Short-term credit factors

The short-term rating on ComEd is 'A-2' and its liquidity is 'strong' under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). 'Strong' liquidity supports ComEd's 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, necessary capital expenditures, debt maturities, and common dividends by more than 1.5x. ComEd's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its well established bank relationships, its general high standing in the credit markets, and prudent risk management further support our description of liquidity as 'strong'.

As of June 30, 2010, ComEd had cash and cash equivalents of $41 million and a $1 billion revolving credit facility, of which $711 million was available after outstanding commercial paper. The credit facility was recently renewed and expires in March 2013. ComEd is required to minimally maintain cash from operations to interest expense of 2.0x and as of June 30, 2010, the company' was in compliance with this financial covenant.

ComEd is expected to have negative discretionary cash flow over near and intermediate term primarily due to its large annual capital expenditures of approximately $1 billion. In addition, ComEd has material long-term maturities with $347 million and $450 million becoming due in 2011 and 2012, respectively. We expect that the company will meet these cash shortfalls with increasing debt issuance.

Outlook

The stable rating outlook reflects Standard and Poor's baseline forecast that ComEd's FFO to debt will consistently exceed 15% over the near to intermediate term. Fundamental to our forecast is the outcome of the company's rate case filing, the timing and the potential cash outflow from ComEd's outstanding tax issues with the Internal Revenue Service, and a gradual slow economic recovery. Because ComEd's credit rating is limited to the lower of its standalone credit rating or parent Exelon's credit rating, a ComEd upgrade would require a ratings upgrade at Exelon concurrent with ComEd standalone credit quality that is reflective of the higher rating. A ratings downgrade could occur if there is a relapse in the regulatory or political environments in Illinois, ComEd's stand-alone financial measure do not consistently meet the minimal standard expected for the current rating, or Exelon is downgraded.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.

STANDARD
&POOR'S

Global Credit Portal®
RatingsDirect®

September 15, 2010

Commonwealth Edison Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Secondary Contact:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

Table Of Contents

820393 | 301097861

Commonwealth Edison Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:
- Lower risk transmission and distribution electric utility;
- More than adequate cash flow measures for current rating; and
- Prudent management of O&M costs and capital expenditures during the recession.

Weaknesses:
- Association with Exelon's merchant generation businesses; and
- Potentially increasing regulatory risk.

Rationale

The ratings on Commonwealth Edison Co. (ComEd) reflect the consolidated credit profile of parent Exelon Corp. Exelon's other considerable subsidiaries include regulated PECO Energy Co. and unregulated Exelon Generation Co. LLC. In general, ComEd's ratings are limited to the lower of Exelon's consolidated rating or ComEd's standalone credit quality. The ratings also reflect ComEd's 'excellent' business risk profile and Exelon's 'significant' financial risk profile. As of June 30, 2010, the Chicago-based Exelon had about $12.3 billion in total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view ComEd as accounting for of about 15% of Exelon.

The 'excellent' business risk profile reflects ComEd's lower-risk transmission and distribution operations. ComEd serves about 3.8 million electric customers in the city of Chicago and surrounding area. Additionally, ComEd maintains electric transmission lines that comprise of about 23% of company's total rate base. The company's distribution rates are regulated by the Illinois Commerce Commission and the transmission rates are regulated by the Federal Energy Regulatory Commission. Overall, we view the distribution and transmission businesses as lower risk than the generation businesses that are included in many fully integrated electric utilities.

Earlier in 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that this Illinois regulatory climate had returned to stability in the legislative and regulatory environment after the disruption experienced during the state's transition to competition. Our revised assessment was partially based on the thirteen constructive rate case orders from 2008 until the beginning of 2010. These developments clearly pointed to a decreasing regulatory risk. However, in March 2010, Ameren, received rate case orders for their electric and gas businesses that we viewed as not conducive to credit quality. In June 2010, ComEd filed for a $396 million rate increase and some of the issues that affected Ameren's rate case outcome could potentially negatively affect ComEd's rate case order. The Commission's order is expected before June 2011. Fundamental to ComEd's 'excellent' business risk profile is its continued ability to effectively manage its regulatory risks.

