Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
Year Ending December 31, 2010

Line No.	Debt, Issue Type Coupon Rate[1,2] (A)		Date Reacquired (B)	Amortization Period End Date (C)	Principal of Debt Reacquired (D)	Call Premium (E)	Net Gain or (Net Loss) (F)	Balance as 12/31/2010 (G)	Annual Amortization (H)
1	**Unamortized Loss on Reacquired Debt**								
2	**First Mortgage Bonds**								
3	14.250%	Series 46	11/24/87	04/15/15	$ 100,000,000	$ 3,820,000	$ (4,690,683)	$ 299,964	$ (69,867)
4	15.375%	Series 47	11/24/87	04/15/15	100,000,000	12,410,000	(13,618,887)	$ 667,684	(202,851)
5	13.000%	Series 48	03/22/88	04/15/13	150,000,000	14,760,000	(17,231,562)	$ 529,307	(409,858)
6	17.500%	Series 44	05/24/88	04/15/15	47,315,000	2,122,000	(2,161,698)	$ 61,839	(18,791)
7	12.250%	Series 50	11/21/88	04/15/15	100,000,000	3,500,000	(3,839,210)	$ 113,124	(34,373)
8	13.375%	Series 51	11/21/88	04/15/15	83,650,000	8,802,000	(9,670,777)	$ 284,968	(86,577)
9	12.000%	Series 66	03/23/93	04/15/15	100,000,000	9,000,000	(9,791,995)	$ 1,168,511	(355,009)
10	11.125%	Series 71	05/01/93	04/15/15	125,000,000	9,612,500	(11,593,775)	$ 1,388,427	(421,821)
11	10.500%	Series 56	05/27/93	04/15/15	150,000,000	9,750,000	(11,536,825)	$ 1,393,850	(423,470)
12	10.250%	Series 67	06/07/93	04/15/13	200,000,000	14,260,000	(17,087,634)	$ 635,565	(492,192)
13	8.750%	Series 30	08/12/93	07/01/13	125,000,000	4,400,000	(4,656,080)	$ 121,370	(80,913)
14	9.125%	Series 38	08/12/93	07/01/13	250,000,000	10,825,000	(12,880,562)	$ 335,757	(223,837)
15	10.375%	1985	12/14/94	03/01/20	30,000,000	600,000	(1,615,843)	$ 300,749	(36,817)
16	10.625%	1985	12/14/94	03/01/20	111,000,000	2,200,000	(6,825,849)	$ 228,550	(27,976)
17	10.625%	1985	12/14/94	03/01/17				$ 1,191,598	(230,551)
18									
19	9.875%	Series 75	11/21/01	03/15/12	195,829,000	39,464,320	(22,887,616)	357,213	(1,718,034)
20	8.375%	Series 86	09/16/02	02/01/33		3,425,000		2,483,292	(117,744)
21	7.625%	Series 92	02/28/02	03/15/12	1,500,000	229,665	(251,684)	3,925	(18,877)
22	7.625%	Series 92	08/25/04	03/15/12	65,000,000	14,872,650	(17,067,050)	2,553,299	(1,974,476)
23	7.625%	Series 92	10/15/04	03/15/12	25,000,000	5,676,250	(6,504,261)	989,053	(764,837)
24	7.625%	Series 92	11/26/04	03/15/12	3,500,000	753,515	(868,270)	133,838	(103,501)
25	7.500%	Series 94	02/28/02	03/15/12	3,000,000	434,580	(506,548)	7,900	(37,993)
26	7.500%	Series 94	08/25/04	07/01/13	20,000,000	4,486,200	(5,012,259)	851,404	(566,050)
27	5.850%	Series 94C	08/26/04	01/15/14	3,000,000	410,160	(611,534)	133,220	(65,095)
28	8.625%	Series 81	03/27/02	03/15/12	200,000,000	7,680,000	(7,521,684)	117,304	(564,156)
29	8.500%	Series 84	07/15/02	03/15/12	200,000,000	7,830,000	(9,146,102)	147,200	(707,998)
30	8.375%	Series 88	03/18/03	04/15/15	235,950,000	9,114,749	(12,244,541)	2,210,710	(671,642)
31	8.000%	Series 91	04/15/03	04/15/15	160,000,000	5,862,400	(11,858,267)	2,140,970	(650,453)
32	6.150%	Series 98	08/06/04	03/15/12	100,000,000	10,458,000	(17,062,796)	446,801	(2,241,872)
33	6.150%	Series 98	08/25/04	03/15/12	50,000,000	6,358,500	(9,660,835)	266,123	(1,278,073)
34	5.875%	Series 100	07/27/04	02/01/33	11,400,000	(185,592)	(788,382)	583,110	(27,627)
35	5.875%	Series 100	08/06/04	02/01/33	40,000,000	866,000	(4,283,438)	3,171,206	(150,246)
36	5.875%	Series 100	08/25/04	02/01/33	45,000,000	2,611,350	(6,455,972)	4,788,373	(226,863)
37	4.700%	Series 101	08/06/04	04/15/15	85,000,000	(499,800)	(8,553,071)	2,633,396	(799,660)
38	4.700%	Series 101	08/25/04	04/15/15	50,000,000	793,000	(6,118,209)	1,892,947	(574,812)
39	1.950%	Series 111	10/12/11	09/01/16	80,148,600	-	(171,078)	163,443	7,635
40	3.400%	Series 112	10/12/11	09/01/21	110,681,400	-	(236,251)	231,023	5,228
41									
42	**Interest Rate Swap Settlement[3]**			03/15/12			8,862,150	138,471	(664,661)
43	**Interest Rate Swap Settlement[3]**			03/15/12			1,403,000	22,484	(107,923)
44	**Interest Rate Swap Settlement[3]**			02/01/33			21,539,444	10,952,946	(519,507)
45	**Interest Rate Swap Settlement[3]**			04/15/15			8,249,000	1,484,249	(450,911)
46	**Interest Rate Swap Settlement[3]**			07/31/20			4,246,042	3,645,699	(424,604)
47									
48	**Sinking Fund Debentures**								
49	10.000%	Series 4	04/01/92	03/15/12	120,000,000	3,789,600	(3,981,788)	23,598	(113,401)
50	**Subordinated Deferrable Interest Notes and Senior Notes**								
51	8.480%		03/20/03	03/15/33	206,190,000	-	(20,228,911)	14,300,679	(674,297)
52	6.950%		08/06/04	07/15/18	60,000,000	11,509,200	(16,568,486)	7,774,920	(1,187,880)
53	6.950%		08/25/04	07/15/18	25,000,000	5,516,000	(7,624,035)	3,591,052	(548,654)
54	**Pollution Control Obligations**								
55	11.750%	Joliet 1981	08/01/91	04/15/13	25,000,000	750,000	(1,424,316)	76,581	(59,295)
56	11.750%	Pekin 1981	08/01/91	04/15/13	25,000,000	750,000	(1,447,131)	77,808	(60,246)
57	11.500%	Waukegan 1981	08/01/91	04/15/13	10,000,000	300,000	(458,856)	24,672	(19,103)
58	10.125%	IEFFA 1980	09/03/91	04/15/13	15,000,000	375,000	(563,470)	30,433	(23,563)
59	10.375%	IEFFA 1980	09/03/91	04/15/13	25,000,000	625,000	(1,067,250)	57,641	(44,630)
60	8.375%	IEFFA 1979	03/11/94	02/01/11	10,000,000	100,000	(213,359)	-	(880)
61	8.500%	IEFFA 1979	03/11/94	02/20/11	40,000,000	400,000	(880,579)	-	(3,629)
62	9.750%	IEFFA 1983	04/01/94	02/20/11	16,000,000	400,000	(783,087)	-	(3,210)
63	11.375%	IEFFA 1984	11/21/94	11/01/19	42,200,000	844,000	(1,687,652)	456,156	(58,191)
64									
65	5.875%	1977	05/15/03	05/15/17	40,000,000	-	(599,277)	230,074	(42,806)
66	Variable	1994B	09/30/03	11/01/19	42,200,000	-	(174,123)	84,840	(10,821)
67	Variable	1994C	11/28/03	03/01/20	50,000,000	-	(79,616)	40,015	(4,899)
68	Variable	1994D	03/21/05	03/01/17	91,000,000	-	(4,524,506)	1,955,192	(378,299)
69	Variable	2005	06/13/08	03/01/18	91,000,000		(961,559)	570,179	(110,409)
70	Variable	2003C	06/18/08	03/01/20	50,000,000		(795,632)	555,527	(67,954)
71	Variable	2002	07/01/08	04/15/13	100,000,000		(583,461)	157,479	(121,846)
72	Variable	2003B	07/08/08	11/01/19	42,200,000		(222,142)	153,885	(19,631)
73	Variable	2003B	07/08/08	05/01/21			(435,433)	317,276	(33,984)
74	Variable	2003A	07/10/08	05/15/17	40,000,000		(566,327)	344,084	(64,021)
75	Variable	2003A	07/10/08	05/01/21			(332,768)	242,573	(25,982)
76	Variable	2003D	07/29/08	01/15/14	19,975,000		(204,456)	76,524	(37,414)
77	Variable	2003D	07/29/08	05/01/21			(112,292)	82,190	(8,803)
78	Variable	2008D	05/28/09	03/01/20	50,000,000		(546,292)	411,820	(50,427)
79	Variable	2008F	05/28/09	03/01/17	91,000,000		(677,508)	446,867	(86,490)
80	Variable	2008E	05/28/09	05/01/21	49,830,000		(566,726)	440,787	(47,227)
81	**Subordinated Deferrable Interest Debentures**								
82	8.500%	ComEd Financing II	03/07/08	01/15/38	154,640,000		(11,579,481)	10,109,840	(387,597)
83									
84	TOTAL					$ 252,061,247	$ (310,602,111)	**$ 93,903,554**	**$ (22,825,244)**
85									
86	**Unamortized Gain on Reacquired Debt**								
87	**First Mortgage Bonds**								
88	7.250%		06/04/02	04/15/13	100,000,000	1,000,000	259,689	(30,724)	23,856
89	**Interest Rate Swap Settlement[3]**			07/31/20			165,236	(141,951)	16,533
90	TOTAL					$ 1,000,000	$ 424,925	**$ (172,675)**	**$ 40,389**

Notes:
(1) Listing sourced from Form 21 ILCC, Pages 24a-24c.
(2) Refunded with the proceeds from issuance of long-term debt with the maturity dates on Page 2 of WPD-3.
(3) The unamortized losses and gains on interest rate swap settlements are reported in FERC accounts 182.3 (Other Regulatory Assets) and 254 (Other Regulatory Liabilities), respectively.

Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
Year Ending December 31, 2010

Line No.	Debt, Issue Type Coupon Rate[1]		Maturity Date(s) of New Debt Issues				
	(A)		(B)				
	REFUNDING ISSUES						
1	**First Mortgage Bonds**						
2	14.250%	Series 46	Feb-2023	Apr-2015	(2)		
3	15.375%	Series 47	Feb-2023	Apr-2015	(2)		
4	13.000%	Series 48	Apr-2013				
5	17.500%	Series 44	Mar-1998	Feb-2023	Apr-2015	(2)	
6	12.250%	Series 50	Mar-1998	Feb-2023	Apr-2015	(2)	
7	13.375%	Series 51	Mar-1998	Feb-2023	Apr-2015	(2)	
8	12.000%	Series 66	Feb-2023	Apr-2015	(2)		
9	11.125%	Series 71	Feb-2023	Apr-2015	(2)		
10	10.500%	Series 56	Apr-2023	Apr-2015	(2)		
11	10.250%	Series 67	Apr-2013				
12	8.750%	Series 30	Jul-2005	Jul-2013			
13	9.125%	Series 38	Jul-2005	Jul-2013			
14	10.375%	1985	Mar-2009	Mar-2020	(2)		
15	10.625%	1985	Mar-2009	Mar-2015	Mar-2020	Mar-2017	(2)
16	9.875%	Series 75	Mar-2012				
17	8.625%	Series 81	Mar-2012				
18	8.500%	Series 84	Mar-2012				
19	8.375%	Series 86	Feb-2033				
20	7.625%	Series 92	Mar-2012				
21	7.500%	Series 94	Mar-2012	Jul-2013			
22	7.250%	1991	Apr-2013				
23	8.375%	Series 88	Apr-2015				
24	8.000%	Series 91	Apr-2015				
25	**Sinking Fund Debentures**						
26	10.000%	Series 4	Feb-1997	Feb-2022	Mar-2012	(2)	
27	**Subordinated Deferrable Interest Notes**						
28	8.480%		Mar-2033				
29	**Subordinated Deferrable Interest Debentures**						
30	8.500%		Jan-2038				
31	**Pollution Control Obligations**						
32	11.750%	Joliet Series 1981	Jun-2011	Apr-2013	(2)		
33	11.750%	Pekin Series 1981	Jun-2011	Apr-2013	(2)		
34	11.500%	Wkg Series 1981	Jun-2011	Apr-2013	(2)		
35	10.125%	IEFFA Series '80	Jun-2011	Apr-2013	(2)		
36	10.375%	IEFFA Series '80	Jun-2011	Apr-2013	(2)		
37	8.375%	IEFFA Series '79	Jan-2004	Jan-2009	Feb-2011	(2)	
38	8.500%	IEFFA Series '79	Jan-2004	Jan-2009	Feb-2011	(2)	
39	9.750%	IEFFA Series '83	Jan-2004	Jan-2009	Feb-2011	(2)	
40	11.375%	IEFFA Series '84	Oct-2014	Nov-2019	(2)		
41	5.875%	IDFA Series '79	May-2017				
42	Variable	IDFA 1994B	Nov-2019				
43	Variable	IDFA 1994C	Mar-2020				
44	Variable	IDFA 1994D	Mar-2017				
45	Variable	IFA Series 2005	Mar-2018				
46	Variable	IDFA Series 2003 C	Mar-2020				
47	Variable	IDFA Series 2003 B	Nov-2019	May-2021			
48	Variable	IDFA Series 2003 A	May-2017	May-2021			
49	Variable	IDFA Series 2003 D	Jan-2014	May-2021			
50	Variable	IFA Series 2008 D	Mar-2020	Sep-2016	Sep-2021		
51	Variable	IFA Series 2008 F	Mar-2017	Sep-2016	Sep-2021		
52	Variable	IFA Series 2008 E	May-2021	Sep-2016	Sep-2021		
53							
54	**The following debt items were not refinanced:**						
55			Original Maturity Date of Debt Issues				
56	First Mortgage Bonds						
57	7.625%	Series 92	Mar-2012				
58	7.500%	Series 94	Jul-2013				
59	5.850%	Series 94C	Jan-2014				
60	6.150%	Series 98	Mar-2012				
61	5.875%	Series 100	Feb-2033				
62	4.700%	Series 101	Apr-2015				
63	Pollution Control Obligations						
64	Variable	IDFA Series 2002	Apr-2013				
65	Notes -						
66	6.950%		Jul-2018				

Notes:
(1) Listing sourced from Form 21 ILCC, Pages 24d and 24e.
(2) The amortization period has changed due to the refunding of the long-term debt originally issued to refund this issue. Maturity date is that of the new long-term debt issue.

Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
Year Ending December 31, 2011

e) 1. Documentation Regarding Variable Rate Debt

ComEd had no variable rate debt outstanding as of December 31, 2011.

e) 2. Sinking Fund Schedule

ComEd had no sinking fund debt outstanding as of December 31, 2011

e) 6. Utility Guarantees

Line No.	Surety Bond Type	Principal	Obligee	Obligee State	Bond Amount	Effective Date	Exp Date	Renewal Type	Premium
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Ordinance	ComEd	Various (403 Bonds)	IL	$2,090,000	06/01/09	06/01/12	Release Needed	$40,300
2	License Permit	ComEd	Forest Preserve Dist. Of Cook County	IL	25,000	08/04/06	NA	Continuous	100
3	Perpetual Permit	ComEd	Chicago Park District	IL	50,000	08/24/06	NA	Continuous	250
4	Highway Permit	ComEd	D.O.T. IL	IL	50,000	12/27/10	12/27/12	Continuous	250
5	Permit	ComEd	Ill. State Toll Comm	IL	50,000	10/01/01	10/01/18	Release Needed	1,000
6	Savings Guaranty	ComEd	DeKalb County	IL	17,052	06/01/00	06/01/12	Release Needed	682
7	Road Use Permit Bond	ComEd	Village of Shorewood	IL	30,000	03/15/11	03/15/12	Release Needed	150
8	License/Permit	ComEd	Village of Gardner	IL	250,000	12/09/11	12/09/12	Release Needed	1,250
9	License Permit	ComEd	Lake County Forest Preserve District	IL	10,000	06/08/10	06/08/12	Release Needed	100
10	License/Permit	ComEd	Woodford County	IL	10,000	01/10/11	01/10/12	Release Needed	100
11	Right of Way	ComEd	Elston Properties	IL	765,235	08/01/09	08/01/12	Release Needed	3,826
12	Bridge Permit - Conduit Installation	ComEd	City of Chicago	IL	250,000	06/08/10	06/08/12	Release Needed	1,250
13	Permit	ComEd	Goose Lake Township	IL	250,000	12/01/10	12/01/12	Release Needed	1,250
14	Permit	ComEd	Felix Township	IL	250,000	12/01/10	12/01/12	Release Needed	1,250
15	License/Permit	ComEd	Village of Burr Ridge	IL	5,000	07/01/11	07/01/12	Release Needed	100

Commonwealth Edison Company

Schedule D-7 Embedded Cost Of Long Term Debt

Years 2007 - 2011

(In Dollars)

Line No.	Description	FERC Form 1 Source	2011	2010	2009	2008	2007
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Long-Term Debt Outstanding CR / (DR)						
2	Long-Term Debt Outstanding (Accts 221 - 224)	p. 112, l. 18 - 21	$ 5,893,786,000	$ 5,231,216,000	$ 4,944,016,000	$ 4,961,116,000	$ 4,809,511,132
3	Unamortized Premium on Long-Term Debt (Acct 225)	p. 112, l. 22	1,164,491	1,761,174	2,357,857	2,954,541	3,716,767
4	Unamortized Discount on Long-Term Debt (Acct 226)	p. 112, l. 23	(23,327,102)	(25,787,502)	(28,842,483)	(32,015,129)	(32,567,402)
5	Unamortized Gain on Reacquired Debt (Acct 257)	p. 113	30,724	54,580	78,436	102,292	126,147
6	Unamortized Loss on Reacquired Debt (Acct 189)	p. 111	71,594,893	89,630,249	(109,689,181)	(128,874,467)	(134,194,591)
7	Loss on Settled Cash Flow Swaps (Acct 182.3)	p. 232, l. 8	(16,243,849)	(18,411,455)	(16,084,155)	(17,827,158)	(19,722,147)
8	Gain on Settled Cash Flow Swaps (Acct 254)	p. 278, l. 3	141,951	158,484	496,562	1,291,060	2,085,558
9	Unamortized Debt Expenses (Acct 181)	p. 111	29,959,231	(27,238,293)	(26,404,295)	(30,541,677)	(26,036,018)
10	Net Long-Term Debt Outstanding		$ 5,957,106,339	$ 5,251,383,237	$ 4,765,928,741	$ 4,756,205,462	$ 4,602,919,446
11	Cost of Long-Term Debt DR / (CR)		2011	2010	2009	2008	2007
12	Interest on Long-Term Debt (Acct 427 / 430)	p. 256 - 257, col. (I)	$ 307,737,280	$ 288,723,797	$ 284,485,024	$ 297,945,717	$ 266,378,325
13	Amortization of Debt Discount and Expense (Acct 428)	p. 117, l. 63	11,262,014	9,853,063	7,694,546	7,521,711	6,282,067
14	Amortization of Loss on Reacquired Debt (Acct 428.1)	p. 117, l. 64	18,442,686	20,058,932	20,975,813	21,113,675	22,862,169
15	Amortization of Premium on Debt (Acct 429)	p. 117, l. 65	(596,683)	(596,683)	(596,683)	(762,226)	(1,188,711)
16	Amortization of Gain on Reacquired Debt (Acct 429.1)	p. 117, l. 66	23,856	(23,856)	(23,856)	(23,856)	(23,856)
17	Total Cost of Long-Term Debt		$ 336,869,153	$ 318,015,253	$ 312,534,844	$ 325,795,021	$ 294,309,994
18	Embedded Cost of Long-Term Debt Rate (l. 18 / l. 11) (a)		5.65%	6.06%	6.56%	6.85%	6.39%

Notes:

(b) Not meaningful for ratemaking purposes due to differences between these amounts and those in the ILCC Form 21.

