Price Anderson Act. The plaintiffs have until May 10, 2013 to file amended complaints under the Price Anderson Act. At this stage of the litigation, Exelon cannot estimate a range of loss, if any.

68th Street Dump. In 1999, the U.S. EPA proposed to add the 68th Street Dump in Baltimore, Maryland to the Superfund National Priorities List, and notified BGE and 19 others that they are PRPs at the site. In March 2004, BGE and other PRPs formed the 68th Street Coalition and entered into consent order negotiations with the U.S. EPA to investigate clean-up options for the site under the Superfund Alternative Sites Program. In May 2006, a settlement among the U.S. EPA and 19 of the PRPs, including BGE, with respect to investigation of the site became effective. The settlement requires the PRPs, over the course of several years, to identify contamination at the site and recommend clean-up options. The potentially responsible parties submitted their investigation of the range of clean-up options in the first quarter of 2011. Although the investigation and options provided to the U.S. EPA are still subject to U.S. EPA review and selection of a remedy, the range of estimated clean-up costs to be allocated among all of the PRPs is in the range of \$50 million to \$64 million. The U.S. EPA is expected to make a final selection of one of the alternatives in 2013. Based on Exelon's preliminary review, it appears probable that Exelon has liability and has established an appropriate accrual for its share of the estimated clean-up costs. BGE is indemnified by a wholly owned subsidiary of Generation for most of the costs related to this settlement and clean-up of the site.

Sauer Dump. On May 30, 2012, BGE was notified by the U.S. EPA that it is considered a PRP at the Sauer Dump Superfund site in Dundalk, MD. The U.S. EPA offered BGE and three other PRPs the opportunity to conduct an environmental investigation and present cleanup recommendations at the site. The letter provided 60 days for the PRPs to decide whether or not to participate in the investigation. In addition, the U.S. EPA is seeking recovery from the PRPs of \$1.7 million for past cleanup and investigation costs at the site. On March 11, 2013, BGE and three other PRPs signed an Administrative Settlement Agreement and Order on Consent with the U.S. EPA which requires the PRPs to conduct a Remedial Investigation and Feasibility Study at the site to determine what, if any, are the appropriate and recommended cleanup activities for the site. The ultimate outcome of this proceeding is uncertain. Since the U.S. EPA has not selected a cleanup remedy and the allocation of the cleanup costs among the PRPs has not been determined, an estimate of the range of BGE's reasonably possible loss, if any, cannot be determined.

Climate Change Regulation. Exelon is subject to climate change regulation or legislation at the Federal, regional and state levels. In 2007, the U.S. Supreme Court ruled that GHG emissions are pollutants subject to regulation under the new motor vehicle provisions of the Clean Air Act. Consequently, on December 7, 2009, the U.S. EPA issued an endangerment finding under Section 202 of the Clean Air Act regarding GHGs from new motor vehicles and on April 1, 2010 issued final regulations limiting GHG emissions from cars and light trucks effective on January 2, 2011. While such regulations do not specifically address stationary sources, such as a generating plant, it is the U.S. EPA's position that the regulation of GHGs under the mobile source provisions of the Clean Air Act has triggered the permitting requirements under the Prevention of Significant Deterioration (PSD) and Title V operating permit sections of the Clean Air Act for new and modified stationary sources effective January 2, 2011. Therefore, on May 13, 2010, the U.S. EPA issued final regulations (the Tailoring Rule) relating to these provisions of the Clean Air Act for major stationary sources of GHG emissions that apply to new sources that emit greater than 100,000 tons per year, on a CO₂ equivalent basis, and to modifications to

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

existing sources that result in emissions increases greater than 75,000 tons per year on a CO₂ equivalent basis. These thresholds became effective January 2, 2011, apply for six years and will be reviewed by the U.S. EPA for future applicability thereafter. On July 2, 2012 the U.S. EPA declined to lower GHG permit thresholds in its final Step 3 Tailoring Rule update. The U.S. EPA will review permit thresholds again in a 2015 rulemaking process. On June 26, 2012, the United States Court of Appeals for the District of Columbia, in a *per curiam* decision, dismissed industry and state petitions challenging the U.S. EPA's Tailoring Rule based on petitioners' lack of standing. Further, in the same decision, the court denied all challenges to U.S. EPA's endangerment finding, and the Agency's Tailpipe Rule for cars and light trucks. In August 2012, several industry parties filed petitions for an *en banc* rehearing of the Agency's GHG regulations with the D.C. Circuit court. On September 6, 2012 the Circuit Court ordered the U.S. EPA, intervening groups, and some states to reply to the industry petitions.