The 'significant' financial risk profile reflects Exelon's strong financial measures of adjusted FFO to debt at about 37% (excluding utilities) and about 28% consolidated that could be negatively affected in the medium term by continued weakness in merchant power markets. ComEd's stand-alone financial measures have steadily strengthened during the past year primarily due to its rate case increase. In 2009, the company was able to partially offset the recession and mild weather by proactively reducing its O&M costs and capital expenditures. For the 12 months ended June 30, 2010, adjusted funds from operations (FFO) to debt was 16.3% or lower than the 19.9% at the end of 2009, adjusted debt to EBITDA was 4.0x or below the 4.4x at year-end 2009, and adjusted debt to total capital was about 47% or approximately the same as at year-end 2009. Given ComEd's current 'excellent' business risk profile and 'BBB' corporate credit rating, we minimally expect that adjusted FFO to debt will be greater than 14.0% and adjusted debt to total capital will be less than 50% for the company to maintain its current rating.

Short-term credit factors

The short-term rating on ComEd is 'A-2' and its liquidity is 'strong' under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). 'Strong' liquidity supports ComEd's 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, necessary capital expenditures, debt maturities, and common dividends by more than 1.5x. ComEd's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its well established bank relationships, its general high standing in the credit markets, and prudent risk management further support our description of liquidity as 'strong'.

As of June 30, 2010, ComEd had cash and cash equivalents of $41 million and a $1 billion revolving credit facility, of which $711 million was available after outstanding commercial paper. The credit facility was recently renewed and expires in March 2013. ComEd is required to minimally maintain cash from operations to interest expense of 2.0x and as of June 30, 2010, the company was in compliance with this financial covenant.

ComEd is expected to have negative discretionary cash flow over near and intermediate term primarily due to its large annual capital expenditures of approximately $1 billion. In addition, ComEd has material long-term maturities with $347 million and $450 million becoming due in 2011 and 2012, respectively. We expect that the company will meet these cash shortfalls with increasing debt issuance.

Outlook

The stable rating outlook reflects Standard and Poor's baseline forecast that ComEd's FFO to debt will consistently exceed 15% over the near to intermediate term. Fundamental to our forecast is the outcome of the company's rate case filing, the timing and the potential cash outflow from ComEd's outstanding tax issues with the Internal Revenue Service, and a gradual slow economic recovery. Because ComEd's credit rating is limited to the lower of its standalone credit rating or parent Exelon's credit rating, a ComEd upgrade would require a ratings upgrade at Exelon concurrent with ComEd standalone credit quality that is reflective of the higher rating. A ratings downgrade could occur if there is a relapse in the regulatory or political environments in Illinois, ComEd's stand-alone financial measure do not consistently meet the minimal standard expected for the current rating, or Exelon is downgraded.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.

Table 1.

Exelon Corp. -- Peer Comparison*

Industry Sector: Energy

	Exelon Corp.	Constellation Energy Group Inc.	Dominion Resources Inc.	NextEra Energy Inc.	Public Service Enterprise Group Inc.
Rating as of Sep. 14, 2010	BBB/Stable/A-2	BBB-/Stable/A-3	A-/Stable/A-2	A-/Stable/--	BBB/Stable/A-2
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	17,385.7	18,805.5	15,690.5	15,422.7	12,061.4
Net income from cont. oper.	2,716.3	1,317.1	1,942.7	1,438.2	1,380.4
Funds from operations (FFO)	4,670.7	1,369.0	2,278.0	3,466.6	2,231.4
Capital expenditures	3,015.7	2,000.4	3,085.4	2,288.9	1,599.3
Debt	17,904.1	8,394.9	17,740.2	13,140.8	8,389.1
Equity	11,582.5	6,413.3	11,113.6	12,856.3	7,719.8
Adjusted ratios					
Oper. income (bef. D&A)/revenues (%)	35.6	11.3	26.9	24.2	28.7
EBIT interest coverage (x)	5.8	2.7	2.8	3.4	5.8
EBITDA interest coverage (x)	6.9	3.9	3.9	5.6	7.1
Return on capital (%)	15.7	8.2	8.9	8.1	15.3
FFO/debt (%)	26.1	16.3	12.8	26.4	26.6
Debt/EBITDA (x)	2.9	4.5	4.3	3.5	2.4

*Fully adjusted (including postretirement obligations).