Commonwealth Edison Company

Schedule D-7 - Estimated Return on Rate Base (a)

Years 2007 - 2011

(In Dollars)

Line No.	Description	FERC Form 1 Source	2011	2010	2009	2008	2007
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Rate Base (Unadjusted) (a)						
2	Plant in Service	p. 200, l. 3	$ 18,350,434,707	$ 17,565,228,096	$ 16,769,888,224	$ 15,721,848,630	$ 15,120,680,377
3	Completed Construction Not Classified	p. 200, l. 6	434,982,980	384,942,681	521,097,224	900,608,799	639,891,325
4	Accumulated Depreciation	p. 200, l. 22	(7,152,494,925)	(6,843,280,703)	(6,604,819,219)	(6,302,046,814)	(6,193,576,495)
5	Net Utility Plant (b)		11,632,922,762	11,106,890,074	10,686,166,229	10,320,410,615	9,566,995,207
6	Plant Materials and Supplies (Acct 154)	p. 110	81,131,789	71,908,090	71,325,663	74,958,501	74,376,591
7	Stores Expense Undistributed (Acct 163)	p. 111	-	-	-	-	-
8	Fuel (Acct 151 - 152)	p. 110	-	-	-	-	-
9	Property Held For Future Use	p. 214	35,658,200	35,369,141	31,532,390	32,004,439	39,110,363
10	Other Regulatory Assets (Acct 182.3) -						
11	Recoverable Transition Costs	p. 232	-	-	-	-	-
12	Capitalized Incentive - March 2003 Agreement	p. 232	8,197,785	8,439,273	8,680,760	8,922,247	9,177,325
13	Unrecovered Nuclear Decommissioning Costs	p. 232	-	-	-	-	-
14	Accumulated Deferred Income Taxes (Acct 190)	p. 111	324,645,956	343,318,321	323,016,420	309,948,557	285,308,691
15	Pension Asset (Acct 186)	p. 233	1,802,548,972	1,038,782,729	907,476,041	846,938,710	875,240,245
16	RTO Start-up Costs (Acct 186)	p. 233		-	-	-	-
17	Operating Reserves (Acct 228)						
18	Accum Prov for Injuries & Damages (Acct 228.2)	p. 112	(52,759,525)	(53,669,501)	(53,027,607)	(63,307,496)	(71,680,696)
19	Accum Prov for Pensions & Benefits (Acct 228.3)	p. 112	(317,414,580)	(314,601,906)	(288,328,057)	(249,387,659)	(228,589,901)
20	Accum Misc Operating Provisions (Acct 228.4)	p. 112	(126,920,032)	(120,561,389)	(112,648,855)	(89,079,873)	(76,919,535)
21	Asset Retirement Obligations (Acct 230)	p. 112	(89,039,536)	(104,935,733)	(94,708,077)	(173,970,921)	(163,467,199)
22	Customer Advances for Construction (Acct 252)	p. 113	(69,659,709)	(60,282,885)	(70,836,167)	(64,299,068)	(50,753,270)
23	Accumulated Deferred ITC's (Acct 255)	p. 113	(26,314,193)	(28,965,908)	(31,714,677)	(34,532,793)	(37,360,937)
24	Accumulated Deferred Income Taxes (Accts 281 - 283)	p. 113	(4,299,915,834)	(3,578,903,968)	(3,056,518,743)	(2,730,923,946)	(2,599,270,585)
25	Remove Accum Def Taxes on Like-Kind Exchange	(c)	333,929,822	343,784,338	356,260,813	368,737,288	381,213,762
26	Net Rate Base (Unadjusted)	(a)	$ 9,237,011,877	$ 8,686,570,676	$ 8,676,676,133 (a)	$ 8,556,418,601 (a)	$ 8,003,380,061 (a)

Notes:

(a) Amounts based on FERC Form 1 reported data and do not reflect all rate making adjustments necessary for establishing a jurisdictional revenue requirement.

(b) Excludes goodwill (Plant Acquisition Adjs - Accts 114 and 115) and CWIP (Acct 107).

(c) See Schedule B-9, Page 2, line 16.

FitchRatings

Fitch Affirms Ratings of Exelon & Constellation Following Merger Announcement

Ratings
28 Apr 2011 11:12 AM (EDT)

Fitch Ratings-New York-28 April 2011: Fitch Ratings has affirmed the Issuer Default Ratings (IDR) and instrument ratings of Exelon Corp. (EXC) and Constellation Energy Group, Inc. (CEG) and each of their subsidiaries following the announcement of a stock for stock merger agreement. The Rating Outlook for all entities is Stable. A full list of rating actions appears at the end of this release.

The EXC ratings affirmation reflects the stock for stock nature of the transaction which results in a post merger consolidated credit profile that is only moderately weaker than its standalone credit profile and, based on EXC's business risk, supportive of the existing ratings. EXC's overall business risk will remain relatively unchanged, with regulated earnings contributing nearly half of projected 2012 EBITDA as either a standalone or combined entity.

The primary change from the EXC perspective is the addition of CEG's retail energy marketing business. CEG has operated this business for several years and demonstrated capable risk management practices. The wholesale/retail combination is expected to reduce liquidity needs and the associated costs primarily reflecting a decline in margining requirements from matching EXC's generation position and CEG's load serving business. The addition of CEG's retail energy business complements the cash flow of EXC's wholesale generation business; high wholesale power prices result in wider margins and greater cash flow for the larger generation segment and compressed margins for the retail segment and vice versa.

The post-merger credit profile of EXC's wholesale generation subsidiary, Exelon Generation Company, LLC (Exgen), will also weaken but remain supportive of the current ratings due to the headroom provided by its currently low leverage and strong interest coverage measures. The post merger down trend reflects the additional leverage of Constellation Energy Group, Inc. (CEG), which under the proposed corporate structure will be positioned as a subsidiary of Exgen.

Fitch estimates a decline in pro forma EBITDA for CEG due to the proposed divestiture of generation capacity to mitigate market power issues and the internal transfer of Baltimore Gas and Electric Company (BG&E). Nonetheless, credit metrics remain in line with Fitch's guideline ratios for a 'BBB-' rated issuer. Fitch has noted in the past that CEG's credit metrics were robust with respect to its risk profile and rating category.

CEG's business risk profile post merger is modestly weaker since BG&E will no longer operate as its wholly owned subsidiary. BG&E accounted for roughly one-third of CEG's consolidated EBIT and, despite its ring-fenced structure and limited upstream dividend projections, provided a relatively stable and predictable mix to the consolidated operations. Conversely, post merger CEG will benefit from being a subsidiary of a better capitalized parent (Exelon Generation Company, LLC).

The ratings of regulated subsidiaries Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company are unaffected by the proposed merger.

Under the terms of the merger agreement, CEG shareholders would receive 0.930 shares of EXC common stock in exchange for each share of CEG, valued at $38.59 per share based on EXC's closing price on April 27, 2010 or $7.9 billion in aggregate. EXC would also assume approximately $4 billion of CEG long-term debt (excluding tariff securitization debt of $0.5 billion). The board of the combined company would consist of 12 members from EXC and four members from CEG.

The transaction is subject to approvals by EXC and CEG shareholders as well as several federal and state regulatory approvals, namely the Federal Energy Regulatory Commission (FERC), the Department of Justice, Maryland, New York, Texas and various other states. EXC and CEG have proposed divestiture of approximately 2,650 MWs of capacity in the PJM region to allay any market power concerns. Assuming all necessary approvals are obtained in a timely manner, the transaction is expected to close in the first quarter of 2012.

The combined company, which would operate under the Exelon name, would increase in scale, with approximately 34,401 MWs of generating capacity (of which 18,967 MWs would be nuclear), three regulated electric utilities serving 6.6 million customers in three states (Illinois, Pennsylvania and Maryland)and a national footprint serving retail and wholesale load.

Fitch has affirmed the following ratings with a Stable Outlook:

Exelon Corp.

--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Exelon Generation Co., LLC
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Commonwealth Edison Company
--IDRat 'BBB-;
--First mortgage bonds at 'BBB+';
--Senior unsecured debt at 'BBB';
--Preferred stock to at 'BB+';
--Short-term IDR at 'F3';
--Commercial paper at 'F3'.

ComEd Financing Trust III
--Preferred stock at 'BB+'.

PECO Energy Co.
--IDR at 'BBB+';
--First mortgage bonds at 'A';
--Secured pollution control revenue bonds at 'A';
--Senior unsecured debt at (implied) 'A-';
--Preferred stock at 'BBB';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

PECO Energy Capital Trust III
--Preferred stock at 'BBB'.

PECO Energy Capital Trust IV
--Preferred stock at 'BBB'.

Constellation Energy Group
--IDR at 'BBB-';
--Senior unsecured debt at 'BBB-';
--Junior subordinated notes at 'BB';
--Commercial paper at 'F3';
--Short-term IDR at 'F3'.

Baltimore Gas and Electric Company
--IDR at 'BBB;
--First mortgage bonds at 'A-';
--Senior unsecured debt at 'BBB+';
--Unsecured pollution control bonds at 'BBB+'
--Preferred stock to at 'BBB-';
--Short-term IDR at 'F2';
--Commercial paper at 'F2'.

BGE Capital Trust II
--Preferred stock at 'BBB-'.

Contact:

For EXC:

Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
Fitch, Inc.

One State Street Plaza
New York, NY 10004

Secondary Analyst
Karen Anderson
Senior Director
+1-312-368-3165

For CEG:

Primary Analyst
Shalini Mahajan
Director
+1-212-908-0351
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Ellen Lapson
Managing Director
+1-212-908-0504

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Nov. 24, 2009)
--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007)
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007)

Applicable Criteria and Related Research:
Corporate Rating Methodology
Credit Rating Guidelines for Regulated Utility Companies
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines

FitchRatings

Fitch Rates Comed FMBs 'BBB+' Ratings

31 Aug 2011 9:58 AM (EDT)

Fitch Ratings-New York-31 August 2011: Fitch Ratings has assigned a 'BBB+' rating to Commonwealth Edison Company's (Comed) two new series of first mortgage bonds (FMBs) listed below. The Rating Outlook is Stable.

-- $350 million, 3.4% series 112 due Sept. 1, 2021;
-- $250 million 1.95% series 111 due Sept. 1, 2016.

Net proceeds will be used to refinance $345 million of 5.4% first mortgage bonds due Dec. 15, 2011 and three series of tax-exempt debt aggregating $191 million. The remaining proceeds will be used for general corporate purposes.

Key Rating Drivers

Comed's ratings are supported by credit quality measures that are comparable to the company's peer group of electric distribution utilities with similar ratings and risk profiles. Fitch expects leverage, interest coverage and cash flow measures to improve moderately in 2011 and remain supportive of the existing ratings largely due to a recently implemented $143 million rate increase. Thereafter on-going rate support will be required to recover rising infrastructure investments.

Other factors supporting the rating are the absence of commodity price exposure and the associated cash flow volatility and a relatively small and diverse industrial customer base that limits exposure to any single industry. Legislation that provides Illinois utilities the ability to adjust tariffs annually to reflect changes in uncollectible accounts is also credit positive.

Credit Concerns

The primary credit concerns are the ultimate cost of settling an Internal Revenue Service (IRS) tax dispute and lackluster sales growth. The IRS dispute relates to two tax positions associated with the deferred tax gains on the 1999 sale of the company's fossil fueled generating assets.

In September 2010, Comed reached a preliminary settlement on one of the two pending tax issues at a cost of approximately $300 million, but was unable to reach a settlement on a purchase and leaseback transaction (also referred to as a like-kind-exchange). The IRS asserts the lease transaction is substantially similar to a sale-in, lease-out (SILO) transaction, which the IRS has identified as an abusive tax shelter. As of June 30, 2011, Comed's SILO exposure is approximately $540 million pre-tax.

Absent a settlement, the dispute will be litigated and Fitch expects the issue to drag on for several more years. The company has sufficient liquidity to withstand an unfavorable outcome.

Balanced Rate Decision

In May 2011, Comed received a balanced rate decision allowing a $143 million rate increase effective June 1, 2011. The rate hike was based on a 10.5% return on equity (ROE), which is moderately higher than the previously allowed ROE of 10.3%. The increase equates to approximately 42% of Comed's revised request.

Approximately $85 million of the revenue disallowance related to a recent court decision regarding the treatment of accumulated depreciation related to post-test year plant additions, which was anticipated by Fitch. The court ruling requires utilities to reduce rate base to reflect the impact of accumulated depreciation when recognizing post test year plant additions. Excluding the disallowance, the rate increase equated to approximately 55% of the revised rate request.

Rising Capital Expenditures

Following two years of decline capital expenditures are rising moderately, but should remain manageable. The increase is attributable to planned transmission and smart grid investments. Fitch expects the expenditures to be funded with modest amounts of external financing.

Contact:
Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Karen Anderson
Senior Director
+1-312-368-3165

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 12, 2011);
--'Recovery Ratings and Notching Criteria for Utilities' (May 12, 2011);
--'Rating North American Utilities, Power, Gas and Water Companies' (May 16, 2011).

Applicable Criteria and Related Research:
Corporate Rating Methodology
Recovery Ratings and Notching Criteria for Utilities
Rating North American Utilities, Power, Gas, and Water Companies

FitchRatings

Corporates

Utilities, Power, and Gas/U.S.

Commonwealth Edison Company

Subsidiary of Exelon Corporation

Full Rating Report

Ratings

Long-Term IDR	BBB–
Short-Term IDR	F3
Secured	BBB+
Senior Unsecured	BBB
Preferred Stock	BB+
Commercial Paper	F3

Rating Outlook

Stable

Financial Data

Commonwealth Edison Co.

($ Mil.)	6/30/11	12/31/10
Revenue	6,200	6,204
Gross Margin	2,912	2,897
Operating EBITDA	1,504	1,572
Net Income	395	337
Cash from Operations	744	1,077
Total Adjusted Debt	5,704	5,104
Total Capitalization ($)	12,750	12,214
Capex/ Depreciation (x)	1.9	1.9

Related Research

Exelon Corp., Oct. 6, 2011

Exelon Generation Co., LLC, Oct. 6, 2011

PECO Energy Co., Oct. 6, 2011

Rating North American Utilities, Power, Gas and Water Companies, May 16, 2011

Analysts

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Shalini Mahajan
+1 212 908-0351
shalini.mahajan@fitchratings.com

Key Rating Drivers

Balanced Rate Decision: A rate increase implemented by Commonwealth Edison Co. (Comed) in June 2011 should preserve the financial improvement achieved over the past several years. The $143 million rate increase was based on a 10.5% return on equity (ROE), which is moderately higher than the previously allowed ROE of 10.3%. However, several disallowances will likely preclude the company from earning the allowed ROE in 2011. Management has narrowed the gap between the allowed and earned ROE over the past several years.

Debt Financing: A temporary spike in leverage is expected in 2011 due to a debt-financed contribution to the pension fund. Debt proceeds were used as an interim source of liquidity for the pension contribution ahead of expected tax receipts from both the pension contribution and the extension of bonus depreciation. Fitch Ratings expects the accelerated cash benefits to be used to fund the 2012 debt maturity, with debt/EBITDA returning to the 2010 level of approximately 3.3x.

Manageable Capital Expenditures: Capital expenditures are rising moderately but should remain manageable. The increase is attributable to planned reliability, transmission, and smart grid investments. The capital expenditures should be funded primarily with internally generated funds but will require ongoing rate support.

Tax Exposure: Comed has been unable to settle one of two tax disputes with the Internal Revenue Service (IRS) related to the treatment of deferred tax gains on the 1999 sale of the company's fossil-fueled generating assets. Comed's remaining exposure, exclusive of penalties, is approximately $540 million pretax as of June 30, 2011. The dispute will be litigated absent a settlement, and Fitch expects the issue to drag on for several more years. The company has sufficient liquidity to withstand an unfavorable outcome.

Economic Outlook: Sales growth in Comed's service territory has been sluggish and is expected to remain so in the near term. Sales to residential customers, Comed's largest customer class, declined 1.2% in 2010 on a weather-adjusted basis and are projected to increase a very modest 0.4% in 2011. Total sales (weather adjusted) grew 0.2% in 2010 and are expected to be flat in 2011. Fitch expects sales to grow less than 1% annually over the next several years.

Commodity Exposure: Comed has no commodity price exposure. The company is permitted to recover 100% of its electricity procurement costs from retail customers.

What Could Trigger a Rating Action

Regulatory Changes: A lack of rate support for utility infrastructure investments or a change in the commodity cost recovery provisions in Illinois could adversely affect Comed's ratings.

Parent Risk Profile: An increase in parent Exelon Corp.'s (EXC) leverage or in its risk appetite could adversely affect Comed's ratings.

Liquidity and Debt Structure

Comed relies primarily on its bank credit facility, commercial paper borrowings, and available cash for short-term liquidity. The company has a multiyear $1 billion unsecured revolving credit facility that extends to March 2013. There were no borrowings under the credit facility and outstanding letters of credit totaled $195 million as of June 30, 2011, leaving available borrowing capacity of $804 million, as shown in the table below. There were no commercial paper borrowings, and cash and equivalents amounted to $94 million.

Credit Facilities — Commonwealth Edison Company

($ Mil., as of June 30, 2011)

Amount	Maturity	Borrowings	Outstanding LOCs	Available Capacity
1,000	March 25, 2013	—	195	805

Source: Exelon 10K and Fitch Ratings.

The credit agreement requires Comed to maintain a minimum cash from operations-to-interest expense ratio for the 12-month period ended the last day of any quarter of 2.0x. The actual CFO/interest ratio was 6.82x as of June 30, 2011. There are no cross-default provisions in the credit facility.

Comed voluntarily withdrew from the EXC corporate money pool in January 2006 as part of several ring-fencing mechanisms instituted at that time.

There are regular debt maturities over the next several years, as shown in the table below. The refinancing requirements should be manageable but will require capital market access in most years.

Debt Maturity Schedule — Commonwealth Edison Company

Security Type	Interest Rate (%)	Debt Outstanding ($ Mil.)	Maturity Date
First-Mortgage Bond	5.400	345	12/15/11
First-Mortgage Bond	6.150	450	3/15/12
First-Mortgage Bond	7.625	125	4/15/13
First-Mortgage Bond	7.500	127	7/1/13
Pollution Control Bonds	5.850	17	1/15/14
First-Mortgage Bond	1.625	600	1/15/14
Pollution Control Bonds	4.700	260	4/15/15
Total		**1,324**	

Source: EXC 10K and Fitch Ratings.

Regulatory Matters

In May 2011, Comed received a balanced rate decision allowing a $143 million tariff increase effective June 1, 2011. The rate hike was based on a 10.5% ROE, which is moderately higher than the previously allowed ROE of 10.3%. The increase equates to approximately 42% of Comed's revised request.

Approximately $85 million of the revenue disallowance related to a recent court decision regarding the treatment of accumulated depreciation on post-test year plant additions, which was anticipated by Fitch. The court ruling requires utilities to reduce their rate bases to reflect

Applicable Criteria and Related Research

Corporate Rating Methodology, Aug. 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug.12, 2011 the impact of accumulated depreciation when recognizing post-test year plant additions. The rate increase equated to approximately 55% of the revised rate request excluding the disallowance.

Capital Expenditures

Capital expenditures are rising moderately but should remain manageable. The increase is largely attributable to planned reliability, transmission, and smart grid investments. Fitch expects the expenditures to be funded with internal cash in 2012 and modest amounts of external financing thereafter.

Transmission Development Project

Comed is pursuing development of a 420-mile extra-high-voltage transmission project from the Ohio border through Indiana to northern Illinois in partnership with several other entities. The project is subject to Federal Energy Regulatory Commission (FERC) jurisdiction, providing Comed an opportunity to earn an incentive ROE with minimal regulatory lag.

Comed will own 75% of the Illinois portion of the transmission line through a project company, RITELine Illinois, LLC. The total cost of the project, referred to as the Reliability Interregional Extension (RITE) Line, is estimated at $1.6 billion, and the Illinois portion is anticipated to be $1.2 billion.

In July 2011, the project sponsors filed a request with FERC for incentive rates and a formula rate for the project. Construction is expected to occur between 2015 and 2018 and is subject to FERC, PJM Interconnection, LLC, and state approvals.

Tax Matters

In 1999, Comed deferred a $2.8 billion tax gain on the sale of its fossil-generating assets, including approximately $1.6 billion under the involuntary conversion provision of the IRS code and $1.2 billion under the like-kind exchange provision of the code. The IRS audit report for 1999–2001 disallowed the tax treatment on both the involuntary conversion and the like-kind exchange.

In September 2010, EXC and the IRS reached a nonbinding settlement of the involuntary conversion positions, and EXC made a $300 payment in December 2010. Comed's liability is $405 million. The difference is payments to affiliates. A final settlement is subject to executing definitive agreements, after which Comed will reimburse EXC.

EXC and the IRS have been unable to reach a settlement on the like-kind exchange, and EXC expects to initiate litigation after final resolution of the involuntary conversion. The potential tax and interest, exclusive of penalties ($86 million), was $840 million as of June 30, 2011, assuming finalization of the involuntary conversion settlement. Comed's share of $540 million would be paid by Comed and the remainder by EXC.

Background

ComEd is a regulated electricity transmission and distribution company serving approximately 3.8 million customers in northern Illinois, including the city of Chicago. Legislation in Illinois allows utilities to recover power procurement costs from retail customers without a markup. The Illinois Power Authority (IPA) administers a competitive process to procure the power. The legislation requires an increasing portion of the energy requirements from renewable energy resources. The Illinois Commerce Commission (ICC) had approved a portion of Comed's energy procurement contracts through May 2012 as of Dec. 31, 2010. The remainder of the company's expected energy requirements will be met through additional forward purchase energy block contracts from future requests for proposal, spot market purchases, and a financial swap contract with affiliate Exelon Generation LLC for base load around the clock power.

Financial Summary — Commonwealth Edison Co.