On April 13, 2012, the U.S. EPA published proposed regulations for NSPS for GHG emissions from new fossil fuel power plants, greater than 25 MW, that would require the plants to limit CO₂ emissions to a thirty year average of less than 1,000 pounds per MWh (less than 1,800 pounds per MWh for the first ten years and less than 600 pounds per MWh thereafter). Under the PSD regulations, new and modified major stationary sources could be required to install best available control technology, to be determined on a case by case basis. Generation could be significantly affected by the regulations if it were to build new plants or modify existing plants. The U.S. EPA is also expected to establish in 2013 GHG emission regulations for existing stationary sources under Section 111(d) of the Clean Air Act.

Litigation and Regulatory Matters

Except to the extent noted below, the circumstances set forth in Note 19 of the Exelon 2012 Form 10-K describe, in all material respects, the current status of litigation matters. The following is an update to that discussion.

Asbestos Personal Injury Claims (Exelon, Generation and BGE)

Exelon and Generation. Generation maintains a reserve for claims associated with asbestos-related personal injury actions in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. The reserve is recorded on an undiscounted basis and excludes the estimated legal costs associated with handling these matters, which could be material.

At March 31, 2013 and December 31, 2012, Generation had reserved approximately \$62 million and \$63 million, respectively, in total for asbestos-related bodily injury claims. As of March 31, 2013, approximately \$16 million of this amount related to 189 open claims presented to Generation, while the remaining \$46 million of the reserve is for estimated future asbestos-related bodily injury claims anticipated to arise through 2050, based on actuarial assumptions and analyses, which are updated on an annual basis. On a quarterly basis, Generation monitors actual experience against the number of forecasted claims to be received and expected claim payments and evaluates whether an adjustment to the reserve is necessary. During the second quarter of 2012, Generation increased its reserve by approximately \$19 million, primarily due to increased actual and projected number and severity of claims.

BGE. Since 1993, BGE and certain Constellation (now Generation) subsidiaries have been involved in several actions concerning asbestos. The actions are based upon the theory of premises liability, alleging that BGE and Generation knew of and exposed individuals to an asbestos hazard. In addition to BGE and Generation, numerous other parties are defendants in these cases.

Approximately 480 individuals who were never employees of BGE or Generation have pending claims each seeking several million dollars in compensatory and punitive damages. Cross-claims and third-party claims

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

brought by other defendants may also be filed against BGE and Generation in these actions. To date, most asbestos claims which have been resolved have been dismissed or resolved without any payment by BGE or Generation and a small minority of these cases has been resolved for amounts that were not material to BGE or Generation's financial results.

Discovery begins in these cases once they are placed on the trial docket. At present, none of the pending cases are set for trial. Given the limited discovery, BGE and Generation do not know the specific facts that are necessary to provide an estimate of the reasonably possible loss relating to these claims; as such, no accrual has been made and a range of loss is not estimable. The specific facts not known include:

the identity of the facilities at which the plaintiffs allegedly worked as contractors;

the names of the plaintiffs' employers;

the dates on which and the places where the exposure allegedly occurred; and

the facts and circumstances relating to the alleged exposure.

Insurance and hold harmless agreements from contractors who employed the plaintiffs may cover a portion of any awards in the actions.

Continuous Power Interruption (ComEd)

The Illinois Public Utilities Act provides that in the event an electric utility, such as ComEd, experiences a continuous power interruption of four hours or more that affects (in ComEd's case) more than 30,000 customers, the utility may be liable for actual damages suffered by customers as a result of the interruption and may be responsible for reimbursement of local governmental emergency and contingency expenses incurred in connection with the interruption. Recovery of consequential damages is barred. The affected utility may seek from the ICC a waiver of these liabilities when the utility can show that the cause of the interruption was unpreventable damage due to weather events or conditions, customer tampering, or certain other causes enumerated in the law.