Table 2.

Exelon Corp. -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/A-2	BBB/Watch Neg/A-2	BBB+/Stable/A-2	BBB+/Watch Neg/A-2	BBB+/Watch Neg/A-2
(Mil. $)					
Revenues	16,558.0	17,869.0	17,730.0	14,518.0	14,244.0
Net income from continuing operations	2,706.0	2,717.0	2,726.0	1,590.0	951.0
Funds from operations (FFO)	5,372.5	4,526.6	4,113.1	3,776.7	3,011.2
Capital expenditures	3,215.8	3,135.4	2,695.9	2,381.0	2,143.0
Cash and short-term investments	2,010.0	1,271.0	311.0	224.0	140.0
Debt	18,891.1	18,965.2	15,855.9	15,122.5	15,853.2
Preferred stock	282.0	282.0	359.5	87.0	87.0
Equity	12,922.0	11,329.0	10,496.5	10,060.0	7,736.2
Debt and equity	31,813.1	30,294.2	26,352.4	25,182.5	23,589.4
Adjusted ratios					
EBIT interest coverage (x)	6.4	5.4	5.7	4.4	3.5

Table 2.

Exelon Corp. -- Financial Summary* (cont.)					
FFO int. cov. (x)	6.9	5.7	5.6	4.4	3.2
FFO/debt (%)	28.4	23.9	25.9	25.0	19.0
Discretionary cash flow/debt (%)	4.9	6.0	(2.5)	4.9	(4.1)
Net Cash Flow / Capex (%)	123.6	101.4	108.1	113.6	90.6
Debt/debt and equity (%)	59.4	62.6	60.2	60.1	67.2
Return on common equity (%)	22.3	25.3	26.6	16.3	10.0
Common dividend payout ratio (un-adj.) (%)	51.2	49.1	43.3	67.4	112.5

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Exelon Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Exelon Corp. reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	12,594.0	12,727.0	17,318.0	6,840.0	6,840.0	5,006.0	731.0	6,093.0	6,093.0	1,385.0	3,273.0
Standard & Poor's adjustments											
Trade receivables sold or securitized	225.0	--	--	--	--	--	11.3	--	--	--	--
Operating leases	477.9	--	--	67.5	30.4	30.4	30.4	37.1	37.1	--	6.8
Intermediate hybrids reported as debt	(195.0)	195.0	--	--	--	--	(12.5)	12.5	12.5	12.5	--
Postretirement benefit obligations	3,786.3	--	--	245.0	245.0	245.0	--	210.0	210.0	--	--
Additional items included in debt	150.0	--	--	--	--	--	--	--	--	--	--
Accrued interest not included in reported debt	170.0	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	64.0	(64.0)	(64.0)	--	(64.0
Share-based compensation expense	--	--	--	--	81.0	--	--	--	--	--	--
Securitized utility cost recovery	(415.0)	--	(760.0)	(760.0)	(760.0)	(51.0)	(51.0)	(709.0)	(709.0)	--	--
Power purchase agreements	2,098.0	--	--	319.6	319.6	129.6	129.6	190.0	190.0	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	399.0	--	--	--	--	--

Table 3.

Reconciliation Of Exelon Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	(158.0)	--	-
US decommissioning fund contributions	--	--	--	--	--	--	--	(239.0)	(239.0)	--	-
Total adjustments	6,297.1	195.0	(760.0)	(127.9)	(84.0)	753.0	171.8	(562.5)	(720.5)	12.5	(57.2
Standard & Poor's adjusted amounts											
Adjusted	18,891.1	12,922.0	16,558.0	6,712.1	6,756.0	5,759.0	902.8	5,530.5	5,372.5	1,397.5	3,215.8

*Exelon Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of September 15, 2010)*