($ Mil., Fiscal Years Ended Dec. 31)	LTM 6/30/11	2010	2009	2008	2007	2006
Fundamental Ratios						
FFO/Interest Expense (x)	2.7	4.1	4.5	4.2	3.4	4.4
CFO/Interest Expense (x)	3.1	3.7	4.1	4.0	2.6	4.1
FFO/Debt (%)	10.5	23.5	23.3	23.1	15.8	23.8
Operating EBIT/Interest Expense (x)	2.8	2.7	2.5	1.9	1.6	4.2
Operating EBITDA/Interest Expense (x)	4.3	4.0	4.1	3.3	3.0	5.6
Operating EBITDAR/(Interest Expense + Rent) (x)	4.1	3.8	3.8	3.1	2.8	5.4
Debt/Operating EBITDA (x)	3.9	3.3	3.7	4.3	5.1	2.5
Common Dividend Payout (%)	78.5	92.0	64.2	—	—	—
Internal Cash/Capital Expenditures (%)	43.2	79.7	91.3	113.2	50.0	108.3
Capital Expenditures/Depreciation (%)	191.2	186.4	172.9	205.4	236.4	211.9
Profitability						
Adjusted Revenues	6,200	6,204	5,774	6,136	6,104	6,101
Net Revenues	2,912	2,897	2,709	2,554	2,357	2,809
Operating and Maintenance Expense	1,128	1,069	1,091	1,125	1,091	745
Operating EBITDA	1,504	1,588	1,357	1,152	971	1,777
Depreciation and Amortization Expense	525	516	494	464	440	430
Operating EBIT	969	1,062	849	673	519	1,338
Gross Interest Expense	350	397	333	354	325	315
Net Income for Common	395	337	374	201	165	(112)
Operating and Maintenance Expense % of Net Revenues	38.7	36.9	40.3	44.0	46.3	26.5
Operating EBIT % of Net Revenues	33.3	36.7	31.3	26.4	22.0	47.6
Cash Flow						
Cash Flow from Operations	744	1,077	1,020	1,079	520	987
Change in Working Capital	137	(147)	(147)	(63)	(270)	(81)
Funds from Operations	607	1,224	1,167	1,142	790	1,068
Dividends	(310)	(310)	(240)	—	—	—
Capital Expenditures	(1,004)	(962)	(854)	(953)	(1,040)	(911)
Free Cash Flow	(570)	(195)	(74)	126	(520)	76
Net Other Investment Cash Flow	29	23	20	(5)	25	17
Net Change in Debt	597	132	78	(175)	519	9
Net Equity Proceeds	2	2	8	14	28	37
Capital Structure						
Short-Term Debt	—	—	155	60	370	60
Long-Term Debt	5,807	5,201	4,857	4,878	4,619	4,431
Total Debt	**5,807**	**5,201**	**5,012**	**4,938**	**4,989**	**4,491**
Total Hybrid Equity and Minority Interest	—	103	155	155	271	271
Common Equity	6,943	6,910	6,882	6,735	6,528	6,298
Total Capital	**12,750**	**12,214**	**12,049**	**11,828**	**11,788**	**11,060**
Total Debt/Total Capital (%)	**45.5**	**42.6**	**41.6**	**41.7**	**42.3**	**40.6**
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	0.8	1.3	1.3	2.3	2.5
Common Equity/Total Capital (%)	54.5	56.6	57.1	56.9	55.4	56.9

Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

FitchRatings **Corporates**

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

FitchRatings

Corporates

Utilities, Power, and Gas/U.S.

Exelon Corporation

Full Rating Report

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F2
Senior Unsecured	BBB+
Commercial Paper	F2

Rating Outlook

Stable

Financial Data

Exelon Corp.

($ Mil.)	LTM 6/30/11	12/31/10
Revenue	19,431	18,644
Gross Margin	11,878	12,209
Operating EBITDA	6,311	6,801
Net Income	2,657	2,563
Cash from Operations	3,888	5,244
Total Adjusted Debt	13,611	13,100
Total Capitalization	27,770	26,946
Capex/ Depreciation (x)	1.5	1.2

Related Research

Exelon Generation Company, LLC, Oct. 6, 2011

PECO Energy Co., Oct. 6, 2011

Commonwealth Edison Company, Oct. 6, 2011

Rating North American Utilities, Power, Gas and Water Companies, May 16, 2011

Analysts

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Shalini Mahajan
+1 212 908-0351
shalini.mahajan@fitchratings.com

Key Rating Drivers

Disciplined Financial Management: Exelon Corp. (EXC) has maintained a sound capital structure that is appropriate for its mix of regulated and unregulated businesses. Consequently, the company is well positioned to withstand the near-term financial pressure from Fitch Ratings' expectation of relatively low power prices over the next several years. Fitch expects the weak power price environment to reduce the contribution of the merchant generation business to roughly 50% of EBITDA and 60% of cash flow by 2012 from about 60% and 70% currently.

Proposed Merger: Fitch affirmed its ratings of EXC, Constellation Energy Group, Inc. (CEG), and their respective subsidiaries following the announcement of a proposed merger with CEG. If completed, the merger increases the size and scope of EXC's merchant generation business and accelerates its entry into retail energy marketing. Matching EXC's long generation position with CEG's retail load is expected by Fitch to reduce collateral requirements and liquidity needs. The post-merger credit profile will weaken moderately but remain supportive of existing ratings.

Regulated Earnings Contribution: EXC's two rate-regulated electric distribution subsidiaries provide predictable earnings and cash flow that should grow with planned infrastructure investments. The relatively low-risk utilities have no commodity price exposure.

Competitive Merchant Business: Approximately 80% of subsidiary Exelon Generation Company, LLC's (Exgen) premerger electricity production is derived from base load nuclear generating facilities that are low on the dispatch curve. The low marginal cost, low emission generating fleet stands to benefit from stricter Environmental Protection Agency (EPA) regulations that impose additional compliance costs on fossil–fueled electric generating plants.

Rising Capital Expenditures: Fitch expects the large capital expenditures associated with a discretionary nuclear uprate program and regulated infrastructure investments to be financed with a balanced mix of internally generated cash and debt that supports existing ratings.

Near-Term Financial Pressure: Stand-alone credit measures are likely to trend moderately downward over the next several years. This expectation is based on current forward power prices, the scheduled rolloff of higher priced hedges, and the debt-financed acquisition of John Deere Renewables (JDR) in December 2010. In addition, postmerger EXC will assume approximately $4.6 billion of CEG's debt.

What Could Trigger a Rating Action

Extended Nuclear Outage: The cost of meeting contractual obligations in the event of an extended nuclear outage is the primary credit risk. Management maintains an open position for a portion of its generating capacity to manage the risk.

Regulatory Changes: A lack of rate support for utility infrastructure investments or a change in commodity cost recovery provisions in Illinois or Pennsylvania could adversely affect ratings.

Industry-Wide Nuclear Mandates: EXC is exposed to Nuclear Regulatory Commission (NRC) mandates that may impose significant capital and/or operating costs on nuclear operators. The concern is heightened by the recent events in Japan and EXC's position as the largest owner of nuclear generation in the U.S.

Liquidity and Debt Structure

EXC has ample liquidity. Bank credit facilities aggregate $7.7 billion, as shown in the table below, including recently executed five-year syndicated revolving credit agreements for EXC and subsidiaries Exgen and PECO Energy Co. expiring in March 2016. Commonwealth Edison Co. (Comed) has a separate $1 billion syndicated credit facility. Available borrowings were $7.4 billion and cash and equivalents $562 million as of June 30, 2011.

Credit Facilities — Exelon Corp.

($ Mil., as of June 30, 2011)

Company	Amount	Maturity	Borrowings	Outstanding LOCs	Available Capacity
Exelon	500	March 2016	—	7	493
Exgen	5,300	March 2016	—	7	5,293
Exgen[a]	300	December 2015	—	114	186
PECO	600	March 2016	—	1	599
Comed	1,000	March 2013	—	195	805
Total	**7,700**				

[a]Bilateral credit agreement; $150 million expires December 2015 and $150 million expires March 2016.
Source: 10Q

The syndicated credit facilities require each company to maintain a minimum cash from operations (CFO)-to-interest expense ratio for the 12-month period ended the last day of any quarter of 2.5x for EXC, 3.0x for Exgen, and 2.0x for both PECO and Comed. As of June 30, 2011, the actual CFO/interest ratio for each company was well in excess of the requirement.

EXC operates an intercompany money pool to provide an additional short-term borrowing option. Exgen and PECO participate as lenders and borrowers, and EXC as a lender. Affiliate Comed does not participate in the money pool.

Debt maturities are well laddered and should be manageable. The two utility companies have annual maturities of first-mortgage bonds in each of the next several years. The next debt maturity for Exgen is $500 million in 2014 and for EXC is $800 million in 2015.

Annual Debt Maturities

Year	Exelon	Exgen	Comed	PECO
2011	—	—	345	250
2012	—	—	450	375
2013	—	—	252	300
2014	—	500	617	250
2015	800	—	260	—

Source: 10K and Fitch.

Proposed Acquisition of Constellation Energy Company

On April 28, 2011, EXC and CEG announced a stock-for-stock merger agreement. Fitch affirmed the issuer default ratings (IDRs) and security ratings of EXC, CEG, and each of their subsidiaries following the announcement.

EXC's postmerger credit profile will be moderately weaker than the stand-alone credit profile previously anticipated by Fitch. However, it is expected to remain supportive of the current ratings *(see the Financial Summary section on page 3)*. The anticipated postmerger down trend in credit ratios reflects the additional leverage of CEG.

Applicable Criteria and Related Research

Corporate Rating Methodology, Aug. 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug. 12, 2011

CEG will be a subsidiary of Exgen under the proposed corporate structure. However, Baltimore Gas and Electric Co. (BG&E) will exist as a separate subsidiary of EXC. All future CEG debt is expected to be issued at Exgen.

Post merger, EXC will have approximately 35,671 megawatts (MWs) of electric generating capacity, net of a proposed divestiture package, an increase of 9,332 MWs. Nuclear capacity will increase by approximately 2,000 MWs–18,968 MWs from 17,047 MWs. EXC and CEG have proposed the divestiture of 2,648 MWs of capacity in the PJM region to allay any market power concerns.

The primary operational change for EXC is the addition of CEG's retail energy marketing business, which is expected to contribute an estimated 7% of consolidated 2012 EBITDA. CEG has operated this business for several years and demonstrated capable risk management practices.

The wholesale/retail combination is expected to reduce liquidity needs and the associated costs. This reduction primarily reflects a decline in margining requirements from matching EXC's generation position and CEG's retail load. The countercyclical nature of the two businesses should also reduce cash flow volatility as higher wholesale energy prices increase margins and cash flow for the larger generation segment and compress margins for the retail segment and vice versa.

Management has estimated the annual run rate for synergy savings of about $310 million and total costs to achieve of about $650 million. A lower headcount and a reduction in liquidity needs and associated financing costs account for the estimated savings across the combined operations.

The transaction is subject to approvals by EXC and CEG shareholders, as well as several federal and state regulatory bodies. These entities include the Federal Energy Regulatory Commission (FERC), NRC, Department of Justice, and the Public Service Commissions of Maryland and New York. The Public Utility Commission of Texas approved the merger in August 2011. The transaction is expected to close in the first quarter of 2012, assuming all necessary approvals are obtained in a timely manner.

Financial Summary

Premerger credit metrics were expected by Fitch to trend downward from very strong levels but to remain supportive of the current ratings. The projected decline is primarily driven by expectations of relatively low power and natural gas prices over the next several years and the debt-financed acquisition of JDR. The down trend is mitigated by expected financial improvement at Comed. Fitch expects debt/EBITDA at its lowest point in 2013 to be well below 3.0x.

The assumption of approximately $4.6 billion of CEG debt and the associated earnings and cash flow have a minimal effect on consolidated credit measures. On a pro-forma basis the ratio of debt to EBITDA increases to 2.4x from 2.1x premerger as of June 30, 2011, The impact may be less depending on the amount and use of proceeds from the proposed CEG asset sales and the extent of synergy savings. Fitch expects leverage of the combined entity to increase due to lower merchant earnings and external financings associated with the projected capital expenditure program.

Capital Expenditures

Capital expenditures are rising due to a planned nuclear uprate program and regulated infrastructure investments at both Comed and PECO. The expenditures accelerated beginning in 2011. Importantly, the nuclear uprate program is discretionary and phased in over time, so it can be easily adjusted to respond to market conditions. The nuclear uprates will add between 1,175 MWs and 1,300 MWs of additional capacity without an increase in operating costs. The uprates are scheduled to be phased in between 2011 and 2017. The all-in capital cost is approximately $4.4 billion.

Background

EXC is an energy holding company engaged through its three primary subsidiaries in competitive electric power generation and regulated electric and natural gas delivery operations. The competitive generation business is conducted through Exgen. The regulated delivery businesses include Comed, serving electric customers in and around Chicago, and PECO, serving electric and gas customers in Philadelphia and surrounding areas.

FitchRatings

Corporates

Financial Summary — Exelon Corp.

($ Mil., Fiscal Year-End Dec. 31)	LTM 6/30/11	2010	2009[a]	2008[a]	2007[a]	2006[a]
Fundamental Ratios						
FFO/Interest Expense (x)	6.9	7.5	7.7	7.2	7.0	6.3
CFO/Interest Expense (x)	5.8	6.8	7.9	8.5	5.9	6.6
FFO/Debt (%)	35.1	44.9	42.1	40.1	38.6	37.3
Operating EBIT/Interest Expense (x)	5.7	5.3	6.1	6.6	5.9	5.5
Operating EBITDA/Interest Expense (x)	7.8	7.6	7.6	7.9	7.0	6.7
Operating EBITDAR/(Interest Expense + Rent) (x)	7.3	7.1	7.0	7.3	6.5	6.3
Debt/Operating EBITDA (x)	2.2	1.9	2.1	2.0	2.2	2.1
Common Dividend Payout (%)	52.3	54.2	51.2	48.8	43.1	67.3
Internal Cash/Capital Expenditures (%)	64.3	111.1	113.9	135.4	91.6	118.0
Capital Expenditures/Depreciation (%)	228.9	167.2	312.2	331.9	340.3	295.4
Profitability						
Adjusted Revenues	19,431	18,644	16,558	18,149	18,106	14,904
Net Revenues	11,878	12,209	11,277	11,567	10,464	9,672
Operating and Maintenance Expense	4,812	4,600	4,675	4,566	4,289	3,868
Operating EBITDA	6,311	6,865	5,892	6,292	5,436	5,088
Depreciation and Amortization Expense	1,698	2,075	1,125	1,025	849	916
Operating EBIT	4,577	4,754	4,730	5,229	4,557	4,146
Gross Interest Expense	806	899	775	795	773	755
Net Income for Common	2,657	2,563	2,707	2,737	2,736	1,592
Operating and Maintenance Expense % of Net Revenues	40.5	37.7	41.5	39.5	41.0	40.0
Operating EBIT % of Net Revenues	38.5	38.9	41.9	45.2	43.5	42.9
Cash Flow						
Cash Flow from Operations	3,888	5,244	5,385	5,942	3,825	4,264
Change in Working Capital	(885)	(644)	158	1,023	(821)	266
Funds from Operations	4,773	5,888	5,227	4,919	4,646	3,998
Dividends	(1,390)	(1,389)	(1,385)	(1,335)	(1,180)	(1,071)
Capital Expenditures	(3,887)	(3,469)	(3,512)	(3,402)	(2,889)	(2,706)
Free Cash Flow	(1,389)	386	488	1,205	(244)	487
Net Other Investment Cash Flow	470	468	41	24	(115)	(58)
Net Change in Debt	1,229	(391)	(551)	(576)	650	(927)
Net Equity Proceeds	41	48	42	(306)	(993)	(2)
Capital Structure						
Short-Term Debt	365	225	155	211	616	305
Long-Term Debt	13,246	12,875	12,273	12,060	11,415	10,427
Total Debt	**13,611**	**13,100**	**12,428**	**12,271**	**12,031**	**10,732**
Total Hybrid Equity and Minority Interest	47	286	358	358	474	474
Common Equity	14,112	13,560	12,640	11,047	10,137	9,973
Total Capital	**27,770**	**26,946**	**25,426**	**23,676**	**22,642**	**21,179**
Total Debt/Total Capital (%)	49.0	48.6	48.9	51.8	53.1	50.7
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2	1.1	1.4	1.5	2.1	2.2
Common Equity/Total Capital (%)	50.8	50.3	49.7	46.7	44.8	47.1

[a]Numbers are adjusted to exclude interest, principal payments, and amortization on utility tariff bonds. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Fitch Affirms Ratings of Exelon Following Merger

Ratings Endorsement Policy

12 Mar 2012 4:24 PM (EDT)

Fitch Ratings-New York-12 March 2012: Fitch Ratings has affirmed the Issuer Default Ratings (IDR) and instrument ratings of Exelon Corp. (EXC) and each of its existing operating subsidiaries, including the newly acquired Baltimore Gas and Electric Co. (BG&E). The rating affirmations follow the closing of the merger between EXC and Constellation Energy Group, Inc. (CEG).

Fitch also upgraded the ratings of CEG's outstanding senior unsecured debt to 'BBB+' from 'BBB-' and junior subordinated notes to 'BBB-' from 'BB'. The CEG upgrade reflects the assumption of CEG's publicly traded debt and bank credit facility following an internal restructuring that includes an upstream merger of CEG with and into EXC. Consequently, EXC will be responsible for CEG's debt obligations. The restructuring is expected immediately after the merger. CEG's 'BBB-' long-term IDR, short-term 'F3' IDR and 'F3' commercial paper ratings are withdrawn. The Rating Outlook for all entities is Stable. See the full list of rating actions at the end of this release.

Rating Drivers

Financial position: Fitch expects EXC's post-merger consolidated financial position to remain solid and only moderately weaker than Fitch's previous expectation of EXC's standalone credit profile. On a pro forma basis as of Dec. 31, 2011, Fitch calculates EBITDA/interest and Debt/EBITDA of the combined entity were 6.7 times (x) and 2.6x, respectively. In 2012 those ratios are expected by Fitch to approximate 6.0x and 2.75x.

Risk Profile: EXC's post-merger business risk profile is unchanged, with regulated earnings contributing nearly half of projected 2012 EBITDA on either a standalone or a combined basis. Moreover, the addition of CEG's retail energy business should lower liquidity requirements. By matching EXC's long generation position and CEG's load-serving retail business, Fitch anticipates net margin postings will decline.

The addition of CEG's retail energy business complements the cash flow profile of EXC's wholesale generation business; high wholesale power prices result in wider margins and greater cash flow for the larger generation segment and compressed margins for the retail segment and vice versa.

The post-merger credit profile of EXC's wholesale generation subsidiary, Exelon Generation Company, LLC (Exgen), is expected by Fitch to remain strong. Including the debt to be assumed by EXC, which Fitch expects will ultimately be refinanced at Exgen, debt and leverage measures will weaken from historical levels, but remain supportive of the existing ratings due to the headroom provided by Exgen's currently low leverage and strong interest coverage measures.

Going forward, Exgen's credit measures will be pressured by Fitch's expectation that power prices will remain low for the next several years and by a large capital spending program. A significant portion of the planned expenditures are discretionary. Ultimately, credit quality measures and ratings will depend on the level of capital investment and financing plan. Fitch expects a portion of the proceeds from asset sales required by the Federal Energy Regulatory Commission (FERC) as a condition of the merger will be applied to debt reduction.

The ratings of regulated subsidiaries Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company are unaffected by the proposed merger.

The combined company will have increased scale, with approximately 34,390 megawatts (MWs) of generating capacity (of which 18,967 MWs would be nuclear), three regulated electric utilities serving 7.8 million customers in three states (Illinois, Pennsylvania and Maryland,)and a national footprint serving retail and wholesale load.

Fitch has upgraded the following ratings with a Stable Outlook:

Constellation Energy Group

--Senior unsecured debt to 'BBB+' from 'BBB-';
--Junior subordinated notes to 'BBB-' from 'BB'.

Fitch has affirmed the following ratings with a Stable Outlook:

Exelon Corp.
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Exelon Generation Co., LLC
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Commonwealth Edison Company
--IDR at 'BBB-;
--First mortgage bonds at 'BBB+';
--Senior unsecured debt at 'BBB';
--Preferred stock to at 'BB+';
--Short-term IDR at 'F3';
--Commercial paper at 'F3'.

ComEd Financing Trust III
--Preferred stock at 'BB+'.

PECO Energy Co.
--IDR at 'BBB+';
--First mortgage bonds at 'A';
--Secured pollution control bonds at 'A';
--Senior unsecured debt at 'A-';
--Preferred stock at 'BBB';
--Commercial paper 'F2';
--Short-term IDR at 'F2'.

PECO Energy Capital Trust III
--Preferred stock at 'BBB'.

PECO Energy Capital Trust IV
--Preferred stock at 'BBB'.

Baltimore Gas and Electric Company
--IDR at 'BBB;
--First mortgage bonds at 'A-';
--Senior unsecured debt at 'BBB+';
--Pollution control bonds at 'BBB+';
--Preferred stock to at 'BBB-';
--Short-term IDR at 'F2';
--Commercial paper at 'F2'.

BGE Capital Trust II
--Preferred stock at 'BBB-'.

Fitch has withdrawn the following ratings:

Constellation Energy Group
--IDR of 'BBB-';
--Commercial paper rating of 'F3';
--Short-term IDR of 'F3'.

Contact:

Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Shalini Mahajan
Director
+1-212-908-0351

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

--'Corporate Rating Methodology' (Aug. 12, 2011);
--'Parent and Subsidiary Rating Linkage' (Aug. 12, 2011)
--'Recovery Ratings and Notching Criteria for Utilities' (Aug. 12, 2011);
--'Rating North American Utilities, Power, Gas and Water Companies' (May 16, 2011).

Applicable Criteria and Related Research:
Rating North American Utilities, Power, Gas, and Water Companies
Recovery Ratings and Notching Criteria for Utilities
Parent and Subsidiary Rating Linkage
Corporate Rating Methodology

Illinois Utility Legislation Good for Bondholders

Special Report

Formula Rate Plan Fundamentally Changes and Improves Illinois Regulation

Reduced Risk: Business and financial risk is lower for Commonwealth Edison Co. (ComEd) and Ameren Illinois Co. (AIC) due to their participation in a formula rate plan (FRP) enacted into law by the Illinois Energy Infrastructure Modernization Act (The Act). The Act fundamentally changes and improves regulation of electric delivery service in Illinois.

More Timely Cost Recovery: The FRP meaningfully shortens regulatory lag and enhances the two utilities' opportunity to earn their authorized return on equity (ROE). Although the FRP relies on an historical rate year, rates are updated annually. Rates also include recovery of and on post-test year net plant additions for the ensuing 12-month period and a true-up (with interest), of the previously allowed revenue requirement to reflect actual costs.

Legislatively Set Equity Return: The Act reduces regulatory uncertainty by establishing a legislatively set ROE that is not subject to Illinois Commerce Commission (ICC) adjustments. While the calculation results in an allowed ROE that is below the average of recently allowed equity returns across the U.S. (*see page 2 for details*), Fitch Ratings considers the enhanced opportunity to earn the allowed ROE to be more important for bondholders than the nominal authorized return.