On August 18, 2011, ComEd sought from the ICC a determination that ComEd is not liable for damage compensation to customers in connection with the July 11, 2011 storm system that produced multiple power interruptions that in the aggregate affected more than 900,000 customers in ComEd's service territory, as well as for five other storm systems that affected ComEd's customers during June and July 2011 (Summer 2011 Storm Docket). The ICC is currently conducting a proceeding to assess ComEd's request. In the absence of a favorable determination from the ICC, some ComEd customers affected by the outages could seek recovery of their actual, non-consequential damages, and the local governments in the areas in which those customers are located could seek recovery of emergency and contingency expenses.

In addition, on September 29, 2011, ComEd sought from the ICC a determination that it was not liable for damage compensation related to the February 1, 2011 blizzard (February 2011 Blizzard Docket). On January 10, 2013, the ALJ issued a Proposed Order in the February 2011 Blizzard Docket, finding that a complete waiver of liability should apply for the storm. As with the Summer 2011 Storm Docket, the ALJ found that ComEd's system is designed, constructed and maintained in accordance with good utility practice.

On January 25, 2013 the ALJ issued a Proposed Order in the Summer 2011 Storm Docket. The ALJ found that a complete waiver of liability should apply for five of the six storms at issue, and found that for the July 2011 storm, 34,599 interruptions were preventable and therefore no waiver should apply. The ALJ also found that ComEd's system is designed, constructed and maintained in accordance with good utility practice, thereby rejecting a request by the Illinois Attorney General for the ICC to open an investigation.

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

The ultimate outcomes of these proceedings are uncertain, and the amount of damages, if any, which might be asserted, cannot be reasonably estimated at this time, but may be material to ComEd's results of operations and cash flows.

Securities Class Action (Exelon)

Three federal securities class action lawsuits were filed in the United States District Courts for the Southern District of New York and the District of Maryland between September 2008 and November 2008 against Constellation. The cases were filed on behalf of a proposed class of persons who acquired publicly traded securities, including the Series A Junior Subordinated Debentures (Debentures), of Constellation between January 30, 2008 and September 16, 2008, and who acquired Debentures in an offering completed in June 2008. The securities class actions generally allege that Constellation, a number of its former officers or directors, and the underwriters violated the securities laws by issuing a false and misleading registration statement and prospectus in connection with Constellation's June 27, 2008 offering of the Debentures. The securities class actions also allege that Constellation issued false or misleading statements or was aware of material undisclosed information which contradicted public statements, including in connection with its announcements of financial results for 2007, the fourth quarter of 2007, the first quarter of 2008 and the second quarter of 2008 and the filing of its first quarter 2008 Form 10-Q. The securities class actions seek, among other things, certification of the cases as class actions, compensatory damages, reasonable costs and expenses, including counsel fees, and rescission damages.

The Southern District of New York granted the defendants' motion to transfer the two securities class actions filed in Maryland to the District of Maryland, and the actions have since been transferred for coordination with the securities class action filed there. On June 18, 2009, the court appointed a lead plaintiff, who filed a consolidated amended complaint on September 17, 2009. On November 17, 2009, the defendants moved to dismiss the consolidated amended complaint in its entirety. On August 13, 2010, the District Court of Maryland issued a ruling on the motion to dismiss, holding that the plaintiffs failed to state a claim with respect to the claims of the common shareholders under the Securities Exchange Act of 1934 and limiting the suit to those persons who purchased Debentures in the June 2008 offering. In August 2011, plaintiffs requested permission from the court to file a third amended complaint in an effort to attempt to revive the claims of the common shareholders. Constellation filed an objection to the plaintiffs' request for permission to file a third amended complaint and, on March 28, 2012, the District Court of Maryland denied the plaintiffs' request for permission to revive the claims of the common shareholders. On March 22, 2013, the lead plaintiff submitted a motion seeking the District Court of Maryland's preliminary approval of a proposed class action settlement resolving the Debenture holder claims for approximately \$4 million and dismissal of the complaint. Upon preliminary approval of the settlement by the Court, notice will be provided to the Debenture holders of the settlement terms and final court approval will be required for the settlement to become effective.