Commonwealth Edison Co.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BB+
Senior Secured (20 Issues)	A-
Senior Secured (2 Issues)	A/Developing
Senior Unsecured (2 Issues)	BBB
Corporate Credit Ratings History	
22-Jul-2009	BBB/Stable/A-2
21-Oct-2008	BBB-/Watch Neg/A-3
11-Sep-2008	BBB-/Stable/A-3
29-Aug-2007	BB/Positive/B
01-Jun-2007	BB/Watch Neg/B
05-Oct-2006	BBB-/Watch Neg/A-3
03-Oct-2005	BBB+/Watch Neg/A-2
Business Risk Profile	Excellent
Financial Risk Profile	Significant

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

September 15, 2010

Summary:
Commonwealth Edison Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Secondary Contact:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

Table Of Contents

Summary:
Commonwealth Edison Co.

Credit Rating: BBB/Stable/A-2

Rationale

The ratings on Commonwealth Edison Co. (ComEd) reflect the consolidated credit profile of parent Exelon Corp. Exelon's other considerable subsidiaries include regulated PECO Energy Co. and unregulated Exelon Generation Co. LLC. In general, ComEd's ratings are limited to the lower of Exelon's consolidated rating or ComEd's standalone credit quality. The ratings also reflect ComEd's 'excellent' business risk profile and Exelon's 'significant' financial risk profile. As of June 30, 2010, the Chicago-based Exelon had about $12.3 billion in total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view ComEd as accounting for of about 15% of Exelon.

The 'excellent' business risk profile reflects ComEd's lower-risk transmission and distribution operations. ComEd serves about 3.8 million electric customers in the city of Chicago and surrounding area. Additionally, ComEd maintains electric transmission lines that comprise of about 23% of company's total rate base. The company's distribution rates are regulated by the Illinois Commerce Commission and the transmission rates are regulated by the Federal Energy Regulatory Commission. Overall, we view the distribution and transmission businesses as lower risk than the generation businesses that are included in many fully integrated electric utilities.

Earlier in 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that this Illinois regulatory climate had returned to stability in the legislative and regulatory environment after the disruption experienced during the state's transition to competition. Our revised assessment was partially based on the thirteen constructive rate case orders from 2008 until the beginning of 2010. These developments clearly pointed to a decreasing regulatory risk. However, in March 2010, Ameren, received rate case orders for their electric and gas businesses that we viewed as not conducive to credit quality. In June 2010, ComEd filed for a $396 million rate increase and some of the issues that affected Ameren's rate case outcome could potentially negatively affect ComEd's rate case order. The Commission's order is expected before June 2011. Fundamental to ComEd's 'excellent' business risk profile is its continued ability to effectively manage its regulatory risks.

The 'significant' financial risk profile reflects Exelon's strong financial measures of adjusted FFO to debt at about 37% (excluding utilities) and about 28% consolidated that could be negatively affected in the medium term by continued weakness in merchant power markets. ComEd's stand-alone financial measures have steadily strengthened during the past year primarily due to its rate case increase. In 2009, the company was able to partially offset the recession and mild weather by proactively reducing its O&M costs and capital expenditures. For the 12 months ended June 30, 2010, adjusted funds from operations (FFO) to debt was 16.3% or lower than the 19.9% at the end of 2009, adjusted debt to EBITDA was 4.0x or below the 4.4x at year-end 2009, and adjusted debt to total capital was about 47% or approximately the same as at year-end 2009. Given ComEd's current 'excellent' business risk profile and 'BBB' corporate credit rating, we minimally expect that adjusted FFO to debt will be greater than 14.0% and adjusted debt to total capital will be less than 50% for the company to maintain its current rating.

Short-term credit factors

The short-term rating on ComEd is 'A-2' and its liquidity is 'strong' under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). 'Strong' liquidity supports ComEd's 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, necessary capital expenditures, debt maturities, and common dividends by more than 1.5x. ComEd's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its well established bank relationships, its general high standing in the credit markets, and prudent risk management further support our description of liquidity as 'strong'.