Mandated Capital Investment: The Act establishes specific levels of incremental capital investment for both ComEd and AIC to upgrade and modernize their electric distribution and transmission systems and for deployment of a smart grid. The Act also commits each participating utility to create a minimum level of full-time jobs in Illinois. Failure to meet the job creation commitment will result in financial penalties, and failure to meet the investment commitment will preclude a utility from updating its formula rates.

Cost of Service Determination: Importantly, the FRP establishes the data provided in Federal Energy Regulatory Commission (FERC) Form 1 as the appropriate cost of electric delivery service and proscribes the methodology for certain historical adjustments, which should minimize disputes over allowable costs. However, the ICC continues to have the authority to investigate the prudence and reasonableness of expenditures.

Performance Metrics: The Act requires participating utilities to achieve multiple performance improvements over a 10-year period. Utilities unable to achieve the performance standards will be penalized with a lower ROE. The maximum penalty ranges between 30 bps and 38 bps annually.

Rate Increase Limitations: The FRP will be terminated if average annual residential rate increases, including supply costs, exceed 2.5% as of July 2014. Otherwise, the FRP expires on Dec. 31, 2017, unless renewed by the Illinois General Assembly.

Concerns: The new law is untested, and resistance to the principles in the legislation could derail the expected benefits. For example, in the initial filings for ComEd and AIC, the ICC staff recommended an average rather than year-end capital structure, which is inconsistent with past practices and appears to be contrary to the intent of the new legislation.

Related Research

Smart Meters Are a Smart Investment, March 12, 2012

New EPA Rules: Ready or Not, March 1, 2012

U.S. Regulated Utilities M&A, Jan. 30, 2012

Power Down: Slow U.S. Electricity Sales Ahead, Jan. 30, 2012

No Relief in Capital Spending, Dec. 2, 2011

Analyst

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Key Points of the Illinois Energy Infrastructure Modernization Act

Formula Rate Plan

From a credit perspective, the FRP is the most important provision of the legislation. Instead of periodic rate filings, delivery service rates are set annually based on the actual cost of service, subject to a prudence review by the ICC. The FRP dictates the allowed equity return and requires use of the actual capital structure, eliminating an element of subjectivity. The legislatively set ROE is equal to the 12-month average of the 30-year Treasury bond yield during the rate year plus a risk premium of 580 bps in 2012 and thereafter.

In the current low interest rate environment, the ROE formula results in an allowed ROE that is below the average of recent return findings across the U.S. However, Fitch believes the enhanced ability to earn the allowed ROE is more important for bondholders than the nominal ROE.

The FRP establishes the data provided in the utility's most recent FERC Form 1, including the capital structure, as the appropriate cost of service. The FRP also includes a provision that permits and sets protocols for several items that have been contentious in past rate cases — including the treatment of incentive compensation, pension, and other post-employment benefits, severance costs, and the investment return on pension assets.

Although the FRP relies on an historical rate year, defined as data in the most recently filed FERC Form 1, two adjustments limit regulatory lag. The annual rate filings include post-test year net plant additions for the ensuing 12-month period and an annual reconciliation, with interest, of the previously allowed revenue requirement with a new revenue requirement based on actual costs during the prior rate year.

If the earned ROE is more than 50 bps above or below the authorized ROE, the companies would be required to refund or collect any amounts outside of the dead band. The FRP will be terminated if the average annual rate increase for the period June 2012–May 2014 were to exceed 2.5%. Otherwise, the FRP will terminate Dec. 31, 2017, unless extended by the legislature.

Mandated Capital Investment

As shown in the table on the right, the legislation requires minimum levels of incremental capital investment for both ComEd and AIC to modernize their electric transmission and distribution systems and for smart grid deployment. The incremental expenditures are recovered through the FRP. Failure to meet the investment commitment will preclude a utility from updating its FRP.

Incremental Capital Investment Requirements[a]

($ Mil.)	Commonwealth Edison Co.	Ameren Illinois Co.
Electric System Upgrades	1,300	265
Smart Grid Deployment	1,300	360
Total	**2,600**	**625**

[a]Spending on ComEd's electric system upgrades is required over a five-year period; all other investments are over 10 years.
Source: S.B. 1652, H.B. 3036, and company reports.

ComEd is required to spend $1.3 billion on electric system upgrades over the next five years and an additional $1.3 billion for smart grid deployment over 10 years. AIC's investment parameters are $265 million for electric system upgrades and $360 million for smart grid deployment over 10 years. Expenditures are capped at $3 billion for ComEd and $720 million for AIC.

Performance Metrics

The Act requires participating utilities to achieve improvement in five performance metrics over a 10-year period. In each of the 10 years, utilities unable to achieve the performance standards will be penalized with a lower ROE for the relevant 12-month period. The potential ROE penalty ranges from up to 30 bps in 2013 through 2015, 34 bps in 2016 through 2018, and 38 bps in 2019 through 2022.

Job Creation and Customer Benefits

The Act commits each participating utility to create a minimum level of full-time equivalent jobs in Illinois. During the peak program year, ComEd is required to create 2,000 jobs; AIC, 450. Failure to meet the job creation commitment will result in financial penalties.

The legislation also requires a number of customer benefits, including funding of customer assistance programs and contributions to the Science and Energy Innovation Trust. The customer assistance contributions are $10 million annually for ComEd in each of the next five years and $1 million annually for AIC in each of the next 10 years.

Contributions to the Science and Energy Innovation Trust are $4 million annually for ComEd and $1 million annually for AIC. In addition, ComEd and AIC are required to make one-time contributions to the Science and Energy Innovation Trust of $15 million and $7.5 million, respectively.

Rate Filing Timeline

The legislation provides for an initial rate filing to establish the formula-based electric delivery tariffs and annual filings thereafter. As described below, both ComEd and AIC filed their initial FRPs, and new rates will be implemented later this year. Annual updates will be filed on May 1 of each year with new rates to be effective the following January. The ICC is required to issue a final decision on the initial rate filing within 270 days of the filing or by May 31, 2012, if filed within 14 days of the effective date of the legislation.

Illinois Electric Delivery Modernization Plan Timeline

Key Action	ComEd	AIC	Notes
Submit initial FRP	11/08/11	01/03/12	Based on 2010 FERC Form 1 and 2011 plant additions for ComEd and 20111 and 2012 for AIC.
File 10-Year Performance Standards	12/08/11	02/02/12	Due within 30 days of initial filing.
File Infrastructure Investment Spending Plan	01/06/12	03/02/12	Due within 60 days of initial filing.
File Advanced Metering Infrastructure Plan	04/01/12	04/01/12	Due date.
File First Annual FRP Update	05/01/12	No later than May 1, 2012	Recurring annual update based on prior year FERC Form 1 and current year expected plant additions.
ICC Deadline to Approve Initial Rate Filing	05/01/12	09/28/12	270 days post initial rate filing.
Initial Rates Take Effect	05/31/12	10/28/12	30 post initial rate approval.
ICC Deadline to Approve Updated Rates	12/27/12	12/27/12	240 days post annual May update.
Updated Rates Take Effect	01/01/13	01/01/13	Five days post rate update approval.

ComEd – Commonwealth Edison Co, AIC – Ameren Illinois Co., FRP – Formula rate plan, ICC – Illinois Commerce Commission.
Source: S.B. 1652, H.B. 3036, and company reports.

Initial Rate Filings

ComEd submitted its initial FRP on Nov. 8, 2011, for new rates to be effective in May 2012. The filing indicates a $59 million rate decrease based on a 10.05% ROE and 45.54% common equity ratio. The rate base is valued as of Dec. 31. 2010, plus 2011 net plant additions. The first annual update will be filed by May 1, 2012, with new rates effective with the first billing period in January 2013.

AIC submitted its initial FRP on Jan. 3, 2012, for new rates to be effective in October 2012. The filing indicates a $19 million rate decrease based on a 10.05% ROE and 54.28% common equity ratio. The rate base is valued as of Dec. 31. 2010, plus 2011 and 2012 expected net plant additions.

AIC filed its first annual update on April 20, 2012, with new rates to be effective January 2013. The filing produces a $15 rate decrease based on a 9.7% ROE and a 54.85% common equity ratio. The filing is based on 2011 actual costs with a rate base valued as of Dec. 31, 2011, plus 2012 expected net plant additions. Lower 30-year Treasury rates and a lower rate base account for the rate decrease.

Credit Impact

The credit impact of The Act is modestly positive for both ComEd ('BBB–' issuer default rating, Rating Outlook Stable) and AIC ('BBB–' issuer default rating, Rating Outlook Positive). The credit quality of both companies has been adversely affected by the inability to earn their authorized equity returns. If the new legislation works as expected and closes that gap, both companies could be upgraded one notch.

Background

The Energy Infrastructure Modernization Act (Senate Bill 1652) became effective on Oct. 26, 2011, when the Illinois General Assembly overrode the Governor's veto of the legislation. The Act was subsequently modified by passage of House Bill 3036 (the Trailer Bill), which was signed into law by the Governor on Dec. 30, 2011. The law applies only to the electric delivery business of Illinois utilities serving more than one million customers. Only ComEd and AIC qualify. Participation is optional, but both ComEd and AIC have elected to be participating utilities.

MOODY'S
INVESTORS SERVICE

Announcement: Moody's reviews Exelon and Exelon Generation for possible downgrade; Affirms Constellation, outlook positive

Global Credit Research - 28 Apr 2011

Approximately $ 17 Billion of Debt Securities Affected.

New York, April 28, 2011 -- Moody's Investors Service placed the long-term ratings of Exelon Corporation (EXC: Baa1 senior unsecured) and Exelon Generation Company, LLC (ExGen: A3 senior unsecured) under review for possible downgrade following today's announced plan to merge with Constellation Energy Group, Inc. (CEG: Baa3 senior unsecured) in a stock-for-stock transaction. Concurrent with this rating action, Moody's affirmed all of the ratings of CEG and changed CEG's rating outlook to positive from stable. EXC and ExGen's short-term ratings for commercial paper are affirmed at Prime-2, while CEG's short-term rating for commercial paper is affirmed at Prime-3.

At the same time, Moody's affirmed all of the ratings for EXC's regulated subsidiaries and their subsidiaries and maintained the stable rating outlook at Commonwealth Edison Company (CWE: Baa3 senior unsecured), PECO Energy Company (PECO: A3 senior unsecured), ComEd Financing III (Ba1 subordinated debt) and PECO Energy Capital Trust III (Baa1 subordinated debt). Moody's also affirmed all of the ratings of Baltimore Gas and Electric Company (BGE: Baa2 senior unsecured) and subsidiary, BGE Capital Trust II (Baa3 subordinated debt). The rating outlook for BGE and BGE Capital Trust II is positive.

"The rating review for EXC and ExGen reflects the pending acquisition of a lower-rated entity and the expected increase in leverage, particularly off-balance sheet debt, at a time when electric margins are compressed," said Moody's Senior Vice President A.J. Sabatelle.

The review for possible downgrade for EXC and ExGen considers our expectation for a decline in consolidated financial metrics following the merger driven in part by reduced power prices. The review also considers the substantial increase in off-balance leverage that accompanies this merger due in large part to the addition of third party guarantees and other potential calls on capital, including tolling obligations. Moody's estimates that off-balance obligations for the combined EXC could nearly triple from the current level at EXC.

While acknowledging the strategic benefits of linking a company that is long on generation resources with a company that is long on customer load, Moody's believes that the combined entity will still be exposed to earnings and cash flow volatility due to a large unregulated business platform whose financial performance is influenced by market determined commodity pricing levels. We also believe that completion of this transaction increases the likelihood that EXC will remain more focused on maintaining its leadership position among unregulated power companies. As the largest unregulated generation company in terms of production and the largest retail energy supplier in North America, we calculate that the company's unregulated operations will collectively represent at least 65% of the combined operations during periods of low power prices and likely represent at least 80% of consolidated results when more robust power generation margins exists. As such, we believe that it will be very challenging for EXC to easily transform the company's business mix into one that is materially more balanced across regulated operations given the sheer size of the existing unregulated footprint. Moreover, given the competitive position that this merger reinforces, we believe that management, along with the board, will be more inclined in the future to pursue acquisitions of additional unregulated properties as a natural extension of an existing strategy, particularly given the more streamlined and less challenging regulatory approval requirements that tend to accompany unregulated acquisitions.

Balancing these factors are the expected benefits that this merger should produce as the linkage of EXC's generation with CEG's load should considerably reduce consolidated liquidity requirements and enable the merged company to receive somewhat better margins for its electric output given the stickiness of customer load. We further recognize that completing the transaction enables EXC to gain access to end-use customers within the retail supply chain at a much faster pace and in a more efficient way than it could have otherwise achieved from building it internally. While these factors add support for the rationale behind the merger, we observe that certain of the businesses being added have little to do with matching generation with load but add to the potential capital and liquidity requirements of the firm and increase the associated volatility with operating a commodity business. As such, we view the merged company as embracing a higher risk tolerance than what may have existed in the past at EXC given the commodity platform that accompanies this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers and maintain access to amply sized sources of liquidity.

"For CEG, the rating affirmation and change in rating outlook to positive from stable reflects the expected benefits with being integrated into a larger, more diverse, and more financially robust company," added Moody's Vice President Scott Solomon.

We believe the acquisition would be a credit positive event for CEG's debt holders. The company's growth prospects have been challenged by its short generation position relative to the load obligation of its retail energy supply business. We view EXC's large electric generating footprint as aligning well with CEG's multi-state retail business and would expect the combination to reduce CEG's existing sizable liquidity requirements while providing a platform for growth.

The rating affirmation and maintenance of a stable outlook at CWE and at PECO reflects the credit neutral impact that we believe this transaction will have on both utilities' financial performance. At CWE, the rating affirmation incorporates the strong credit metrics that exist for the rating category balanced against a very challenging regulatory environment for electrics in the state. To that end, future rating actions are focused in the near-term on the outcome of the company's electric rate case expected in May 2011, along with greater clarity around the prospects of statewide legislation being passed that could transform the current regulatory framework to one that would be more transparent and would reduce regulatory lag. At PECO, we believe the company is well-positioned in its rating category given the strong credit metrics and fairly predictable regulatory environment in Pennsylvania. While we anticipate strong cash flow generation at PECO over the next several years, we also expect the company to pay all of its earnings as dividends over the next couple of years which tempers the possibility for a higher rating.

The outlook for BGE remains positive due to recent improvement in its standalone credit quality. We are not considering further positive rating actions at this time, however, due to uncertainty on conditions that may be required to secure regulatory support from the Maryland Public Service Commission. While EXC and CEG have proposed certain benefits to BGE residential customers, including a $100 credit within 90 days of closing, we view the merger approval process in Maryland as a material obstacle and that garnering support for the transaction could potentially require additional concessions.

The rating review for EXC and ExGen will focus on around gaining greater insights into the components of the combined company's off-balance obligations, particularly the existing CEG guarantees that support the commodity and retail business, the strategic direction of the merged company as it relates to businesses being acquired that are not directly linked to the supply of electricity to end-use customers, the appropriate amount of reliable liquidity resources under different scenarios, and the prospects for incremental operating expenses and capital requirements mandated by various oversight groups following the nuclear accident in Japan. Additionally, the rating review will examine the details concerning the manner in which CEG's operations are folded into EXC's unregulated platform from a organizational, legal, and counterparty perspective.

The transaction requires approval by the stockholders of both EXC and CEG and various regulatory approvals, including the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Maryland Public Service Commission, the New York Public Service Commission and the Public Utility Commission of Texas. The companies anticipate closing in early 2012.

The principal methodology used in rating EXC, ExGen, and CEG was Rating Methodology: Unregulated Utilities and Power Companies, published August 2009, and the principal methodology used in rating CWE, PECO, and BG&E was Rating Methodology: Regulated Electric and Gas Utilities, published in August 2009. Both are available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

On Review for Possible Downgrade:

..Issuer: Exelon Corporation

.... Issuer Rating, Placed on Review for Possible Downgrade, currently Baa1

....Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently a range of (P)Baa3 to (P)Baa1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently Baa1

..Issuer: Exelon Generation Company, LLC

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A3

....Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2, (P)A3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A3

..Issuer: Pennsylvania Economic Dev. Fin. Auth.

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Downgrade, currently A3

..Issuer: Exelon Capital Trust I

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

..Issuer: Exelon Capital Trust II

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

..Issuer: Exelon Capital Trust III

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

Outlook Actions:

..Issuer: BGE Capital Trust II

....Outlook, Changed To Positive From Negative

..Issuer: Constellation Energy Group, Inc.

....Outlook, Changed To Positive From Stable

..Issuer: Exelon Capital Trust I

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Capital Trust II

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Capital Trust III

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Corporation

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Generation Company, LLC

....Outlook, Changed To Rating Under Review From Stable

Headquartered in Chicago, IL, EXC is the holding company for unregulated subsidiary, ExGen, a large competitive power generator, which owns and operates 25,619 megawatts (MW) of capacity and controls 6,139 MW of capacity under long-term contracts. EXC also owns CWE and PECO, both regulated subsidiaries. At December 31, 2010, Exelon had total assets of approximately $52.2 billion.

Headquartered in Baltimore, MD, CEG is a diversified energy company whose operating segments include merchant energy generation (Generation), customer supply (NewEnergy) and transmission and distribution (BG&E). Generation owns and operates approximately 12,000 MW of generating capacity, including CEG's 50.01% interest in Constellation Energy Nuclear Group, and manages 6 terawatt hours of capacity through long-term tolling agreements. At December 31, 2010, CEG had total assets of approximately $20 billion.

New York
A.J. Sabatelle
Senior Vice President
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Scott Solomon
Vice President - Senior Analyst
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's Investors Service
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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MOODY'S
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Exelon Looks to Acquire Constellation Energy:

Long generation supply coupled with short retail load designed to balance position book

Exelon Corporation announced its intention to merge with Constellation Energy in a stock-for-stock transaction. The merger is expected close in approximately 12 months and is likely to result in generation asset dispositions. Moody's has placed the ratings for Exelon and its primary un-regulated power company, Exelon Generation on review for possible downgrade; the rating outlook for Constellation has been changed to positive from stable, and the ratings and rating outlooks for the regulated transmission and distribution utilities Commonwealth Edison, PECO Energy and Baltimore Gas & Electric have been affirmed. This Special Comment will discuss our rationale for the rating actions.

Key Ratings Drivers for Exelon-Constellation

» Use of stock as transaction currency viewed positively

» Departure of Exelon's publicly stated strategy of adding regulated assets

» Estimated annual synergy savings could be material, mostly from reduction in corporate staffing, marketing and trading positions at both firms and elimination of other redundancies

» Reduction in liquidity requirements by approximately $3 - $4 billion despite increased reliance on trading and marketing positions

» No impact on regulated assets as Exelon will now own three large, fully regulated T&D systems thus providing a good base of stable and predictable revenue and cash flow

» Increased exposure to other segments of the energy commodity business through Constellation's NewEnergy retail business

» Increased difficulty to rebalance regulated/unregulated mix in the future – would require significant acquisition(s) or dispositions

» Assumption of Constellation's significant off-balance sheet commitments

» Constellation's retail business expected to serve as a natural hedge to Exelon's sizeable generation business

Rating Implications

The ratings for Exelon and Exelon Generation have been placed on review for possible downgrade, while Constellation's rating outlook has been changed to positive from stable. On the surface, this might appear somewhat unbalanced, but our rationale reflects execution risk in completing the merger, which is the only way that CEG would garner a higher rating over the near-term horizon.

When the merger appears more likely to close (i.e., majority of significant approvals are attained), we may place the CEG securities under review for possible upgrade. With respect to EXC and ExGen, the review for possible downgrade reflects the impact of the merger with CEG but also reflects a continued strategy to grow the unregulated business through acquisitions of weaker credit quality issuers or debt financed acquisitions, such as the John Deere wind assets, which were acquired late last year. This strategy continues at a time when power prices are likely to remain compressed and when additional costs for operating nuclear generation as well as coal-fired generation are likely to occur. As such, even if the merger was not completed, the ratings of EXC and ExGen could decline by one notch given these expected downward pressures.

TABLE 1

Existing Ratings and Rating Actions for Exelon and Constellation

Issuer	Instrument	Current Rating	Rating Action
Exelon Corp			
	Issuer Rating	Baa1	RUR - down
	Commercial Paper	P-2	Affirm
	Outlook	Stable	RUR - down
Exelon Generation Company			
	Issuer Rating	A3	RUR - down
	Senior Unsecured	A3	RUR - down
	Commercial Paper	P-2	Affirm
	Outlook	Stable	RUR - down
PECO Energy Company			
	Issuer Rating	A3	Affirmed
	First Mortgage Bonds	A1	Affirmed
	Subordinated Debt	Baa1	Affirmed
	Preferred Securities	Baa2	Affirmed
	Commercial Paper	P-2	Affirmed
	Outlook	Stable	Affirmed
Commonwealth Edison Company			
	Issuer Rating	Baa3	Affirmed
	First Mortgage Bonds	Baa1	Affirmed
	Subordinated Debt	Ba1	Affirmed
	Commercial Paper	P-3	Affirmed
	Outlook	Stable	Affirmed

TABLE 1

Existing Ratings and Rating Actions for Exelon and Constellation

Issuer	Instrument	Current Rating	Rating Action
Constellation Energy			
	Senior Unsecured	Baa3	
	Junior Subordinated	Ba1	
	Commercial Paper	P-3	
	Outlook	Stable	Positive
Baltimore Gas & Electric			
	LT Issuer Rating	Baa2	Affirmed
	Senior Unsecured	Baa2	Affirmed
	Preference Stock	Ba1	Affirmed
	Commercial Paper	P-2	Affirmed
	Outlook	Positive	Affirmed

Merger Rationale

The primary rationale for the merger is that it provides business synergies to both companies. EXC is the largest and consistently most competitive unregulated generation company in the US but does not have a developed retail marketing arm to sell its product. As a result, EXC is more exposed to market forces for revenue determination.

By contrast, CEG has the most developed retail marketing arm in the country and while it owns some generation, it has to secure a sizeable amount of generation from the market to satisfy all of its retail requirements.