General (Exelon, Generation, ComEd, PECO and BGE)

The Registrants are involved in various other litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. The Registrants maintain accruals for losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of reasonably possible loss, particularly where (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

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

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

Income Taxes (Exelon, Generation, ComEd, PECO and BGE)

See Note 11 – Income Taxes for information regarding the Registrants’ income tax refund claims and certain tax positions, including the 1999 sale of fossil generating assets.

18. Supplemental Financial Information (Exelon, Generation, ComEd, PECO and BGE)**Supplemental Statement of Operations Information**

The following tables provide additional information about the Registrants’ Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012:

Three Months Ended March 31, 2013	Exelon	Generation	ComEd	PECO	BGE
Other, Net					
Decommissioning-related activities:					
Net realized income on decommissioning trust funds(a)					
Regulatory Agreement Units	\$ 36	\$ 36	\$	\$	\$
Non-Regulatory Agreement Units	14	14			
Net unrealized gains on decommissioning trust funds					
Regulatory Agreement Units	195	195			
Non-Regulatory Agreement Units	64	64			
Net unrealized gains on pledged assets					
Zion Station decommissioning	2	2			
Regulatory offset to decommissioning trust fund-related activities(b)	(190)	(190)			
Total decommissioning-related activities	121	121			
Investment income (expense)	3	(2)			2(c)
Long-term lease income	8				
Interest income related to uncertain income tax positions	25	5			
AFUDC – Equity	6		3	1	2
Other	9	4	2	2	1
Other, net	\$ 172	\$ 128	\$ 5	\$ 3	\$ 5

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

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

Three Months Ended March 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Other, Net					
Decommissioning-related activities:					
Net realized income on decommissioning trust funds(a)					
Regulatory Agreement Units	\$ 60	\$ 60	\$	\$	\$
Non-Regulatory Agreement Units	48	48			
Net unrealized gains on decommissioning trust funds					
Regulatory Agreement Units	247	247			
Non-Regulatory Agreement Units	65	65			
Net unrealized gains on pledged assets					
Zion Station decommissioning	35	35			
Regulatory offset to decommissioning trust fund-related activities(b)	(277)	(277)			
Total decommissioning-related activities	178	178			
Investment income	4		1	1	3(c)
Long-term lease income	7				
AFUDC Equity	3		1	1	3
Other	2		2		
Other, net	\$ 194	\$ 178	\$ 4	\$ 2	\$ 6

(a) Includes investment income and realized gains and losses on sales of investments of the trust funds.

(b) Includes the elimination of NDT fund-related activity for the Regulatory Agreement Units, including the elimination of net income taxes related to all NDT fund activity for those units. See Note 13 of the Exelon 2012 Form 10-K for additional information regarding the accounting for nuclear decommissioning.

(c) Relates to the cash return on BGE's rate stabilization deferral. See Note 5 Regulatory Matters for additional information regarding the rate stabilization deferral.

Supplemental Cash Flow Information

The following tables provide additional information regarding the Registrants Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012:

Three Months Ended March 31, 2013	Exelon	Generation	ComEd	PECO	BGE
Depreciation, amortization, accretion and depletion					
Property, plant and equipment	\$ 471	\$ 203	\$ 137	\$ 55	\$ 64
Regulatory assets	61		30	2	29
Amortization of intangible assets, net	11	11			
Amortization of energy contract assets and liabilities(a)	176	176			
Nuclear fuel(a)	230	230			
ARO accretion(b)	68	68			
Total depreciation, amortization, accretion and depletion	\$ 1,017	\$ 688	\$ 167	\$ 57	\$ 93

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

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

Three Months Ended March 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Depreciation, amortization, accretion and depletion					
Property, plant and equipment	\$ 354	\$ 150	\$ 131	\$ 51	\$ 61
Regulatory assets	25		18	2	18
Amortization of intangible assets, net	3	3			
Amortization of energy contract assets and liabilities(a)	131	131			
Nuclear fuel(a)	207	207			
ARO accretion(b)	56	56			
Total depreciation, amortization, accretion and depletion	\$ 776	\$ 547	\$ 149	\$ 53	\$ 79

(a) Included in revenues or fuel expense on the Registrants Consolidated Statements of Operations and Comprehensive Income.