As of June 30, 2010, ComEd had cash and cash equivalents of $41 million and a $1 billion revolving credit facility, of which $711 million was available after outstanding commercial paper. The credit facility was recently renewed and expires in March 2013. ComEd is required to minimally maintain cash from operations to interest expense of 2.0x and as of June 30, 2010, the company was in compliance with this financial covenant.

ComEd is expected to have negative discretionary cash flow over near and intermediate term primarily due to its large annual capital expenditures of approximately $1 billion. In addition, ComEd has material long-term maturities with $347 million and $450 million becoming due in 2011 and 2012, respectively. We expect that the company will meet these cash shortfalls with increasing debt issuance.

Outlook

The stable rating outlook reflects Standard and Poor's baseline forecast that ComEd's FFO to debt will consistently exceed 15% over the near to intermediate term. Fundamental to our forecast is the outcome of the company's rate case filing, the timing and the potential cash outflow from ComEd's outstanding tax issues with the Internal Revenue Service, and a gradual slow economic recovery. Because ComEd's credit rating is limited to the lower of its standalone credit rating or parent Exelon's credit rating, a ComEd upgrade would require a ratings upgrade at Exelon concurrent with ComEd standalone credit quality that is reflective of the higher rating. A ratings downgrade could occur if there is a relapse in the regulatory or political environments in Illinois, ComEd's stand-alone financial measure do not consistently meet the minimal standard expected for the current rating, or Exelon is downgraded.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.

STANDARD
&POOR'S

Global Credit Portal®
RatingsDirect®

October 4, 2010

Summary:
Exelon Corp.

Primary Credit Analyst:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

Secondary Contact:
Swami Venkataraman, CFA, San Francisco (1) 415-371-5071; swami_venkataraman@standardandpoors.com

Table Of Contents

Summary:
Exelon Corp.

Credit Rating: BBB/Stable/A-2

Rationale

The 'BBB' corporate credit rating on Exelon Corp. reflects its consolidated business risk profile, which we view as 'strong'. (We categorize business profiles from 'excellent' to 'vulnerable'.) Exelon's business profile reflects the higher-risk operations of unregulated supply affiliate Exelon Generation LLC (ExGen) and the 'excellent' business risk profiles of its two regulated delivery businesses, Commonwealth Edison (ComEd) and PECO Energy (PECO).

ExGen, which accounts for about 70% of the consolidated enterprise by cash flow and capital expenditures, is characterized by long-term exposure to market risk and meaningful exposure to nuclear assets (17,000 megawatts [MW] across 19 units). The enterprise's risks are partially offset by the solid operating performance of ExGen's low-cost nuclear fleet and the relative stability of PECO and ComEd's regulated cash flows. Legislative risk has abated for ComEd after a settlement was worked out through mid-2013, while uncertainty about the shape and form of deregulated markets for PECO has reduced after three successful request-for-proposal (RFP) supply procurements.

Chicago-based Exelon distributes electricity to about 5.4 million customers in Illinois and Pennsylvania, and natural gas to 485,000 customers in the Philadelphia metro area through ComEd and PECO. The company also engages in unregulated energy generation, wholesale power marketing, and energy delivery through its ExGen subsidiary. As of June 30, 2010, Exelon had about $11.9 billion of balance sheet debt (excluding securitization debt). We also impute about $5.9 billion of off-balance sheet debt on the books for computing financial ratios, pertaining mostly to unfunded pension and OPEB obligations ($3.5 billion) and power purchase agreements ($1.6 billion).

The expected tightening of reserve margins in the PJM Interconnection has not materialized because of the economic slowdown following the credit crisis. Some drop in demand has already manifested itself in lower RPM prices (rest of RTO price) as well as auctions/RFPs of neighboring utilities (FirstEnergy, Allegheny). A bigger concern for Exelon's unregulated portfolio is the development of shale gas that has resulted in significantly lower natural gas prices. Up until the end of 2009, that impact was largely in the spot and prompt (next) year. However, in the first quarter of 2010, the natural gas markets' fully factored in the short- to near-term expectations of shale gas in the forward strip and the entire forward curve collapsed. For instance, the 2013 forward Henry Hub forward price now trades at about $5.7 per million British thermal units (mmBtu) after trading at $7.5 per mmBtu in June 2009. The market appears to be communicating, via the deferred part of the curve, that the future does not warrant higher prices. We note that while Exelon has a long position on market heat rates, carbon and other emissions, the company is double leveraged to an economic recovery. We believe an energy-light economic recovery, or falling demand in a double-dip recession, would harm Exelon more severely than its peers because of its significant base-load generation.