An important benefit for both companies is that the transaction should reduce liquidity requirements (by an estimated $3 - $4 billion) since there should be no margining requirements among company affiliates. Also, both companies will continue to have a low carbon footprint, particularly since CEG is expected to divest a substantial portion of its coal-fired generation fleet as part of the transaction.

TABLE 2

Business Mix – Regulated versus Unregulated ($ millions)

Exelon Corporation				
	Assets		Operating Profits	
Exelon Generation Company	24,770	44.5%	3,111	63.4%
PECO Energy Company	9,171	16.5%	681	13.9%
Commonwealth Edison Company	21,766	39.1%	1,118	22.8%
	55,707	**100.0%**	**4,910**	**100.0%**
Constellation Energy				
	Assets		Operating Profits	
New Energy (Unreg Segment)	13,560	67.0%	623	63.3%
Baltimore Gas & Electric	6,667	33.0%	361	36.7%
	20,227	**100.0%**	**984**	**100.0%**

TABLE 2

Business Mix – Regulated versus Unregulated ($ millions)

Pro-forma combined				
	Assets		Operating Profits	
Regulated	37,600	50.0%	2,160	37.0%
Un-regulated	38,330	50.0%	3,734	63.0%
	75,930	**100.0%**	**5,894**	**100.0%**

Note: Table 2 reflects Moody's adjusted 2010 financial data

From EXC's perspective, the transaction addresses an expected earnings shortfall beginning in 2012 and quickly provides them with a large retail supply outlet. This "short" position was (arguably) a deficiency in EXC's product capability.

The merger allows EXC to remain in control of the combined company with headquarters in Chicago, both of which we believe were objectives of EXC's current Chairman/CEO and board. Since CEG is trading at a discount to book value, EXC is able to achieve these objectives at an attractive value for their shareholders.

We understand that the transaction will be neutral to earnings in the first year and earnings accretive in the second year. That being said, the transaction is a departure from EXC management's recent public statements concerning their acquisition strategy as they have communicated their interest in adding rate regulated properties to their overall business mix. According to management, while that objective remains important to them in the long-run, the cost of acquiring a large regulated business today is uneconomical.

EXC's stock price, along with other unregulated companies, has declined with lower natural gas prices and lower power prices. By contrast, the stocks of regulated utility companies have held up reasonably well during this period. To the extent that EXC's stock price increases with an improvement in natural gas and power prices, we believe the company may look to acquire regulated businesses to provide more balance to the business mix.

During the current period of expected low commodity contributions, Exelon's unregulated platform still provides roughly 65% of consolidated operating income but has provided at least 80% of consolidated operating income over the past few years when commodity prices were higher. As such, this transaction, while making good sense from a strategic and liquidity standpoint, does further advance the unregulated side of the company for EXC at a time when power prices are expected to remain low for a sustained period of time. Moreover, the transaction further increases the merged unregulated power company's reliance on nuclear generation at a time when the costs to operate nuclear fleets are expected to rise in the future with such costs less likely to be fully recovered through market prices.

From CEG's perspective, the merger is viewed as a credit positive. Due to their relatively small size, CEG was viewed as needing a merger partner and EXC now appears as the best choice given their long position in low-cost generation in key regions, including PJM.

While CEG had improved its financial strength and liquidity during 2009 and 2010 from asset sales and other measures, internal growth was a problem, in our opinion, particularly since the company is short on generation relative to its retail energy supply business. This short position was magnified by CEG's 2009 transaction with EDF where EDF acquired a 49.9% stake in Constellation Energy Nuclear Group (CENG), CEG's nuclear business. Although CEG still receives the majority of the CENG available electric output through 2013, beginning in 2014 EDF will receive 49.9% of CENG's available output thereby further adding to CEG's short position.

From a shareholder's perspective, CEG's shareholders will receive a significant increase in their current dividend rate from $0.96/share to $2.10/share. This new dividend rate will be at a level that is $0.19/share higher than CEG's previous high of $1.91/share, which existed through 2008, prior to the dividend being cut 50% to its current level. We believe it is highly unlikely that this type of dividend increase would have ever occurred for CEG shareholders if the company remained independent.

Rationale for Rating

In our opinion, the transaction further advances EXC's strategy as an unregulated power company at a time when power prices and related margins are expected to remain compressed.

» Given EXC's size and assuming no incremental organic growth, it will be difficult for EXC to transform itself into a more balanced operation in the future with complementary contributions from rate regulated businesses. In addition, EXC hopes to further expand the CEG retail distribution footprint.

» The transaction increases EXC's exposure to other segments of the energy commodity business. No discussion by EXC management suggests that they would look to scale back or refocus some of the commodity businesses that are new to EXC. Examples of businesses that do not exist within EXC's portfolio include:

  - CEG, through New Energy, has a large natural gas marketing business providing natural gas to end-use retail customers.
  - Risk management services for commodities other than power and natural gas, include coal, and freight.
  - CEG owns upstream and downstream natural gas operations including a 28.5% interest in Constellation Energy Partners, which is engaged in the acquisition, development, and exploration of natural gas properties.

» EXC assumes substantial off-balance commitments associated with CEG's marketing and trading operations. While EXC already has a meaningful level of off-balance commitments, including tolling obligations, the amount is currently modest relative to the company's market and book capitalization.

» Margins in the future are likely to be negatively impacted by the additional operating expenses and capital requirements associated with the company's nuclear fleet following the events in Japan. We believe unregulated power companies are less likely to fully recover all of the required costs that may surface.

» Given the prospects for natural gas prices and the impact on power margins, we believe greater consideration should be given to potential downside projection scenarios as a reference point for future performance.

Off-Balance Commitments

Given the sizeable retail energy supply business along with its gas marketing operations, CEG has significant off-balance commitments, relative to the much larger EXC. The largest of these commitments is the $9.1 billion of guarantees that CEG currently provides in support of the commodity business.

Additionally, both companies have a substantial level of tolling arrangements in place where CEG or ExGen is required to make capacity payments to plants for the right to receive electric output. Since the marketplace determines whether such capacity arrangements are in or out of the money and since such capacity arrangements support both companies unregulated power platform, it is worth examining financial metrics with these commitments capitalized as debt.

This approach is similar to the way in which we capitalize operating leases. For ExGen and EXC, we calculate that adjusting for tolls adds about $1.2 billion of debt to the capital structure, while for CEG, we calculate that this adjustment adds about $835 million. While the attached chart depicts off-balance sheet commitment for both companies, the adjustment for tolls was the only additional adjustment made to the financial projections.

TABLE 3

Off-Balance Sheet Commitments

Description	Amount (000)	Comments
Exelon Generation		
Present Value of Tolling Obligations	1,195,000	Notional Amount is $1.944 B
Surety Bonds	72,000	Contract & commercial Arrangements
Performance Guarantees	518,000	Guarantees of future performance
Energy marketing contract guarantees	157,000	Performance under energy commodity contracts
Nuclear insurance Premiums	2,210,000	Maximum amount that ExGen would be required to pay in the event of a nuclear disaster
Other Guarantees	69,000	
Downgrade Collateral	1,156,000	Downgrade Collateral
Total Estimate of Off-Balance Sheet Commitments	**5,377,000**	
Constellation Energy		
Present Value of Tolling Obligations	835,000	Notional amount is $1.361 B
Guarantees of New Energy Obligations	8,600,000	Estimated net exposure at 12/31/2010 was $1.5 B; based upon market prices as of that day for electricity, natural gas or other commodities.
Nuclear Insurance Premiums	293,750	Represents CEG's portion of the obligation that it would be required to pay in the event of a nuclear disaster
Service agreements	65,000	
Credit Support	500,000	Credit Support for CENG
Guarantee of Third Party Natural Gas Marketer	152,000	$100 million Guarantee and $52 million LOC
Monetizations and other Power Projects	30,000	Contract Monetizations
Downgrade Collateral	$1,000,000	One Notch downgrade
VIEs	99,000	
Total Estimate of Off-Balance Sheet Commitments	**11,574,750**	

Summary of Financing Plan Assumptions

- Exchange of 0.930x EXC stock for CEG stock.
- CEG dividend rate will increase from $0.96/share to $2.10/share. At 12/31/2010, there were 199.9 million CEG outstanding shares (increase of $227 million of dividends for merged EXC).
- Liquidity arrangements (excluding utilities) are expected to aggregate $6.3 - $7.3 billion, representing a reduction of $3-4 billion from the current combined levels. Exelon recently closed on $5.8 billion of syndicated credit facilities at ExGen ($5.3 billion) and at Exelon ($500 million), and also recently closed on a $300 million CDS-based LOC facility with UBS. All expire in 2016. CEG currently has $4.2 billion of credit facilities.

» The combination is expected to generate approximately $200 million of pre-tax annual cost synergies (excluding costs to achieve) in the first full year following closing, and run rate synergies of $260 million after 2013

» Sale of approximately 2.7 GW of CEG's coal assets located in Maryland are expected to be sold after merger close

» PECO and ComEd business plans would remain unchanged. PECO, which is the strongest of the three regulated subsidiaries, is expected to provide significant upstream dividends over the next couple years as its cash flow is expected to remain strong.

» BG&E business plans remain largely unchanged; however, there is a possibility for incremental customer credits that will be needed in order to secure Maryland PUC regulatory support.

» CEG's joint venture with EDF - is not impacted by the proposed transaction. That said, we would anticipate that EDF may be willing to contemplate a sale of its 49.9% ownership interest in CENG, particularly since the prospect of building a new nuclear plant in the United States has declined. CEG has the right of first refusal for any sale by EDF.

Timing

In addition to the approval of stockholders of both EXC and CEG, the transaction will require various state and federal regulatory approvals, including the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Maryland Public Service Commission, the New York Public Service Commission and the Public Utility Commission of Texas.

The key approval will be from the Maryland PSC where there is some history in not approving utility mergers involving CEG. Nevertheless, some comfort exists given the state's approval of the FE/AYE transaction. Exelon and CEG have offered concessions to BGE customers and we observe that the trading and retail headquarters will be in Maryland,

» Another key approval will be from FERC and it is expected that the asset sales described above will be required to address market power issues. Shareholder approval is targeted for third quarter 2011.

» NRC, FERC, DOJ, and Maryland approval expected in between third quarter of 2011 and first quarter of 2012.

» Merger close is expected first quarter 2012.

Financial Metric Comparison

Below are the historical and projected financial metrics for each of the rated issuer entities as well as the rationale for the proposed rating action for the three T&D utilities.

ComEd – ComEd's Baa3 rating and stable outlook reflects the strong credit metrics that exist for the rating category balanced against a very challenging regulatory environment. The company has a rate case before the Illinois Commerce Commission (ICC). The company has requested $343 million of incremental revenues, while staff has filed testimony in support of $113 million. Earlier this month, an Illinois ALJ recommended approval of a $152 million rate increase or approximately 2.7% increase on a customer's total bill. A decision is expected towards the end of May. Also, ComEd along with legislators, have proposed a bill which would move the ICC regulatory framework to one that is more similar to a FERC formulaic framework. The outcome of the ICC rate case and the framework legislation are primary considerations for a higher rating at ComEd.

PECO – PECO's A3 senior unsecured rating remains well-positioned in the rating category. The company just received a generally favorable decision from the Pennsylvania Public Utilities Commission (PAPUC) in December 2010 which will set revenues for the next several years. While the projections might argue for a higher rating at PECO, the company does plan to pay dividends equal to 100% of earnings over the next couple years, such that the ratio of CFO pre-WC LESS dividends to Debt positions the ratings more in-line with a mid-Baa rated entity.

BG&E – Affirm the rating and maintain the positive rating outlook. The rating affirmation considers the benefits of the merger, the generally credit benign implications for BG&E, offset in part by the uncertainty relating to the approval process. The rating outlook remains positive. We view the approval of the merger by the PSC of Maryland as a significant challenge and the largest obstacle to completion. The regulatory environment in Maryland is unpredictable and the commission has not approved proposed utility mergers in the past. Our current expectation is for the approval process to be contentious and garnering support for the transaction could potentially require further concessions by BGE beyond what is being proposed that may negatively impact its credit profile.

Other Commentary on 2010 Financial Results and Notable Subsequent Events

» During 2010, CEG took a $2.5 billion after-tax, non-cash impairment charge primarily related to the joint venture with EDF.

» During 2011, CEG acquired Boston Generating assets which had filed for bankruptcy. These assets will help support the company's retail business in New England.

» During 2010, PECO collected the last year of scheduled amortization charges related to the company's securitization. This is the primary reason that cash flow will decline substantially in 2011.

TABLE 4

Summary Historical Financial Metrics

Summary Metrics	2008	2009	2010
Exelon Corp			
(CFO Pre-W/C + Interest) / Interest Expense	6.9	6.7	7.3
(CFO Pre-W/C) / Debt	32%	36%	37%
(CFO Pre-W/C - Dividends) / Debt	24%	28%	29%
FCF / Debt	12%	10%	6%
Debt / Book Capitalization	53%	48%	46%
Exelon Generation Company			
(CFO Pre-W/C + Interest) / Interest Expense	17.1	15.3	14.2
(CFO Pre-W/C) / Debt	83%	76%	68%
(CFO Pre-W/C - Dividends) / Debt	47%	30%	41%
FCF / Debt	-4%	-2%	-2%
Debt / Book Capitalization	33%	34%	35%

TABLE 4

Summary Historical Financial Metrics

Summary Metrics	2008	2009	2010
PECO Energy Company			
(CFO Pre-W/C + Interest) / Interest Expense	5.6	6.4	6.1
(CFO Pre-W/C) / Debt	27%	33%	37%
(CFO Pre-W/C - Dividends) / Debt	15%	24%	29%
Debt / Book Capitalization	47%	42%	39%
Commonwealth Edison Company			
(CFO Pre-W/C + Interest) / Interest Expense	3.9	4.0	3.9
(CFO Pre-W/C) / Debt	18%	20%	20%
(CFO Pre-W/C - Dividends) / Debt	18%	16%	15%
Debt / Book Capitalization	42%	40%	39%
Constellation Energy			
(CFO Pre-W/C + Interest) / Interest Expense	2.0	5.6	6.6
(CFO Pre-W/C) / Debt	5%	42%	36%
(CFO Pre-W/C - Dividends) / Debt	1%	37%	32%
FCF / Debt	-32%	50%	-12%
Debt / Book Capitalization	68%	68%	33%
Baltimore Gas & Electric			
(CFO Pre-W/C + Interest) / Interest Expense	3.0	5.2	5.0
(CFO Pre-W/C) / Debt	10%	29%	25%
(CFO Pre-W/C - Dividends) / Debt	5%	41%	25%
Debt / Book Capitalization	64%	46%	41%

Rating Methodology Comparison

In the end, our rating methodology outcomes support a rating for ExGen at the upper end of the Baa-range. In addition, the potential rating downgrade for ExGen and EXC factors in the increased exposure to commodity activities that this transaction brings as best evidenced by the significant increase in off-balance obligations, a factor not specifically captured in the methodology.

Moreover, from a consistent strategy perspective, we believe it would appear difficult to expect EXC to acquire rate regulated businesses in the future, particularly if this transaction turns out to be successful. Even if that strategy is pursued, the size of a regulated acquisition would need to be very material to tilt the balance between unregulated and regulated operations given the size of EXC's unregulated footprint. Also, with the announcement of this transaction, we believe that the financial community might expect future acquisitions that expand this strategy as the premier unregulated power provider. All such potential candidates are rated Baa or below with some substantially lower.

TABLE 5

Rating Methodology – Regulated

			Factor 1:	Factor 2:	Factor 3:		Factor 4:				
Issuer	Current Rating	Indicated Rating	Regulatory Framework	Returns and Cost	Market Position	Fuel or Generation Diversity	Liquidity	3 Year Avg CFO pre-WC + Int / Int	3 Year Avg CFO pre-WC/ Debt	3 Year Avg RCF/Debt	3 Year Avg Adj. Debt/Cap or Debt/RAV
ComEd	Baa3	Baa2	Ba	Baa	Baa	n/a	Baa	3.9x	19%	16%	40%
PECO	A3	A3	Baa	Baa	Baa	n/a	A	6.0x	32%	22%	43%
BG&E	Baa2	Baa2	Ba	Baa	Baa	n/a	A	4.4x	20%	20%	50%

TABLE 6

Rating Methodology – Un-Regulated Power Companies

			Factor 1:		Factor 2:			Factor 3:	Factor 4:			
Issuer	Current Rating	Indicated Rating	Market & Competitive Position	Geographic Diversity	Effectiveness of Hedging Strategy	Fuel Strategy & Mix	Fleet Efficiency & Operational Characteristics	Financial Policy	3 Year Avg CFO pre-WC + Int / Int	3 Year Avg CFO pre-WC/ Debt	3 Year Avg RCF/Debt	3 Year Avg FCF/ Debt
EXC-Gen	A3	A2	A	Baa	Ba	Ba	Baa	A	15.4x	75%	58%	6%
EXC	Baa1	Baa1	A	Baa	Ba	Ba	Baa	A	7.0x	35%	35%	9%
CEG	Baa3	Baa3	Baa	Baa	Ba	Baa	Baa	Ba	4.6x	24%	21%	(3)%

Unregulated or merchant risks are balanced against the benefits that the transaction will bring from a business integration standpoint as the merger will quickly provide EXC with a national retail distribution business that complements its generation business and enhances the prospects for liquidity.

While the transaction makes sound business sense and may reduce some of the volatility that exists today in both companies' unregulated power business, it does increase the unregulated footprint for the merged company and adds incremental marketing, trading and commodity related risks to the merged enterprise that does not exist today within EXC portfolio. For these reasons, the higher risk strategy of this combination should have higher metrics than its peers for the same rating category.

Comparable company review

TABLE 7

Summary Historical Financial Metrics

Summary CFO pre-w/c / debt metrics	Rating	Outlook	2008	2009	2010
Exelon Corp	Baa1	RUR-Down	32%	36%	37%
Constellation	Baa3	Positive	5%	42%	35%
Pro-forma combined			23%	37%	37%
NextEra	Baa1	Stable			
PSEG	Baa2	Stable	22%	26%	32%
Entergy	Baa3	Stable	18%	22%	32%
FirstEnergy	Baa3	Stable	16%	16%	16%
PPL Corp	Baa3	Stable	16%	19%	19%
Exelon Generation	A3	RUR-Down	83%	76%	68%
PSEG Power	Baa1	Stable	43%	43%	44%
First Energy Solutions	Baa2	RUR-Down	18%	22%	18%
PPL Energy Supply	Baa2	Stable	15%	13%	29%

Conclusion

From Exelon's perspective, Exelon's proposed acquisition of Constellation is viewed as a net credit negative, despite the synergies and strategic rationale associated with balancing a large supply and demand position. That being said, we continue to view Exelon as well managed, and focused on a deliberate approach to growth and disciplined adherence to its acquisition criteria. As a result, it remains unclear, for now, whether this most recent attempt on acquiring Constellation will be successful. On the plus side, both Exelon and Constellation have effective constituency outreach efforts, and the final terms and conditions are likely to focus on job retention and local economic stimulus efforts.

Strategically, the combination of Exelon's long generation and Constellation short retail positions should bring sizeable benefits to the combined entity, although we continue to harbor concerns over the less transparent and notoriously volatile retail business (and its related trading and marketing operations).

Whether the acquisition closes or not, Exelon's ratings are most likely to fall by 1-notch, as evidenced by its review for possible downgrade. Constellation, on the other hand, now enjoys a positive rating outlook, primarily reflecting its pending merger with Exelon. Over the next 9 – 12 months, critical approvals should be attained, and our rating actions will be revised accordingly.

Moody's Related Research

Industry Outlooks:

» Regulation Provides Stability As Risks Mount, January 2011 (129930)

» U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2011 (121717)

Rating Methodologies:

» Regulated Electric and Gas Utilities, August 2009 (118481)

» Unregulated Utilities and Power Companies, August 2009 (118508)

» Natural Gas Pipelines, December 2009 (121678)

» U.S. Electric Generation & Transmission Cooperatives, December 2009 (121189)

Special Comments:

» Oil Prices Signal Buoyant 2011 for Energy, But Natural Gas and Capacity Issues Pose Risks, January 2011 (129899)

» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)

» U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheet Now Would Protect Credit, October 2010 (128462)

» Key Drivers for Utility and Power Sector Rating Actions in 2010, October 2010 (128381)

» Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)

» Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality, June 2010 (122304)

» U.S. Wholesale Merchant Energy: Bigger is Better, April 2010 (124300)

Special Comments on Liquidity/Hedging:

» Liquidity: A Key Component to Investor-Owned Utility Ratings and Credit Quality, September 2010 (127546)

» Refinancing Risk for Unregulated Power: All Eyes On 2012, March 2010 (123877)

» U.S. Electric G&T Cooperatives Not Immune to Liquidity Concerns, February 2010 (123245)

» Investor-Owned Utilities Face Significant Bank Facility Refinancing Risk as Substantial 2011-2012 Maturities Approach, October 2009 (120596)

» Right-Way Hedging for Power Companies, June 2009 (117978)

Special Comments on Nuclear Generation:

» New Nukes in Texas Get a Jolt from Tokyo Electric, May 2010 (125233)

» Nuclear Extension in Germany: Positive Overall But Ratings Neutral, March 2010 (123203)

» New Nuclear Generation: Ratings Pressure Increasing, June 2009 (117883)
» New Nuclear Generating Capacity: Potential Credit Implications for U.S. Investor Owned Utilities, May 2008 (109152)
» Decommissioning and Waste Costs for a New Generation of Nuclear Power Stations, May 2008 (109086)
» Moody's Analytical Adjustments for Nuclear Energy Liabilities in EMEA, December 2007 (106604)
» New Nuclear Generation in the United States: Keeping Options Open vs Addressing An Inevitable Necessity, October 2007 (104977)

Special Comments on Natural Gas:

» Marcellus Stokes Pipeline Competition for the New York Gas Market, June 2010 (125833)
» Low Natural Gas Prices Chill North American Energy Sectors, While Others See Some Gains, April 2010, (124884)
» Evaluating Natural Gas Companies, February 2010 (123063)
» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

Special Comments on Environmental Risks:

» The 21st Century Electric Utility: Substantial uncertainties exist when assessing long-term credit implications, May 2010 (124891)
» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)
» Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 (115175)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

» contacts continued from page 1

Analyst Contacts:

NEW YORK	1.212.553.1653
Natividad Martel *Analyst* Natividad.Martel@moodys.com	1.212.553.4561
Wesley Smyth *Vice President - Senior Accounting Analyst* Wesley.Smyth@moodys.com	1.212.553.2733
John Grause *Associate Analyst* John.Grause@moodys.com	1.212.553.7214
William L. Hess *Managing Director - Utilities* William.Hess@moodys.com	1.212.553.3837

Report Number: 132850

Author
A.J. Sabatelle

Production Specialist
Wendy Kroeker

Constellation Energy Purchase Is Credit Negative for Exelon

Extracted from "Moody's Weekly Credit Outlook", dated May 2, 2011

Last Thursday, Exelon Corp. (Baa1 review for downgrade) said it intends to acquire Constellation Energy (Baa3 positive) in a stock deal valued at $7.9 billion, thereby creating the largest unregulated power company in the US. While the deal provides significant strategic benefits, it is credit negative for Exelon: we estimate the purchase will triple Exelon's off-balance-sheet leverage and expose the merged company to earnings and cashflow volatility.