(b) Included in operating and maintenance expense on the Registrants Consolidated Statements of Operations.

Three Months Ended March 31, 2013	Exelon	Generation	ComEd	PECO	BGE
Other non-cash operating activities:					
Pension and non-pension postretirement benefit costs	\$ 205	\$ 87	\$ 77	\$ 11	\$ 14
Loss in equity method investments	9	9			
Provision for uncollectible accounts	45	7	9	25	4
Stock-based compensation costs	39	4	1	1	1
Other decommissioning-related activity(a)	(64)	(64)			
Energy-related options(b)	21	21			
Amortization of regulatory asset related to debt costs	4		3	1	
Amortization of rate stabilization deferral	30				30
Amortization of debt fair value adjustment	(9)	(9)			
Discrete impacts from Energy Infrastructure					
Modernization Act (EIMA)(d)	(49)		(49)		
Amortization of debt costs	5	3	1	1	
Merger integration costs(f)	(6)				(6)
Other	1	8			(1)
Total other non-cash operating activities	\$ 231	\$ 66	\$ 42	\$ 39	\$ 42

Changes in other assets and liabilities:

Under/over-recovered energy and transmission costs	\$ 29	\$	\$ (18)	\$ 22	\$ 16
Other regulatory assets and liabilities	91		(14)	13	(53)
Other current assets	(169)	(131)		(75)(f)	73
Other noncurrent assets and liabilities	282	(28)	263	2	(2)
Total changes in other assets and liabilities	\$ 233	\$ (159)	\$ 231	\$ (38)	\$ 34

Non-cash investing and financing activities:

Consolidated VIE dividend to non-controlling interest	\$ 63	\$ 63	\$	\$	\$
Indemnification of like-kind exchange position(e)			172		

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Total non-cash investing and financing activities:	\$ 63	\$ 63	\$ 172	\$	\$
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Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Three Months Ended March 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Other non-cash operating activities:					
Pension and non-pension postretirement benefit costs	\$ 181	\$ 81	\$ 69	\$ 13	\$ 16
Loss in equity method investments	22	22			
Provision for uncollectible accounts	40	(9)	22	24	8
Stock-based compensation costs	39				
Other decommissioning-related activity(a)	(71)	(71)			
Energy-related options(b)	28	28			
Amortization of regulatory asset related to debt costs	6		4	1	1
Amortization of rate stabilization deferral	3				13
Merger-related commitments(c)	331	35			141
Discrete impacts from Energy Infrastructure Modernization Act EIMA(d)					
Other	(11)	4	3	2	
Total other non-cash operating activities	\$ 530	\$ 90	\$ 60	\$ 40	\$ 179
Changes in other assets and liabilities:					
Under/over-recovered energy and transmission costs	\$ (25)	\$	\$ (38)	\$ 13	\$ (10)
Other regulatory assets and liabilities	(97)		(16)	3	(39)
Other current assets	(18)	(122)	1	(134)(g)	31
Other noncurrent assets and liabilities	18	42	(19)	8	7
Total changes in other assets and liabilities	\$ (122)	\$ (80)	\$ (72)	\$ (110)	\$ (11)
Non-cash investing and financing activities:					
Merger with Constellation, common stock issued	\$ 7,365	\$ 5,272	\$	\$	\$
Total non-cash investing and financing activities:	\$ 7,365	\$ 5,272	\$	\$	\$

(a) Includes the elimination of NDT fund-related activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARO accretion, ARC amortization, investment income and income taxes related to all NDT fund activity for these units. See Note 13 of the Exelon 2012 Form 10-K for additional information regarding the accounting for nuclear decommissioning.