However, despite the longer-term decrease in expected load growth, economic recovery has resulted in robust industrial growth in ComEd and PECO's service territory, and heat rates in the spot market are improving. In particular, because coal prices have remained relatively stable for both Powder River Basin and Northern

Appalachian coal, and load is recovering, NiHub and PJM west of-peak power prices have increased. The Environmental Protection Agency's electric power agenda covering air, water and waste during the next two years is a busy one, including secondary NOx and SO2 compliance standards, mercury, once-through cooling, dry ash, and carbon compliance. Despite a massive build-out of capacity resources over the past decade, the recently promulgated draft Clean Air Transportation Rules (CATR) have the potential to cause significant retirements in the existing U.S. coal fleet. Given the current rule-making process that requires typical compliance at the end of a three-year period, the full impact of these rules is likely to be felt in 2014-2015. We believe that the result of the May 2010 RPM auction for 2014-2015 would be one important indicator of reserve margin outlooks.

ExGen owns one of the lowest-cost generation fleet that dispatches almost 17,000 MW of nuclear generation at the lowest end of the supply stack. Requirement contracts in Exelon's markets for various volumes and periods have also ensured that a high percentage of ExGen's near-term margins through 2012 is locked in, which we view favorably. We view ExGen's hedging policies and practices as consistent and sophisticated, which provide benefit to its credit quality. Hedging not only protects ExGen's generation from steep price declines, it also provides the company time to adjust its cost structure and/or its capital structure, should prices remain depressed.

However, hedging activities insulate, but do not isolate, power merchants from commodity price effects. The high-price hedges that have thus far insulated Exelon from the economic turmoil will start rolling off during the next 12 months, exposing it to the power markets. Although the bulk of ExGen's gross margin is under contract for 2010 and 2011 that leaves little commodity exposure but for an appropriate level to accommodate operational length, the company continues to face a backwardated EBITDA as the hedge percentage rolls off in later years. Consequently, we focus on ExGen's exposure to commodity prices in the outer years in our analysis. For instance, by early 2009, ExGen had hedged about 30% of its expected Mid-Atlantic 2011 production at an effective average realized energy price of about $71 per megawatt hour (MWh). This hedged level was higher at just above 90% by June 2010, but the effective average realized price had declined to $57.5 per MWh because of the decline in power prices.

Similarly, ExGen's estimate of margin at risk (represented by gross margin at the 95th and 5th percentile—i.e. assuming an approximate two standard deviation upward/downward move in power prices imposed on the unhedged generation) declined to about $7.1 billion by June 2010 at the 95th percentile from about $8.9 billion in early 2009. Importantly, from a credit perspective, ExGen successfully controlled the downside risk and tightened its gross margin distribution estimate for 2011 at the 5th percentile to $6.5 billion by the end of 2009 from $5.8 billion at the beginning of 2009. The company's estimate of gross margin at the 50th percentile (i.e. expected gross margin) remains fairly stable despite significant movements in the forward strip, which we view favorably.

Still, we note that there are limits to what a price-taking base-load fleet, such as ExGen's, can do to mitigate the effects of a long-term decline in prices. The 2012 Mid-Atlantic hedged prices are at average realized energy price of $51.0 per MWh and the 5th percentile gross margin has declined to $5.1 billion--about $1 billion lower compared with the corresponding expectation for 2011 gross margin at the end of the second quarter in 2009.

In order to reduce its "economic" exposure to natural gas, Exelon recently announced that it's acquiring a wind portfolio and has entered an exclusive agreement for the purchase of John Deere Renewables LLC. This portfolio includes 735 MW of capacity spread across 36 projects located in 8 states. The portfolio has a clean capital structure that has no tax equity. There is also no project-level debt. While the wind portfolio acquisition adds contracted assets to ExGen's portfolio, we are unsure how acquisitive management will be in a bid to shore up a potentially significant decline in the company's 2012 and 2013 earnings.