As a result of the merger announcement, we placed the ratings of both Exelon and its principal unregulated power company, Exelon Generation (A3 review for downgrade), on review for downgrade and changed Constellation's rating outlook to positive.

The merger, which the companies expect to complete in early 2012, will lead to a decline in Exelon's consolidated financial metrics, driven by weak wholesale power prices and a substantial increase in off-balance-sheet leverage arising from the addition of Constellation's third-party guarantees and other potential calls on capital. We also expect continued volatility for the combined entity's earnings and cashflow owing to its large unregulated business platform, whose revenues will depend largely on the price at which the company can sell the power generated by its merchant power plants.

The combined company will be both the largest unregulated generation company as measured by production, and the largest retail energy supplier in North America. We estimate unregulated operations collectively will account for at least 65% of combined operations during periods of low power prices, as exist today, and at least 80% of consolidated results when power generation margins are higher.

Given the size of its unregulated footprint, Exelon will be challenged to transform its business mix into one that is more balanced between unregulated and regulated operations. By leaning heavily toward the unregulated segment, Exelon's revenues will remain exposed to more volatile unregulated power prices. We think the combined company's management and board of directors will be inclined to pursue acquisitions of unregulated power generators as a natural extension of its existing strategy. (Acquiring unregulated power plants is typically faster and easier than acquiring regulated assets.)

A key strategic benefit of the deal will be Exelon's ability to link its large power-generation supply with Constellation's large retail loads. Additional benefits include capturing cost synergies, reducing consolidated liquidity requirements and potentially achieving better margins for the retail load.

Still, some of the businesses that Exelon is acquiring from Constellation, such as its upstream gas and coal-handling businesses, which do not complement the unregulated power business, add to the combined company's capital and liquidity requirements and so increase the company's exposure to the commodity business platform. Consequently, we see the merged company embracing higher risk than did Exelon alone. For this reason, we believe the merged company's credit metrics may need to be stronger than those of similarly rated peers if it is to continue and maintain access to ample sources of liquidity.

Report Number: 132948

Author
A.J. Sabatelle

Senior Production Associate
Diana Brimson

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Credit Opinion: Commonwealth Edison Company

Global Credit Research - 25 Aug 2011

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
First Mortgage Bonds	Baa1
Senior Secured Shelf	(P)Baa1
Senior Unsecured	Baa3
Commercial Paper	P-3
Parent: Exelon Corporation	
Outlook	Rating(s) Under Review
Issuer Rating	*Baa1
Senior Unsecured	*Baa1
Subordinate Shelf	*(P)Baa2
Pref. Shelf	*(P)Baa3
Commercial Paper	P-2
ComEd Financing III	
Outlook	Stable
BACKED Pref. Stock	Ba1

* Placed under review for possible downgrade on April 28, 2011

Contacts

Analyst	Phone
A.J. Sabatelle/New York	212.553.4136
William L. Hess/New York	212.553.3837

Key Indicators

[1]**Commonwealth Edison Company**

	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	3.9x	4.0x	3.9x
(CFO Pre-W/C) / Debt	20%	20%	18%
(CFO Pre-W/C - Dividends) / Debt	15%	16%	18%
Debt / Book Capitalization	39%	40%	42%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Regulatory environment shows some improvement but challenges and uncertainty persist

Acceptable ability to recover costs but returns materially below allowed level

Strong credit metrics for rating category

Sizeable capital program

Dispute with IRS remains an overhang credit issue

Corporate Profile

Commonwealth Edison Company (ComEd) is a regulated electric transmission and distribution company and a subsidiary of Exelon Corporation (Exelon: Baa1 senior unsecured; under review for possible downgrade). ComEd provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission (ICC) and the Federal Energy Regulatory Commission (FERC). At June 30, 2011, ComEd had total assets of $22.35 billion.

SUMMARY RATING RATIONALE

ComEd's Baa3 senior unsecured rating primarily reflects an improved but still challenging state regulatory environment in which the company operates, strong credit metrics for the rating category, and a fairly smooth implementation of procurement activities conducted under the Illinois Power Agency (IPA). The rating recognizes a generally mediocre outcome to the company's most recent rate case, the regional economy which is highly diversified helping to mitigate any financial impact from the slow recovery, as well as the company's ongoing exposure to litigation risk with the IRS.

DETAILED RATING CONSIDERATIONS

Regulatory environment improved but challenges and uncertainty remain

An important factor in the rating methodology for Regulated Electric and Gas Utilities is the credit supportiveness of the regulatory framework.

ComEd's rating recognizes an improved, but still challenging regulatory environment that continues to persist for electric utilities in Illinois leading to lingering concerns about the framework's predictability. The state's investor-owned utilities operate under a regulatory framework where rate cases are based largely on an historical test year and where decisions are required to be rendered approximately eleven months after a filing. Regulatory lag persists, particularly, when an utility is undergoing a large capital investment program. Additionally, actions by consumer groups and by the Illinois Attorney General have had negative implications for previous and prospective rate case decisions. The Illinois Appellate Court, acting on a motion from the Illinois Attorney General and other interested parties, reversed a portion of an otherwise, credit supportive decision rendered by the Illinois Commerce Commission (ICC) in September 2008. The Court's action reduced the approved regulatory treatment for post-test year additions to rate base and disallowed the use of a rider which had provided prompt recovery of automated metering infrastructure costs. In both cases, the Court's decision exacerbated the regulatory lag that ComEd faces and draws into question the predictability and durability of the state's regulatory framework for electric utilities. In the end, about $77 million of the original $274 million rate increase may be reduced subject to an ICC refund proceeding. This Court decision led to an $85 million reduction in ComEd's distribution rate case request.

To that end, ComEd and Ameren, which owns electric utilities in the southern portion of the state, are working with state legislators to enact legislation that would facilitate the modernization of Illinois' electric grid. The legislation includes a policy-based approach that would provide a more predictable ratemaking system enabling utilities to modernize the electric grid at a faster pace than the current regulatory framework affords the state's utilities.

The Illinois Energy Infrastructure Modernization Act (SB 1652) was passed by the Illinois General Assembly on May 31, 2011. SB 1652 provides greater certainty related to the recovery of costs by a utility through a pre-established formula, but would still allow the ICC and interveners the opportunity to review the prudence and reasonableness of costs incurred. If the legislation were to be enacted, ComEd would anticipate filing annual electric distribution formula rate cases and investing an additional $2.6 billion in capital expenditures over the next ten years to modernize its system and implement smart grid technology. These investments would be incremental to ComEd's historical level of capital expenditures which have averaged around $900 million .

While the bill passed the Illinois General Assembly, the Governor has indicated that he may veto the bill in its current form. Final passage of the bill would be viewed favorably by Moody's as it would help to address regulatory lag and enable ComEd to earn returns closer to the company's authorized return.

Notwithstanding the potential positive credit developments that could follow from SB 1652, we continue to view the state's regulatory framework for electric utilities as being less reliable and unpredictable and, as such, continue to score the regulatory framework within Illinois as being below investment grade or at Ba.

Ability to recover costs and earn returns is acceptable

We score ComEd's ability to recover costs and earn reasonable returns as being marginally acceptable and consistent with the lowest end of the Baa range. While the original 2008 rate decision reflected 75% of the company's request, the Appellate Court decision, described above, reduced the final decision by up to $77 million, resulting in a decision which represented slightly more than 50% of the original request. In the 2010 electric distribution rate case, the ICC on May 24, 2011 issued an mediocre rate order resulting in a $143 million rate increase, based upon 10.5% ROE, which represented 42% of the $343 million revised request. The order has been appealed to the Illinois Courts by several parties, including ComEd. Moody's calculates that actual returns for ComEd to be closer to the mid-single digit percentile which is substantially below the authorized returns.

Material Capital Investment

Over the past several years, ComEd's capital expenditure program has approximated around $950 million each year to maintain and strengthen the transmission and distribution network in and around its service territory, and to improve overall reliability for customers. Prospectively, we anticipate that capital spending for infrastructure and maintenance to be slightly in excess of $1 billion each year. Like most distribution and transmission systems that serve large metropolitan areas, continued capital investment is important for maintaining system reliability, given the age of these systems.

Strong Credit Metrics for the Current Rating

Notwithstanding the 2010 Appellate court decision, which reduced the 2007 rate case by up to $77 million and the very mediocre outcome to the company's 2010 rate case, ComEd's standalone financial metrics remain strong for a minimum investment grade rated transmission and distribution company. Cash flow (CFO pre W/C) to debt has averaged around 19.0%, cash flow coverage of interest expense has averaged 4.0x and retained cash flow to cash has averaged 16% for the past three years, all of which are reflective of a higher Baa rating. Some of this financial performance can be attributed to the impact of bonus depreciation, which is not sustainable. We also observe that the parent's decision to utilize the receipt of bonus depreciation to voluntarily make a sizable contribution to its pension plan as a conservative and credit supportive action. Prospectively, and factoring in the benefits of bonus depreciation in the near-term financial results, we believe that ComEd will produce credit metrics that will still be somewhat strong for the current Baa3 rating category.

IRS dispute remains an overhang credit issue; Ownership by Exelon beneficial

Exelon, through ComEd, is involved in a tax dispute with the IRS relating to the $2.8 billion tax gain associated with the 1999 sale of ComEd's fossil generating assets. Exelon deferred about $1.6 billion of the gain under the involuntary conversion provisions of the IRS Code as Exelon believes that it was economically compelled to sell ComEd's generating plants as a result of the Illinois electric restructuring law. The remaining $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the IRS Code. The like-kind exchange replacement property purchased by Exelon included interests in three municipal-owned electric generation facilities which were leased back to the municipalities.

With respect to the above involuntary conversion, Exelon and the IRS reached a nonbinding, preliminary settlement agreement in the third quarter of 2010. Final resolution of the involuntary conversion and competitive transition charge (CTC) disputes remains subject to finalizing terms and calculations and executing definitive agreements satisfactory to both parties. Under the terms of the preliminary agreement, Exelon estimates that the IRS will assess tax and interest of approximately $300 million in 2011 for the years for which there is a resulting tax deficiency, of which $405 million would be paid by ComEd, $135 million would be received by PECO, $10 million would be paid by affiliate Exelon Generation (ExGen) with the remainder received by Exelon. In order to stop additional interest from accruing on the expected assessment, Exelon made a payment in December 2010 to the IRS of $302 million. Exelon expects to receive tax refunds of approximately $270 million between 2011 and 2014, of which $335 million would be received by ComEd, $40 million would be paid by ExGen and the remainder paid by Exelon.

With regard to the like-kind exchange transaction, Exelon does not currently believe it is possible to reach a negotiated settlement with the IRS. A fully successful IRS challenge to Exelon's and ComEd's like-kind exchange transaction would accelerate income tax payments and increase interest expense related to the deferred tax gain that would become currently payable. At June 30, 2011, the total potential tax and interest payments could be as much as $840 million, of which $540 million would be paid by ComEd and the remainder by Exelon. Accordingly, Exelon expects to initiate litigation in the first half of 2012 after the final resolution of the involuntary conversion and CTC settlement.

Liquidity

ComEd's Prime-3 short-term rating for commercial paper reflects our view that the company will maintain adequate liquidity for the next 4 quarters.

ComEd has a $1 billion unsecured revolving credit facility that extends to March 25, 2013. This credit facility is used primarily to provide liquidity support and for the issuance of letters of credit. As of June 30, 2011, there were no borrowings under the facility; however, $195 million of the facility is currently used for letters of credit to support tax-exempt debt financing, leaving $805 million for working capital needs. While the credit agreement does not contain any rating triggers that would affect borrowing access to the commitment and does not require any material adverse change (MAC) representation for borrowings, there is a requirement to maintain a ratio of net cash flow from operations to net interest expense at a minimum level of at least 2.0 times. At June 30, 2011 ComEd's ratio of net cash flow from operations to net interest expense was 6.82x. Cash on hand at June 30, 2011 was $94 million.

In January 2011, ComEd issued $600 million of 1.625% First Mortgage Bonds (FMB) due 2014 to be used as an interim source of liquidity for the January 2011 contribution to Exelon-sponsored pension plans in which ComEd participates and for other general corporate purposes. Moody's believes that ComEd's receipt of tax benefits from the terms of the involuntary settlement may end up being used to repay a portion of this obligation at maturity.

For 2010, we calculate that ComEd was $42 million free cash flow positive as internal cash flow of $1.3 billion covered $975 million of capital expenditures and $313 million of dividends. For the 12 months ending June 30, 2011, we calculate that ComEd was free cash flow negative $333 million, as operating cash flow was negatively affected by the substantial voluntary funding of ComEd's pension plan, a substantial portion of it being funded with debt, coupled with continued dividends of $313 million and higher capital investment of $1.017 billion.

ComEd has $347 million of maturing FMB debt due in December 2011 and $450 million of FMB debt due in March 2012. We would anticipate the company seeking to access the capital markets to refinance a substantial portion of this debt given the capital requirements of the utility.

As of June 30th, we observe that if ComEd lost its investment grade credit rating, it could be required to provide $233 million incremental collateral.

For more information on Exelon's liquidity, please see the Exelon Credit Opinion on www.moodys.com.

Rating Outlook

ComEd's rating outlook is stable reflecting an expectation that financial results will remain strong for the rating category and will be offset by our continuing concerns regarding the regulatory compact within Illinois. The stable outlook also incorporates the existence of tax issue with the IRS which appears to remain an overhang issue for the company.

What Could Change the Rating - Up

The rating can be upgraded if the company continues to produce credit metrics in line with a strong Baa transmission and distribution company and if the regulatory compact in Illinois becomes more predictable. While we viewed the initial outcome of the September 2008 rate case and the good working relationship between the utilities and IPA (which assists in power procurement) as tangible steps in the right direction, the Appellate Court decision coupled with a mediocre June 2011 rate case decision reintroduced uncertainty and less predictability into the regulatory process. Passage of SB 1652 could be viewed favorably from a regulatory framework and cost recovery standpoint with the passage of time and could result in our taking a more credit supportive view of the state's regulatory process for electric utilities.

What Could Change the Rating - Down

The rating could be downgraded if the outcome of a current IRS challenge with respect to certain sale/leaseback transactions affecting Exelon and ComEd result in substantial cash outflows, or if regulatory decisions deteriorate further over the next year resulting in the company's cash flow to debt declining below 14.0% or cash flow to interest expense falling below 3.0x for an extended period.

Other Considerations

As depicted below, ComEd's indicated rating under the grid on a historical and projected basis is Baa3 on par with the current senior unsecured rating.

Rating Factors

Commonwealth Edison Company

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2010**		**Moody's 12-18 month Forward View* As of August 2011**	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework				
Factor 2: Ability To Recover Costs And Earn Returns (25%)		Ba		Ba
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Baa		Baa
b) Generation and Fuel Diversity (na)		na		na
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	3.9x	Baa	4.0 - 4.3x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	19.0%	Baa	18 - 21%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	16.2%	Baa	15.5 - 15.8%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	40.5%	A	38.5 - 39.5%	A
Rating:				
a) Indicated Rating from Grid		Baa3		Baa3
b) Actual Rating Assigned		Baa3		Baa3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Exelon Corporation

Global Credit Research - 26 Aug 2011

United States

Ratings

Category	**Moody's Rating**
Outlook	Rating(s) Under Review
Issuer Rating	*Baa1
Senior Unsecured	*Baa1
Subordinate Shelf	*(P)Baa2
Pref. Shelf	*(P)Baa3
Commercial Paper	P-2
Commonwealth Edison Company	
Outlook	Stable
Issuer Rating	Baa3
First Mortgage Bonds	Baa1
Senior Secured Shelf	(P)Baa1
Senior Unsecured	Baa3
Commercial Paper	P-3
Exelon Generation Company, LLC	
Outlook	Rating(s) Under Review
Issuer Rating	*A3
Senior Unsecured	*A3
Pref. Shelf	*(P)Baa2
Commercial Paper	P-2

* Placed under review for possible downgrade on April 28, 2011

Contacts

Analyst	**Phone**
A.J. Sabatelle/New York	212.553.4136
William L. Hess/New York	212.553.3837

Key Indicators

[1]**Exelon Corporation**

	2010	**2009**	**2008**
(CFO Pre-W/C + Interest) / Interest	**7.30x**	**6.73x**	**6.85x**
(CFO Pre-W/C) / Debt	**37.1%**	**36.0%**	**31.5%**
RCF / Debt	**33.02%**	**31.36%**	**29.88%**
FCF / Debt	**6.5%**	**10.0%**	**11.7%**

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Strong consolidated credit metrics, albeit declining from recent historical levels

Merger with financially weaker unregulated power company

Competitive position & consistent operations offset by potential new nuclear related capital requirements

Hedging strategies influence cash flow predictability

System wide capital requirements plus dividend requirements may weaken free cash prospects

IRS dispute remains an overhang credit issue

Corporate Profile

Exelon Corporation (Exelon; Baa1 senior unsecured, under review for possible downgrade) is the holding company for non-regulated subsidiary, Exelon Generation Company, LLC (ExGen; A3 senior unsecured, under review for possible downgrade) and for regulated subsidiaries, Commonwealth Edison Company (ComEd; Baa3 senior unsecured, stable outlook) and PECO Energy Company (PECO; A3 Issuer Rating, stable outlook). At December 31, 2010, Exelon had total assets of $52.2 billion.

ExGen is one of the largest competitive electric generation companies in the US, as measured by owned and controlled megawatts (MW). At December 31, 2010, ExGen owned generation assets with a net capacity of 25,619 MW, including 17,047 MW of nuclear capacity. In addition, ExGen controlled another 6,139 MW of capacity through long-term contracts.

ComEd is an electric transmission and distribution (T&D) utility providing service to 3.8 million customers across northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission (ICC) and by the Federal Energy Regulatory Commission (FERC).

PECO provides T&D service to about 1.6 million electric customers in the city of Philadelphia as well as several surrounding Pennsylvania counties. PECO also provides gas distribution service to 490,000 natural gas customers in areas outside the city. PECO is regulated by the Pennsylvania Public Utility Commission (PAPUC) and by the FERC.

SUMMARY RATING RATIONALE

Exelon's Baa1 senior unsecured rating reflects strong consolidated credit metrics, due in large part to the financial performance of ExGen, its unregulated generation subsidiary, and the generally predictable cash flows at its T&D subsidiaries. While the T&D subsidiaries are sizeable standalone companies, Exelon's rating is largely influenced by the performance of its unregulated segment, which will be increasing in size and importance should the merger with Constellation Energy Group (CEG: Baa3 senior unsecured; positive outlook) be completed.

The long-term ratings of Exelon and subsidiary ExGen are under review for possible downgrade due to their plans to merge with CEG in a stock-for-stock transaction. The rating review reflects the pending merger with a lower-rated entity and the expected increase in consolidated leverage, particularly off-balance sheet debt, at a time when electric margins are compressed.

DETAILED RATING CONSIDERATIONS

Strong consolidated credit metrics, albeit declining from recent historical levels

Exelon's consolidated credit metrics position the company well in the current category as an unregulated power company. Financial results are expected to decline over the next several years due to lower margins caused by weaker demand and low natural gas prices. Through six months 2011, financial results have remained steady due in part to the December 2010 expiration of the contract between PECO and ExGen offset by weaker margins that exist in the Midwest, a region where Exelon generates 58% of its electric output in most years. At year-end 2010, Moody's calculates the ratio of Exelon's cash flow (CFO pre-W/C) to debt at 37%, free cash flow to debt at 7.7%, and cash flow coverage of interest expense at 7.3x. Prospectively, we expect financial results to weaken in 2012 and 2013 as margins become more compressed due to continued weak power prices.

Merger with financially weaker unregulated power company

Moody's believes that a motivating factor behind the planned merger with CEG is to address the declining earnings and a weaker cash flow profile beginning in 2012. The merged company will create the largest unregulated power company in terms of kilowatt hours produced and retail customers served. The merger is expected to garner the strategic benefits of linking a company that is long on generation resources with a company that is long on customer load. That being said, we believe that the better balanced combined merchant operation will still be exposed to earnings and cash flow volatility due to a large unregulated business platform whose financial results will remain heavily influenced by market determined commodity pricing levels.

We also believe that completion of this transaction increases the likelihood that Exelon will remain more focused on maintaining its leadership position among unregulated power companies. As both the largest unregulated generation company in terms of production and supplier of retail energy in North America, we calculate that the company's unregulated operations will collectively represent at least 65% of the combined consolidated operations of Exelon and CEG during periods of low power prices and likely represent at least 80% when more robust power generation margins exists. As such, we believe that it will be very challenging for Exelon to easily transform the company's business mix into one that is materially more balanced across regulated operations given the sheer size of the existing unregulated footprint. Also, given the competitive position that this merger reinforces, we believe that management, along with the board, will be more inclined in the future to pursue acquisitions of additional unregulated properties as a natural extension of an existing strategy, particularly given the more streamlined and less challenging regulatory approval requirements that tend to accompany unregulated acquisitions.