(b) Includes option premiums reclassified to realized at the settlement of the underlying contracts and recorded to results of operations.

(c) See Note 4 Mergers and Acquisitions for more information on merger-related commitments.

(d) Reflects the change in distribution rates pursuant to EIMA, which allows for the recovery of costs by a utility through a pre-established performance-based formula rate tariff. See Note 5 Regulatory Matters for more information.

(e) See Note 11 Income Taxes for discussion of the like-kind exchange position.

(f) Relates to integration costs to achieve distribution synergies related to the merger transaction. See Note 5 Regulatory Matters for more information.

(g) Relates primarily to prepaid utility taxes.

DOE Smart Grid Investment Grant (Exelon, PECO and BGE). For the three months ended March 31, 2013, Exelon, PECO and BGE have included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$21 million, \$6 million and \$15 million, respectively, and reimbursements of \$32 million, \$12 million and \$20 million, respectively, related to PECO's and BGE's DOE SGIG programs. For the three months ended March 31, 2012, Exelon, PECO and BGE have included in the capital expenditures line item under investing activities of the cash flow statement capital expenditures of \$26 million, \$20 million and \$6 million, respectively, and reimbursements of \$35 million, \$21 million and \$14 million, respectively, related to PECO's and BGE's DOE SGIG programs. See Note 5 - Regulatory Matters for additional information regarding the DOE SGIG.

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

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

Supplemental Balance Sheet Information

The following tables provide additional information about assets and liabilities of the Registrants as of March 31, 2013 and December 31, 2012.

March 31, 2013	Exelon	Generation	ComEd	PECO	BGE
Property, plant and equipment:					
Accumulated depreciation and amortization	\$ 12,579(a)	\$ 6,347(a)	\$ 2,969	\$ 2,840	\$ 2,627
Accounts receivable:					
Allowance for uncollectible accounts	320	84	78	122	36
December 31, 2012	Exelon	Generation	ComEd	PECO	BGE
Property, plant and equipment:					
Accumulated depreciation and amortization	\$ 12,184(b)	\$ 6,014(b)	\$ 2,998	\$ 2,797	\$ 2,595
Accounts receivable:					
Allowance for uncollectible accounts	293	84	70	99	40

(a) Includes accumulated amortization of nuclear fuel in the reactor core of \$2,221 million.

(b) Includes accumulated amortization of nuclear fuel in the reactor core of \$2,078 million.

PECO Installment Plan Receivables (Exelon and PECO)

PECO enters into payment agreements with certain delinquent customers, primarily residential, seeking to restore their service, as required by the PAPUC. Customers with past due balances that meet certain income criteria are provided the option to enter into an installment payment plan, some of which have terms greater than one year, to repay past due balances in addition to paying for their ongoing service on a current basis. The receivable balance for these payment agreement receivables is recorded in accounts receivable for the current portion and other deferred debits and other assets for the noncurrent portion. The net receivable balance for installment plans with terms greater than one year was \$18 million as of March 31, 2013 and December 31, 2012. The allowance for uncollectible accounts reserve methodology and assessment of the credit quality of the installment plan receivables are consistent with the customer accounts receivable methodology discussed in Note 1 of the Exelon 2012 Form 10-K. The allowance for uncollectible accounts balance associated with these receivables at March 31, 2013 of \$14 million consists of \$1 million, \$4 million and \$9 million for low risk, medium risk and high risk segments, respectively. The allowance for uncollectible accounts balance at December 31, 2012 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 March 31, 2013 and December 31, 2012 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 of the Exelon 2012 Form 10-K.

19. Segment Information (Exelon, Generation, ComEd, PECO and BGE)

Exelon has nine reportable segments, ComEd, PECO, BGE and Generation's six power marketing reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and all other regions not considered individually significant referred to collectively as Other Regions; including the South, West and Canada. Generation's expanded number of reportable segments is the result of the acquisition of Constellation on March 12, 2012. ComEd, PECO and BGE each represent a single reportable segment; as such, no separate segment information is provided for these Registrants. Exelon evaluates the performance of ComEd, PECO and BGE based on net income.