We view Exelon's stand-alone financial risk profile as 'significant'. Exelon ended 2009 with adjusted funds from operations (FFO) to total debt of about 28.5%. We expect a marginal reduction in these ratios in 2010 even though a significant proportion of cash flow was hedged earlier at high prices because of lower load than expected. Even so, consolidated cash flow metrics should remain stable at 25%-26.5% through 2013 as a significant proportion of generation is hedged. We view this as adequate given that the low-risk business profile of the two utilities offsets the lower cash flow they generate.

Similarly, ExGen's cash flow protection, as reflected by the ratio of FFO to debt, is expected to be about 34.5% in 2010. We expect the measure to improve to about 41% as most of the 2011 generation is hedged and because PECO's load goes to market prices, some of which will be serviced by ExGen's fleet at the significantly higher supply price. However, we expect 2012 and 2013 adjusted FFO to debt to decline to 30%-33% as a result of the decline in power prices at which generation in these years will be hedged. We consider adjusted FFO to debt measures at about 30% for ExGen as adequate for the rating.

Exelon has material off-balance-sheet obligations. These obligations represent roughly a third of total adjusted debt, which excludes customer transition charge related securitization debt. After adjusting for ExGen's tolling contracts and the consolidated entity's unfunded pension and postretirement benefit obligations, we consider Exelon's capital structure as 'significant'. However, about 60% of the company's total adjusted debt is at its utility operating companies: 42% and 19% at ComEd and PECO, respectively.

As of June 30, 2010, Exelon's adjusted debt to total capital was about 57%. Given the current business mix, which depends considerably on the volatile generation business, we consider leverage to be high. Still, because the book value of ExGen's nuclear assets are materially undervalued, we would characterize book value debt to capital as a somewhat weak indicator of financial risk. Also, excluding debt at the utilities and after imputing all debt relating to purchased power agreements and unfunded pensions and postretirement obligations, Exelon's stand-alone merchant business of adjusted owned and contracted kilowatts remains modest at about $275 per kW and under $500 per kW when we include only base-load kW. We believe this is well below the replacement value of base load nuclear units.

Short-term credit factors

The short-term rating on Exelon and affiliates is 'A-2'. Standard & Poor's views Exelon and ExGen's liquidity as strong, in light of expected debt maturities and available credit facilities. We estimate that Exelon and ExGen's sources of cash during the next 12-24 months to exceed its uses by about 1.9x and 1.6 x, respectively. We expect sources over uses for both companies to remain positive even if the EBITDA declines by 50%. Additionally, because of the company's solid relationships with banks and high conversion of FFO to discretionary cash flow, we believe Exelon can absorb low probability shocks.

Exelon has sufficient alternative sources of liquidity to cover current liquidity needs, including ongoing capital requirements and margin requirements at ExGen, moderate capital expenditures, and upcoming debt maturities, which are marginal at about $639 million in 2010. The next large maturities at Exelon and ExGen are in 2015 and 2014, respectively.

As of June 30, 2010, Exelon, ExGen, ComEd, and PECO had $7.36 billion of credit lines, of which about $435 million drawn or posted for letter of credits. In March 2010, ComEd replaced its $952 million credit facility with a three-year $1 billion unsecured revolving credit facility that expires on March 25, 2013. The facilities for the rest of the Exelon group expire in October 2012. A medium-term risk is the renewal of these facilities given that banking sector credit availability has diminished generally but the company does not foresee a need for increased liquidity beyond the $5.8 billion of credit facilities at Exelon and ExGen post-2010 from PECO PPA roll-off. Exelon continues to use non-margining transactions while evaluating alternatives to reduce reliance on bank credit.

Related Criteria And Research

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.

STANDARD
&POOR'S

Global Credit Portal®
RatingsDirect®

March 25, 2011

Summary:
Commonwealth Edison Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Secondary Contact:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

Table Of Contents

856598 | 301097861