Balancing these factors are the expected benefits that this merger should produce as the linkage of Exelon's generation with CEG's load should considerably reduce consolidated liquidity requirements and enable the merged company to receive somewhat better margins for its electric output given the stickiness of customer load. We further recognize that completing the transaction enables Exelon to gain access to end-use customers within the retail supply chain at a much faster pace and in a more efficient way than it could have otherwise achieved from building a retail business internally. While these factors add support for the rationale behind the merger, we observe that certain of the businesses being added have little to do with matching generation with load but add to the potential capital and liquidity requirements of the firm and increase the associated volatility with operating a commodity business. As such, we view the merged company as embracing a higher risk tolerance than what may have existed in the past given the commodity platform that accompanies this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers while maintaining access to amply sized sources of liquidity.

With respect to additional merger and acquisition activity, in addition to CEG, Exelon, in December 2010, acquired John Deere Renewables (JDR) for total consideration of approximately $900 million. JDR owns and operates 735 MW of wind operating assets as well as project development assets, including three wind generation projects totaling 230 MW in advanced development in Michigan. More recently, on August 24th, ExGen completed the $305 million acquisition of the Wolf Hollow generating station, a 720 MW natural gas plant in Texas.

Competitive position & consistent operations offset by potential new nuclear related capital requirements

As the largest owner and operator of nuclear generation in the US, the company has a strong competitive position and continues to demonstrate an outstanding record as a plant operator, particularly as a nuclear operator. In the intermediate-term, we expect ExGen's competitive position to remain largely unchanged as capacity reductions from plant shut-downs which could lower reserve margins are offset by a slow economic recovery. Longer-term, the potential implications of EPA regulations should enhance ExGen profitability as any incremental environmental control related costs are likely to result in a higher margin potential for Exelon.

That being said, the Fukushima accident in Japan has likely increased the operating and maintenance expenditures associated with running a large nuclear fleet going forward. This is particularly the case for Exelon given the company's exposure to nuclear generation. Nevertheless, we still believe that nuclear generation will maintain its strong competitive position in the dispatch curve and that Exelon will benefit from being the largest owner of nuclear plants in the US.

Hedging strategies influence cash flow predictability

As an unregulated wholesale energy company whose gross margin can be materially impacted by changes in commodity prices, a company's hedging strategy can be an important rating factor. Exelon manages its hedges over a 36 month cycle with targets of 90% or more of expected generation hedged in the first year, 70-90% in the second year, and 50 to 70% in the third year. At June 30, 2011, Exelon was 95-98% hedged for the remainder of 2011, 82-85% for 2012, and 49-52% in 2013. This strategy has historically resulted in fairly predictable cash flows. Following the completion of the CEG merger, more of the company's electric output will be sold directly to end-use customers through the retail chain, which should enhance margins.

Maintenance and growth capital requirements plus dividend requirements weaken free cash flow generation

As a large capital intensive commodity company, Exelon has substantial capital requirements to maintain the operation of its generation fleet while also maintaining and replacing the infrastructure of its regulated T&D utilities. In 2011, nearly $4.4 billion of capital investment will be spent at Exelon, of which $2.8 billion will be spent at the unregulated power company, with the remainder spent at the utilities. Approximately $400 million will be spent on the company's nuclear uprate program which, if fully completed, would add approximately 10% of incremental nuclear generation output to the company's fleet at a very competitive cost. On average, over the past three years, we calculate that dividends represented approximately 22% of cash flow from operations while capital expenditures represented 52% resulting in average free cash flow of $1.6 billion. By comparison, Moody's calculates that internal sources during 2011 of $4.35 billion will represent 76% of total capital investments and dividends, resulting in negative free cash flow of approximately $1.4 billion, reflecting in large part the higher capital requirements across the system.

Regulatory Environment

As noted in the Regulated Electric and Gas Utilities methodology, the regulatory framework and the ability of the framework to provide timely recovery of costs and predictable returns are important factors in assessing credit quality of a utility.

ComEd operates in an improved, but still challenging regulatory environment for electric utilities in Illinois leading to lingering concerns about the framework's predictability. Regulatory lag persists, particularly, when an utility is undergoing a large capital investment program. Additionally, actions by the Illinois Attorney General and others have negatively affected previously approved and prospective rate cases for ComEd. In the company's 2010 electric distribution rate case, the ICC on May 24, 2011 issued an mediocre rate order resulting in a $143 million rate increase, based upon 10.5% ROE, which represented 42% of the $343 million revised request. Moody's calculates that actual returns for ComEd to be closer to the mid-single digit percentile which is substantially below the authorized returns.

To address this issue, the state's utilities are working with state legislators to enact legislation that would facilitate the modernization of Illinois' electric grid. The legislation includes a policy-based approach that would provide a more predictable ratemaking system enabling utilities to modernize the electric grid at a faster pace than the less certain current regulatory framework afforded the state's utilities.

The Illinois Energy Infrastructure Modernization Act (SB 1652) was passed by the Illinois General Assembly on May 31, 2011. SB 1652 provides greater certainty related to the recovery of costs by a utility through a pre-established formula, but would still allow the ICC and interveners the opportunity to review the prudence and reasonableness of costs incurred. While the bill passed the Illinois General Assembly, the Governor has indicated that he may veto the bill in its current form. Final passage of the bill would be viewed favorably by Moody's as it would help to address regulatory lag and theoretically enable ComEd to earn returns closer to the company's authorized return.

For more information on ComEd and our assessment of the regulatory environment in Illinois, see the ComEd Credit Opinion dated August 2011.

Moody's views the PAPUC to be generally credit supportive. This degree of credit supportiveness is exemplified by the balanced approach in which the PAPUC has implemented the State's electric restructuring act. Under the electric restructuring act, PECO's customers moved to market rates for generation at the beginning of 2011 and the transition has occurred relatively smoothly. We also observe that PECO continues to reach reasonable settlements with the PAPUC. On December 16, 2010, the PAPUC approved the settlement of PECO's electric and natural gas distribution rate cases for increases of $225 million and $20 million, respectively, with PECO receiving about 68% of its combined original ask.

For more information on PECO and on the regulatory environment in Pennsylvania, please see the PECO credit opinion dated August 2011

Financially conservative management

A important rating factor is the company's historically, fairly conservative management approach. Moody's believes that Exelon's management and board demonstrated appropriate financial discipline with respect to several matters in the past and their overall approach to operating their business. To that end, we view the decision by management to utilize the benefits of bonus depreciation to fund their large unfunded pension obligation as a credit supportive activity.

IRS dispute remains an overhang credit issue; Ownership by Exelon beneficial

Exelon, through ComEd, is involved in a tax dispute with the IRS relating to the $2.8 billion tax gain associated with the 1999 sale of ComEd's fossil generating assets. Exelon deferred about $1.6 billion of the gain under the involuntary conversion provisions of the IRS Code as Exelon believes that it was economically compelled to sell ComEd's generating plants as a result of the Illinois electric restructuring law. The remaining $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the Code.

With respect to the above involuntary conversion, Exelon and the IRS reached a nonbinding, preliminary settlement agreement in third quarter 2010. Final resolution of the involuntary conversion and competitive transition charge (CTC) disputes remain subject to finalizing terms and calculations and the execution of definitive agreements. Under the terms of the preliminary agreement, Exelon estimates that the IRS will assess tax and interest of about $300 million in 2011 for the years for which there is a resulting tax deficiency, of which $405 million would be paid by ComEd, $135 million would be received by PECO, $10 million would be paid by ExGen with the remainder received by Exelon. In order to stop additional interest from accruing on the expected assessment, Exelon made a payment in December 2010 to the IRS of $302 million. Exelon expects to receive tax refunds of approximately $270 million between 2011 and 2014, of which $335 million would be received by ComEd, $40 million would be paid by ExGen and the remainder paid by Exelon.

With regard to the like-kind exchange transaction, Exelon does not currently believe it is possible to reach a negotiated settlement with the IRS. A fully successful IRS challenge to Exelon's and ComEd's like-kind exchange transaction would accelerate income tax payments and increase interest expense related to the deferred tax gain that would become currently payable. At June 30, 2011, the total potential tax and interest payments could be as much as $840 million, of which $540 million would be paid by ComEd and the remainder by Exelon.

For more information on this matter, please refer to the ComEd Credit Opinion, which can be found on www.moodys.com

Liquidity

Overall, Moody's believes that Exelon has good liquidity. For fiscal year 2010, we calculate that Exelon generated about $5.88 billion of cash from operations, which sufficiently covered $3.34 billion of capital outlays and $1.4 billion of dividends, resulting in free cash flow of around $1.1 billion on a consolidated basis.

At June 30, 2011, Exelon had a total of $7.7 billion of credit facilities spread across key business segments for working capital requirements. Exelon, ExGen, and PECO have senior unsecured credit agreements totaling $500 million, $5.6 billion, and $600 million, respectively, of which the vast majority expires in March 2016. ComEd has access to a $1 billion unsecured revolving credit facility expiring March 2013. These credit facilities are used primarily to provide liquidity support and for the issuance of letters of credit. While the credit agreements do not contain any rating triggers that would affect borrowing access to the commitments and do not require material adverse change (MAC) representation for borrowings, there is a requirement for each entity to maintain a ratio of net cash flow from operations to net interest expense at a minimum level. Exelon is required to maintain a ratio that is at least 2.5x. At June 30, 2011, Exelon's ratio of net cash flow from operations to net interest expense was 16.77x.

At June 30th, of the aggregate $7.7 billion of credit facilities at Exelon, ExGen, PECO, and ComEd available capacity was reduced by $464 million through the issuance of $324 million letters of credit (principally at ComEd and ExGen) and $140 million commercial paper issuance at Exelon. Available capacity at Exelon and its subsidiaries aggregated $7.236 billion with $353 million of credit capacity being available under the Exelon facility, $5.479 billion under the ExGen facilities, $599 million under the PECO facility, and $805 million under the ComEd facility.

With respect to rating triggers, if ExGen lost its investment grade credit rating as of June 30, 2011, it would be required to provide incremental collateral of about $1.238 billion, including $1, 031 million of collateral obligations for derivatives and $207 million of financial assurances to Nuclear Electric Insurance Limited related to annual premium obligations. If ComEd lost its investment grade credit rating as of June 30th, it could be required to provide $233 million incremental collateral, whereas if PECO lost its investment grade credit rating, it could be required to provide $3 million in collateral per PJM's credit policy and provide collateral of about $40 million related to its natural gas procurement contracts

For the next twelve months, Exelon and its subsidiaries have $1.048 billion of maturing debt, including $250 million of PECO First Mortgage Bonds (FMBs) due November 2011, $345 million of ComEd FMBs due December 2011, and $450 million of ComEd FMB due March 2012. We would anticipate the company seeking to access the capital markets to refinance a substantial portion of this debt.

At June 30, 2011, Exelon had $562 million of consolidated cash on its balance sheet. For additional liquidity, Exelon also maintains an inter-company money pool agreement that includes PECO and unregulated ExGen. While all of the participating subsidiaries have the ability to borrow and lend into the money pool, Exelon does not have the ability to borrow from the money pool and is only allowed to participate as a lender.

For more information on the liquidity profiles of ExGen, ComEd, and PECO, see the Credit Opinions for each of these issuers on www.moodys.com.

Structural Considerations

Within the last several years, Exelon has refinanced holding company debt with debt issued at ExGen. Exelon has $1.3 billion of remaining holding company debt, $800 million that matures in 2015 and $500 million that matures in 2035. Given this maturity profile, we would anticipate that $800 million of this debt will be refinanced at the ExGen level, leaving $500 million of holding company debt at Exelon.

For these reasons, when evaluating ExGen, Moody's examines historical and projected financial metrics for ExGen with the debt of Exelon holding company incorporated into the analysis.

Rating Outlook

Exelon's rating is under review for possible downgrade reflecting the planned merger with CEG. The review for possible downgrade for Exelon considers our expectation for a decline in consolidated financial metrics following the stock-for-stock merger driven primarily by continued weak power prices. The review also considers the substantial increase in off-balance leverage that will accompany this merger due, in large part, to the addition of third party guarantees and other potential calls on capital, including tolling obligations. The rating review is likely to be concluded when key regulatory approvals required for the merger to move forward have been obtained.

What Could Change the Rating - Up

In light of the ongoing review for possible downgrade, Exelon's rating is not likely to be upgraded.

What Could Change the Rating - Down

The rating review for Exelon will focus on gaining greater insights into the components of the combined company's off-balance obligations, particularly the existing CEG guarantees that support the commodity and retail business; the strategic direction of the merged company as it relates to businesses being acquired that are not directly linked to the supply of electricity to end-use customers; the appropriate amount of reliable liquidity resources under different scenarios; and the prospects for incremental operating expenses and capital requirements mandated by various oversight groups following the Fukushima accident. Additionally, the rating review will examine the details concerning the manner in which CEG's operations are folded into Exelon's unregulated platform from an organizational, legal, and counterparty perspective, along with the expected earnings and dividend contributions from CEG's operations.

Other Considerations

Given the size of the unregulated revenues, earnings, and cash flow, Moody's evaluates Exelon's financial performance relative to the Unregulated Utility and Power Company methodology and as depicted below, Exelon's indicated rating under the grid based on historical and projected results is Baa2.

Rating Factors

Exelon Corporation

Power Companies [1][2]	**Current 12/31/2010**		**Moody's 12-18 month Forward View* As of August 2011**	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Market and Competitive Position (15%)		A		A
b) Geographic Diversity (5%)		Baa		Baa
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		Ba		Baa
b) Fuel Strategy and mix (5%)		Ba		Ba
c) Capital requirements and operatinal performance (5%)		Baa		Baa
Factor 3: Financial policy (10%)		Baa		Baa
Factor 4: Financial Strength - Key Financial Metrics (50%)				
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	7.0x	A	6.4-6.8x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	34.8%	Baa	30-35%	Baa
c) RCF / Debt (7.5%) (3yr Avg)	31.4%	A	21 - 25%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	9.4%	Ba	(5) - 2%	B
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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MOODY'S
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ISSUER COMMENT

Exelon's Settlement Agreement with PJM Moves Merger with Constellation a Step Closer to Completion

Extracted from "Moody's Weekly Credit Outlook", dated October 17, 2011

Analyst Contacts:

NEW YORK	1.212.553.1653
A.J. Sabatelle *Senior Vice President* angelo.sabatelle@moodys.com	1.212.553.4136
Scott Solomon *Vice President-Senior Analyst* scott.solomon@moodys.com	1.212.553.4358

Last Tuesday, the PJM Market Monitoring Unit notified the Maryland Public Service Commission (MPSC) and the US Federal Energy Regulatory Commission (FERC) that it has reached a settlement agreement with Exelon Corporation (Baa1 review for downgrade) and Constellation Energy (Baa3 positive). We view the company's settlement with PJM as a significant milestone toward completion of the proposed merger announced earlier this year. While consummation of the merger would likely trigger a one-notch downgrade of Exelon's ratings, it does provide strategic benefits from a commercial and liquidity vantage point.

The PJM Market Monitoring Unit is responsible for promoting a robust, competitive and nondiscriminatory electric power market in PJM Interconnection, a regional transmission organization responsible for moving electricity across multiple states. The settlement agreement satisfies PJM's concerns that the merged company would benefit from market power. While PJM's approval is not a requirement for completion of the merger, its opinion has the potential to influence other involved parties.

The settlement agreement commits Exelon and Constellation to sell the Brandon Shores and HA Wagner power plants, both located in Anne Arundel County, Maryland, along with CP Crane generating station, located in Bowleys Quarters, Maryland. The agreement also stipulates that the power plants cannot be sold to selected existing PJM market participants, including American Electric Power Company (Baa2 stable), FirstEnergy Corporation (Baa3 stable), GenOn Energy (B2 stable), Edison International (Baa2 stable), Dominion Resources (Baa2 stable), Public Service Enterprise Group (Baa2 stable), Calpine Corporation (B1 stable), or PPL Corporation (Baa3 stable).

What is Moody's Weekly Credit Outlook?

Moody's Weekly Credit Outlook provides our research clients with timely opinions on breaking credit market developments and trends. Published every Monday morning, the newsletter will help you start your week informed of Moody's latest opinions from across the organization.

Exelon and Constellation have also made certain "behavioral commitments" for the next 10 years following the merger. These commitments are associated with future power plant retirements and increases in capacity, as well as market offers pertaining to both energy and ancillary services prices. For example, Exelon and Constellation agreed that they will only retire a power plant if the plant fails to clear PJM's most recent reliability pricing model (RPM) capacity auction. The companies also agreed to provide written notice to PJM 18 months prior to any plans to retire a power plant and to provide an economic analysis supporting the retirement decision.

While the settlement advances the transaction's completion, it still requires approvals by several key intervenors, including the MPSC, the New York Public Service Commission, FERC, the Nuclear Regulatory Commission (NRC), the Department of Justice (DOJ) and shareholders.

The companies are striving to close the merger in the first quarter of 2012, and have scheduled shareholder votes for 17 November. The FERC and NYPSC expect to reach their decisions in the fourth quarter. The regulatory approval process in Maryland is underway, with hearings beginning later this month and a decision expected by early January 2012. The NRC and DOJ also expect to issue their decisions in early 2012.

Report Number: 136693

Authors
A.J. Sabatelle
Scott Solomon

Senior Production Associate
Diana Brimson

MOODY'S
INVESTORS SERVICE

Announcement: Moody's reviews Commonwealth Edison's ratings for possible upgrade

Global Credit Research - 27 Jan 2012

Approximately $5.8 Billion of Debt Securities Affected

New York, January 27, 2012 -- Moody's Investors Service today placed the long-term and short-term ratings of Commonwealth Edison Company (ComEd) under review for possible upgrade.

RATINGS RATIONALE

"Today's rating action is reflective of continued strong financial performance at ComEd recorded during 2011, coupled with last year's passage of the Energy Infrastructure Modernization Act (EIMA), which should result in increased infrastructure investment at the utility, reduced regulatory lag around cost recovery, and strengthened credit metrics", said A.J. Sabatelle, Senior Vice President of Moody's.

Ratings placed under review for possible upgrade include ComEd's senior secured debt and first mortgage bonds rated Baa1, ComEd's Issuer Rating and senior unsecured rating at Baa3; shelf registrations for the issuance of first mortgage bonds and senior unsecured debt at (P)Baa1 and (P)Baa3, respectively; junior subordinated debt of ComEd Financing III rated Ba1, and ComEd's short-term rating for commercial paper at Prime-3.

Earlier this week, ComEd reported 2011 GAAP earnings of $416 million, a 23% increase over last year's results reflecting the receipt of incremental revenue from the implementation of the company's 2011 electric distribution rate case order (effective June 1, 2011) as well as the receipt of incremental distribution revenues from the performance based formula-rate tariff recently enacted with passage of EIMA. Moody's anticipates that ComEd's near-term financial performance will continue to strongly position the company in the "Baa" rating category from a financial metrics perspective. Specifically, we anticipate that cash flow (CFO pre-WC) will represent about 20% of debt and that cash flow interest coverage should approximate 5.0x for 2011.

The review for possible upgrade also recognizes the increased prospects for continued strong financial performance in the future following last year's passage of EIMA. Under the legislation, a new distribution formula-rate-plan (FRP) ratemaking paradigm for the state's largest electric utilities was introduced. The legislation requires ComEd to invest $1.3 billion over a five-year period in electric system upgrades, modernization projects, and training facilities plus at least $1.3 billion over a 10-year period in transmission & distribution assets and smart-grid system upgrades. Key aspects of the FRP calculation include cost recovery of the utility's actual capital structure, excluding goodwill; a legislatively-set formula for purposes of calculating the allowed return on equity (ROE) equivalent to a 580 basis-point premium above the 12-month average 30-year Treasury Bond yield; recovery of pension-related costs; as well as recovery of certain incentive compensation expenses. If, in the context of an FRP filing, the utility's actual ROE in a given period is more than 50 basis points above or below its authorized ROE, the company is required to refund to/collect from ratepayers any amounts outside of this deadband. In addition, the utility's allowed ROE may be reduced if it fails to meet certain performance metrics. Moreover, the new law requires the utility's FRP to be terminated if the average annual rate increase for the years 2012 through 2014 exceeds 2.5%.

The rating review will focus on the company's near-term financial results, including its ability to earn its authorized ROE, the company's prospective capital spending program under EIMA, the impact of such spending requirements on the utility's annual financing requirements, and the prospective dividend needs expected from ComEd over the next several years.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Headquartered in Chicago, Illinois, ComEd is a regulated electric transmission and distribution company and a subsidiary of Exelon Corporation (Exelon: Baa1 senior unsecured; under review for possible downgrade). ComEd provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission and the Federal Energy Regulatory Commission. For year-end 2011, ComEd reported operating revenues of $6.056 billion and net income of $416 million.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 30 April 2012. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

In addition to the information provided below please find on the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued each of the ratings.