Table of Contents

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The foundation of Generation's six reportable segments is based on the geographic location of its assets, and is largely representative of the footprints of an ISO / RTO and/or NERC region. Descriptions of each of Generation's six reportable segments are as follows:

Mid-Atlantic represents operations in the eastern half of PJM, which includes Pennsylvania, New Jersey, Maryland, Virginia, West Virginia, Delaware, the District of Columbia and parts of North Carolina.

Midwest represents operations in the western half of PJM, which includes portions of Illinois, Indiana, Ohio, Michigan, Kentucky and Tennessee, and the entire United States footprint of MISO, which covers all or most of North Dakota, South Dakota, Nebraska, Minnesota, Iowa, Wisconsin, the remaining parts of Illinois, Indiana, Michigan and Ohio not covered by PJM, and parts of Montana, Missouri and Kentucky.

New England represents the operations within ISO-NE covering the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

New York represents operations within ISO-NY, which covers the state of New York in its entirety.

ERCOT represents operations within Electric Reliability Council of Texas, covering most of the state of Texas.

Other Regions not considered individually significant:

South represents operations in the FRCC and the remaining portions of the SERC not included within MISO or PJM, which includes all or most of Florida, Arkansas, Louisiana, Mississippi, Alabama, Georgia, Tennessee, North Carolina, South Carolina and parts of Missouri, Kentucky and Texas. Generation's South region also includes operations in the SPP, covering Kansas, Oklahoma, most of Nebraska and parts of New Mexico, Texas, Louisiana, Missouri, Mississippi and Arkansas.

West represents operations in the WECC, which includes California ISO, and covers the states of California, Oregon, Washington, Arizona, Nevada, Utah, Idaho, Colorado, and parts of New Mexico, Wyoming and South Dakota.

Canada represents operations across the entire country of Canada and includes the AESO, OIESO and the Canadian portion of MISO.

Exelon and Generation evaluate the performance of Generation's power marketing activities based on revenue net of purchased power and fuel expense. Generation believes that revenue net of purchased power and fuel expense is a useful measurement of operational performance. Revenue net of purchased power and fuel expense is not a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Generation's operating revenues include all sales to third parties and affiliated sales to ComEd, PECO and BGE. Purchased power costs include all costs associated with the procurement and supply of electricity including capacity, energy and ancillary services. Fuel expense includes the fuel costs for Generation's own generation and fuel costs associated with tolling agreements. Generation's other business activities, including retail and wholesale gas, upstream natural gas, proprietary trading, energy efficiency and demand response, the design, construction, and operation of renewable energy, heating, cooling, and

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cogeneration facilities, and home improvements, sales of electric and gas appliances, servicing of heating, air conditioning, plumbing, electrical, and indoor quality systems, are not allocated to regions. Further, Generation's compensation under the reliability-must-run rate schedule, results of operations from the Brandon Shores, Wagner, and C.P. Crane Maryland generating stations, and other miscellaneous revenues, mark-to-market impact of economic hedging activities, and amortization of certain intangible assets relating to commodity contracts recorded at fair value as a result of the merger are also not allocated to a region.

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

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

An analysis and reconciliation of the Registrants' reportable segment information to the respective information in the consolidated financial statements for the three and three months ended March 31, 2013 and 2012 is as follows:

	Generation(a)	ComEd	PECO	BGE(b)	Other(c)	Intersegment Eliminations	Exelon
Total revenues(d):							
2013	\$ 3,533	\$ 1,160	\$ 895	\$ 880	\$ 318	\$ (704)	\$ 6,082
2012	2,743	1,388	875	52	351	(719)	4,690
Intersegment revenues(e):							
2013	\$ 381	\$ 1	\$	\$ 4	\$ 318	\$ (704)	\$
2012	370	1	1	1	346	(719)	
Net income (loss):							
2013	\$ (17)	\$ (81)	\$ 122	\$ 80	\$ (103)	\$	\$ 1
2012	166	87	97	(65)	(85)		200
Total assets:							
March 31, 2013	\$ 39,991	\$ 23,256	\$ 9,491				