A.J. Sabatelle

Senior Vice President
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

William L. Hess
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

MOODY'S INVESTORS SERVICE

Credit Opinion: Exelon Corporation

Global Credit Research - 27 Feb 2012

United States

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Issuer Rating	*Baa1
Senior Unsecured	*Baa1
Subordinate Shelf	*(P)Baa2
Pref. Shelf	*(P)Baa3
Commercial Paper	P-2
Commonwealth Edison Company	
Outlook	Rating(s) Under Review
Issuer Rating	**Baa3
First Mortgage Bonds	**Baa1
Senior Secured Shelf	**(P)Baa1
Senior Unsecured	**Baa3
Commercial Paper	**P-3
Exelon Generation Company, LLC	
Outlook	Rating(s) Under Review
Issuer Rating	*A3
Senior Unsecured	*A3
Pref. Shelf	*(P)Baa2
Commercial Paper	P-2

* Placed under review for possible downgrade on April 28, 2011
** Placed under review for possible upgrade on January 27, 2012

Contacts

Analyst	Phone
A.J. Sabatelle/New York City	212.553.4136
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Exelon Corporation**

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest	8.5x	7.3x	6.7x	6.8x
(CFO Pre-W/C) / Debt	43%	37%	36%	32%
RCF / Debt	35%	33%	31%	30%
FCF / Debt	8%	6%	10%	12%

[1] All ratios calculated in accordance with the Unregulated Utilities and Power Companies Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Strong consolidated credit metrics, albeit declining from recent historical levels

Anticipated merger with financially weaker unregulated power company

System wide capital requirements plus dividend requirements weaken free cash flow prospects

Competitive position & consistent operations offset by potential new nuclear related capital requirements

Hedging strategies influence cash flow predictability

IRS tax disputes continues

Corporate Profile

Exelon Corporation (Exelon; Baa1 senior unsecured, under review for possible downgrade) is the holding company for non-regulated subsidiary, Exelon Generation Company, LLC (ExGen; A3 senior unsecured, under review for possible downgrade) and for regulated subsidiaries, Commonwealth Edison Company (ComEd; Baa3 senior unsecured, under review for possible upgrade) and PECO Energy Company (PECO; A3 Issuer Rating, stable outlook). At December 31, 2011, Exelon had total assets of $55.1 billion.

ExGen is one of the largest competitive electric generation companies in the US, as measured by owned and controlled megawatts (MW). At December 31, 2011, ExGen owned generation assets with a net capacity of 25,554 MW, including 17,115 MW of nuclear capacity. In addition, ExGen controlled another 5,025 MW of capacity through long-term contracts.

ComEd is an electric transmission and distribution (T&D) utility providing service to 3.8 million customers across northern Illinois. ComEd is regulated by the Illinois Commerce Commission (ICC) and by the Federal Energy Regulatory Commission (FERC).

PECO provides T&D service to about 1.6 million electric customers in Philadelphia as well as several surrounding Pennsylvania counties. PECO also provides gas distribution service to 494,000 natural gas customers in areas outside the city. PECO is regulated by the Pennsylvania Public Utility Commission (PAPUC) and by FERC.

SUMMARY RATING RATIONALE

Exelon's Baa1 rating reflects strong consolidated credit metrics, due in large part to the financial performance of ExGen, its unregulated generation subsidiary, and the generally predictable cash flows at its T&D subsidiaries. While the T&D subsidiaries are sizeable standalone companies, Exelon's rating is largely influenced by the performance of its unregulated segment, which will be increasing in size and importance upon the expected completion of the merger with Constellation Energy Group (CEG: Baa3 senior unsecured; under review for possible upgrade).

The long-term ratings of Exelon and ExGen are under review for possible downgrade due to their plans to merge with CEG in a stock-for-stock transaction. The rating review considers the pending merger with a lower-rated entity, the increased reliance on unregulated operations that will follow from the merger, the expected increase in consolidated leverage, particularly off-balance sheet debt, at a time when electric margins are compressed, all of which is compromised by the sizeable common dividend requirements at Exelon, expected to be funded primarily by its unregulated business platform.

DETAILED RATING CONSIDERATIONS

Strong consolidated credit metrics expected to decline from historical levels

Exelon's historical consolidated credit metrics have positioned the company well in the current category as an unregulated power company. Financial results are expected to decline over the next several years due to lower margins caused primarily by sustained low natural gas prices and the expected expiration of bonus depreciation. At year-end 2011, Moody's calculates the ratio of Exelon's cash flow (CFO pre-W/C) to debt at 43%, retained cash flow to debt at 35%, free cash flow to debt at 8.0%, and cash flow coverage of interest expense at 7.3x. Exelon has indicated in SEC filings that bonus depreciation enhanced cash flow by $850 million during 2011 and is expected to augment 2012 cash flow by $300 million. Prospectively, we expect financial results to weaken, particularly retained cash flow and free cash flow metrics as margins compress due to soft power prices caused in large part by sustained low natural gas prices while the company maintains a sizeable dividend and contemplates a substantial capital investment program throughout the company.

Merger with financially weaker unregulated power company

Moody's believes that a motivating factor behind the planned merger with CEG is to help address the declining earnings and a weaker cash flow profile beginning in 2012. The merged company will create the largest unregulated power company in terms of kilowatt hours produced and retail customers served. The merger is expected to garner the strategic benefits of linking a company that is long on generation with a company that is long on customer load. As a byproduct of this linkage, the merger should considerably reduce consolidated liquidity requirements and enable the merged company to receive somewhat better margins for its electric output given the stickiness of customer load. That being said, we believe that the better balanced combined merchant operation will still be exposed to earnings and cash flow volatility due to a large unregulated business platform whose financial results will remain heavily influenced by market determined commodity pricing levels.

We also believe that completion of this transaction increases the likelihood that Exelon will remain more focused on maintaining its leadership position among unregulated power companies. As both the largest unregulated generation company in terms of production and supplier of retail energy in North America, we believe that management, along with the board, will be more inclined in the future to pursue acquisitions of additional unregulated properties as a natural extension of an existing strategy, particularly given the more streamlined and less challenging regulatory approval requirements that tend to accompany unregulated acquisitions.

With respect to timing, in February 2012, the merger was approved by the Maryland Public Service Commission (MPSC), representing a key milestone and substantially increasing the prospects for the transaction to be consummated. We understand that regulatory approval from FERC, the last remaining approval, must occur by April 2012 and we believe that FERC could render a decision on the merger application sometime in March 2012.

Overall, we view the merged company as embracing a higher risk tolerance than what may have existed at Exelon in the past given the commodity platform that accompanies this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers while maintaining access to amply sized sources of liquidity.

Maintenance and growth capital requirements plus payment of sizeable dividend weaken free cash flow

As a large capital intensive commodity company, Exelon has substantial capital requirements to maintain the operation of its generation fleet while also maintaining and replacing the infrastructure of its regulated T&D utilities. In 2011, more than $4.0 billion of capital investment and $387 million of acquisitions occurred at Exelon, of which $2.5 billion of capital investment and all of the acquisitions occurred at the unregulated power company, with the remaining $1.5 billion spent at the utilities. Exelon is considering making "uprate" investments across its nuclear fleet, which if fully completed, would add up to 1,300 MWs or approximately 7.5% of incremental nuclear generation output to the company's fleet at a very competitive cost. We believe that decisions concerning uprate investments will need to occur within the next 12-18 months, given the estimated remaining life of some of the plants. For 2012, Exelon plans to spend $5.4 billion in capital investment, including $3.7 billion at ExGen, $1.3 billion at ComEd, and $436 million at PECO. With respect to ExGen, $450 million will be invested in nuclear uprates while $1.3 billion is planned for new renewable investments. In light of the reduced cash flow anticipated to be generated by ExGen, the sizeable dividend of $1.4 billion at Exelon (that will increase by $400 million to $1.8 billion upon merger close with CEG) and capital investment requirement for maintenance and growth, we anticipate Exelon to be negative free cash flow over the next several years.

Hedging strategies influence cash flow predictability

As an unregulated wholesale energy company whose gross margin can be materially impacted by changes in commodity prices, a company's hedging strategy can be an important rating factor. Exelon manages its hedges over a 36 month cycle with targets of 90% or more of expected generation hedged in the first year, 70-90% in the second year, and less than 50% in the third year. At December 31, 2011, we understand that Exelon was 88-91% hedged for 2012, 61-64% for 2013, and 32-35% in 2014. Following the completion of the CEG merger, we anticipate that more of the company's electric output will be sold directly to end-use customers through the retail chain.

Competitive position & consistent operations remain long-term strengths

As the largest owner and operator of nuclear generation in the US, Exelon has a strong competitive position and continues to demonstrate an outstanding record as a plant operator, particularly as a nuclear operator. In the intermediate-term, we expect ExGen's competitive position to remain largely unchanged as capacity reductions from plant shut-downs in the region should lower reserve margins (and possibly enhance capacity revenues) but are less likely to enhance energy margins given the outlook for natural gas and the fact that most of the plants that will shut down have low capacity factors. Longer-term, the potential implications of EPA regulations should enhance ExGen profitability as any incremental environmental control related costs are likely to result in a higher margin potential for Exelon.

We believe that the nuclear accident in Japan during 2011 will likely increase the operating and maintenance expenditures associated with running a large nuclear fleet. However, we still believe that nuclear generation will maintain its strong competitive position in the dispatch curve and that Exelon will benefit from being the largest owner of nuclear plants in the US.

Regulatory Environment

As noted in the Regulated Electric and Gas Utilities methodology, the regulatory framework and the ability of the framework to provide timely recovery of costs and predictable returns are important factors in assessing credit quality of a utility.

ComEd operates in an improved, but still challenging regulatory environment for electric utilities in Illinois leading to lingering concerns about the framework's predictability. On December 30, 2011, however, the Energy Infrastructure Modernization Act (EIMA) was signed into law in Illinois. EIMA establishes a new formula-rate-plan (FRP) distribution ratemaking paradigm for the state's largest electric utilities and is intended to spur utility infrastructure investment. The legislation requires ComEd to invest $1.3 billion over a five-year period in electric system upgrades, modernization projects, and training facilities, and at least $1.3 billion over a 10-year period in transmission & distribution assets and smart-grid system upgrades. Key aspects of the FRP calculation include cost recovery of the utility's actual capital structure, excluding goodwill; a legislatively-set formula for purposes of calculating the allowed return on equity (ROE) equivalent to a 580 basis-point premium above the 12-month average 30-year Treasury Bond yield; recovery of pension-related costs, as well as recovery of certain incentive compensation expenses. If the utility's actual ROE in a given period is more than 50 basis points above or below its authorized ROE, the company is required to refund to/collect from ratepayers any amounts outside of this deadband. Moreover, the new law requires the utility's FRP to be terminated if the average annual rate increase for the years 2012 through 2014 exceeds 2.5%.

Moody's views the PAPUC to be generally credit supportive. This degree of credit supportiveness is exemplified by the reasonable settlements with the PAPUC. On December 16, 2010, the PAPUC approved the settlement of PECO's electric and natural gas distribution rate cases for increases of $225 million and $20 million, respectively, with PECO receiving about 68% of its combined original ask.

In February 2012, the state's governor signed into law a measure that would allow for the implementation of a distribution system improvement charge (DSIC) in rates designed to recover capital project costs incurred to repair, improve or replace utilities' aging electric and natural gas distribution systems. To qualify for the DSIC, utilities are required to submit a long-term infrastructure improvement plan, which will be reviewed by the PAPUC every 5 years, and a certification that a base rate case has been or will be filed within 5 years. The DSIC cannot exceed 5% of distribution rates and will be reset to zero if the utility's return on equity exceeds the allowable rate of return under the DSIC. HB 1294 also includes a provision that allows utilities to use a fully projected future test year under which the PAPUC may permit the inclusion of projected capital costs in rate base for assets that will be placed in service during the future test year. Moody's views the terms of HB1294 as supportive to utility credit quality.

IRS Tax Dispute Continues

Exelon continue to have tax disputes with the IRS relating to the 1999 $2.8 billion tax gain from ComEd's fossil generating assets and the subsequent transition to market rates for generation that occurred among ComEd's and PECO's customers. Exelon believes that it was economically compelled to dispose of ComEd's fossil generating plants and that the proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that $1.6 billion of the gain could be deferred over the lives of the replacement property under the involuntary conversion provisions. The remaining approximately $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions. 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.

In the third quarter 2010, Exelon and the IRS reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and competitive transition charge positions. Under the terms of the agreement, Exelon estimates that the IRS will assess tax and interest of approximately $300 million in 2012, and that Exelon will receive additional tax refunds of approximately $365 million between 2012 and 2014.

During 2010, Exelon and IRS failed to reach a settlement with respect to the like-kind exchange position. As year-end 2011, assuming Exelon's preliminary settlement of the involuntary conversion position is finalized, the potential tax and interest, exclusive of penalties, that could become currently payable in the event of a fully successful IRS challenge to Exelon's like-kind exchange position could be as much as $860 million, of which $550 million would be paid by ComEd and the remainder by Exelon.

Liquidity

Overall, Moody's believes that Exelon has good liquidity. For fiscal year 2011, we calculate that Exelon generated about $4.975 billion of cash from operations, which covered 85% of the approximately $4.4 billion of capital outlays (including acquisitions of $387 million) and $1.4 billion of dividends, resulting in negative free cash flow of around $850 million on a consolidated basis.

At December 31, 2011, Exelon had a total of $7.7 billion of credit facilities spread across key business segments for working capital requirements. Exelon, ExGen, and PECO have senior unsecured credit agreements totaling $500 million, $5.6 billion, and $600 million, respectively, of which the vast majority expires in March 2016. ComEd has access to a $1 billion unsecured revolving credit facility expiring March 2013. These credit facilities are used primarily to provide liquidity support and for the issuance of letters of credit. While the credit agreements do not contain any rating triggers that would affect borrowing access to the commitments and do not require material adverse change (MAC) representation for borrowings, there is a requirement for each entity to maintain a ratio of net cash flow from operations to net interest expense at a minimum level. Exelon is required to maintain a ratio that is at least 2.5x. At December 31, 2011, Exelon's ratio of net cash flow from operations to net interest expense was 15.6x.

At December 31, 2011, of the aggregate $7.7 billion of credit facilities at Exelon, ExGen, PECO, and ComEd, available capacity was reduced primarily by $1.046 billion through the issuance of $876 million letters of credit (LOCs) at ExGen and $161 million commercial paper issuance at Exelon. A large portion of the LOCs issued at ExGen relate to the company's investment in a solar project in California. Available capacity at Exelon and its subsidiaries aggregated $6.654 billion with $332 million of credit capacity being available under the Exelon facility, $4.724 billion under the ExGen facilities, $599 million under the PECO facility, and $999 million under the ComEd facility.

With respect to rating triggers, if ExGen lost its investment grade credit rating as of December 31, 2011, it would be required to provide incremental collateral of about $1.612 billion. If ComEd lost its investment grade credit rating as of December 31, 2011, it could be required to provide $227 million of incremental collateral, whereas if PECO lost its investment grade credit rating, it could be required to provide $54 million related to its natural gas procurement contracts

For the next twelve months, Exelon and its subsidiaries have $828 million of maturing debt, including $450 million of ComEd First Mortgage Bonds (FMBs) due March 2012, $225 million of PECO FMBs due October 2012, and $150 million of PECO secured tax-exempt debt due December 2012. We would anticipate the company seeking to access the capital markets to refinance a substantial portion of this debt.

At December 31, 2011, Exelon had $1.01 billion of consolidated cash on its balance sheet, of which $428 million resides with regulated utilities, PECO and ComEd. For additional liquidity, Exelon also maintains an inter-company money pool agreement that includes PECO and unregulated ExGen. While all of the participating subsidiaries have the ability to borrow and lend into the money pool, Exelon does not have the ability to borrow from the money pool and is only allowed to participate as a lender

.

Structural Considerations

Within the last several years, Exelon has refinanced holding company debt with debt issued at ExGen. Exelon has $1.3 billion of remaining holding company debt, $800 million that matures in 2015 and $500 million that matures in 2035. Given this maturity profile, we would anticipate that $800 million of this debt will be refinanced at the ExGen level, leaving $500 million of holding company debt at Exelon.

For these reasons, when evaluating ExGen, Moody's examines historical and projected financial metrics for ExGen with the debt of Exelon holding company incorporated into the analysis.

Additionally, we understand that Exelon will assume the obligations of CEG's publicly-held debt, guarantees and other contracts at merger close adding $1.8 billion of senior debt and $517 million of subordinated debt to Exelon. As such, it is anticipated that CEG's current rated debt obligations will carry Exelon's rating following merger close Similar to the Exelon debt, such debt is expected to be refinanced at the ExGen level.

Rating Outlook

Exelon's rating is under review for possible downgrade reflecting the planned CEG merger. The review considers our expectation for a decline in consolidated financial metrics following the stock-for-stock merger driven primarily by continued weak power prices. The review also considers the increase in off-balance leverage that will accompany the merger due, in large part, to the addition of third party guarantees and other potential calls on capital, including tolling obligations.

At this time, we anticipate that the outcome of the rating review is likely to result in a one-notch rating downgrade of Exelon's and ExGen's senior unsecured rating to Baa2 and Baa1, respectively. However, we believe there are increased prospects that the rating outlook for Exelon and ExGen would be negative at the conclusion of the review due to the combined effect of continued weak power prices, a sizeable common dividend, and a large capital investment program. The rating review is likely to be concluded when key regulatory approvals required for the merger to move forward have been obtained.

What Could Change the Rating - Up

In light of the ongoing review for possible downgrade, Exelon's rating is not likely to be upgraded over the near term.

What Could Change the Rating - Down

The review will focus on the expected earnings and cash flow contributions from Exelon's various unregulated businesses operating in the current down cycle. The review will examine the dividend requirements of the merged corporation and the expected contribution from its rate regulated subsidiaries. Moody's notes that one of the MPSC merger approval conditions was the requirement that Baltimore Gas and Electric Company, a CEG regulated transmission and distribution company, not pay dividends through 2014. The review will further consider the various levers that we believe Exelon could consider as it relates to financing the expected negative free cash flow at the corporation, driven by its dividend requirements and various growth capital spending programs.

Other Considerations

Given the size of the unregulated revenues, earnings, and cash flow, Moody's evaluates Exelon's financial performance relative to the Unregulated Utility and Power Company methodology and as depicted below, Exelon's indicated rating under the grid based on historical results is Baa1 and from projected results is Baa2.

Rating Factors

Exelon Corporation

Power Companies [1][2]	**Current 12/31/2011**		**Moody's 12-18 month Forward View* As of February 2012**	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Market and Competitive Position (15%)		A		A
b) Geographic Diversity (5%)		Baa		Baa
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		Ba		Baa
b) Fuel Strategy and mix (5%)		Ba		Ba
c) Capital requirements and operatinal performance (5%)		Baa		Baa
Factor 3: Financial policy (10%)		Baa		Baa
Factor 4: Financial Strength - Key Financial Metrics (50%)				
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	7.5x	A	6.8 - 7.2x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	38.6%	A	25 - 30%	Baa
c) RCF / Debt (7.5%) (3yr Avg)	33.0%	A	17 - 22%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	8.1%	Ba	(10) - (5)%	B
Rating:				
a) Indicated Rating from Grid		Baa1		Baa2
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2011(L); Source: Moody's Financial Metrics

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MOODY'S INVESTORS SERVICE

Rating Action: Moody's upgrades Commonwealth Edison's ratings

Global Credit Research - 02 Mar 2012

Approximately $5.8 Billion of Debt Securities Affected

New York, March 02, 2012 -- Moody's Investors Service today upgraded the ratings of Commonwealth Edison Company (ComEd), including the senior secured debt to A3 from Baa1, the senior unsecured debt and Issuer Rating to Baa2 from Baa3, and the short-term rating for commercial paper to Prime-2 from Prime-3. At the same time, Moody's upgraded the junior subordinated debt of ComEd Financing III to Baa3 from Ba1. The rating action concludes the review for possible upgrade that was initiated on January 27, 2012. The rating outlook for ComEd and ComEd Financing III is stable.

RATINGS RATIONALE

"Today's one-notch upgrade of ComEd's debt securities reflects an expectation for continued strong financial performance at the utility, aided in large part by the passage of the Energy Infrastructure Modernization Act (EIMA), which should result in increased infrastructure investment, more timely cost recovery, and resilient credit metrics", added A.J. Sabatelle, Senior Vice President of Moody's.

Moody's calculates that the ratio of ComEd's cash flow (CFO pre-WC) to debt averaged 21.6% for the past three years and 25.6% for 2011, that the ratio of cash flow less dividends to debt averaged 17.3% for the past three years and 20.8% for 2011, and that the ratio of cash flow coverage of interest expense averaged 4.6x for the past three years and 5.2x for 2011. Results for 2011 were aided by the receipt of incremental revenue from the company's 2011 electric distribution rate case order (effective June 1, 2011), the receipt of bonus depreciation and the tax benefits for repair costs associated with their electric transmission and distribution property. While the tax benefits and bonus depreciation are not sustainable and overstate the most recent ComEd's financial performance, Moody's anticipates that the benefits of the 2011 rate case and passage of EIMA will help to enable ComEd's intermediate-term financial performance to strongly position the company in the mid-Baa rating category. Specifically, we anticipate that cash flow will represent about 20% of debt and that cash flow interest coverage will approximate 5.0x.

To that end, the upgrade also recognizes the prospects for sustained strong future performance following last year's passage of EIMA. Under the legislation, a new distribution formula-rate-plan (FRP) for the state's largest electric utilities was introduced, which is intended to encourage utility infrastructure investment. The legislation requires ComEd to invest $1.3 billion over a five-year period in electric system upgrades, modernization projects, training facilities, and at least $1.3 billion over a 10-year period in transmission & distribution assets and smart-grid system upgrades. Key aspects of the FRP calculation include cost recovery of the utility's actual capital structure, excluding goodwill; a legislatively-set RoE formula equivalent to a 580 basis-point premium above the 12-month average 30-year Treasury Bond yield; recovery of pension-related costs, as well as recovery of certain incentive compensation expenses. The new law does require the utility's FRP to be terminated if the average annual rate increase for the years 2012 through 2014 exceeds 2.5%.

ComEd's rating outlook is stable reflecting an expectation that financial results will remain strong for the rating category, particularly with the passage of EIMA, which helps to substantially offset lingering concerns about the regulatory framework, which has historically been less predictable. ComEd's stable outlook further incorporates our belief the company's dividend policy will remain sensible in light of the increased capital spending requirements at the utility.

In light of today's rating action, the newness of ratemaking under EIMA, and the increased capital spending anticipated at ComEd, limited prospects exist for the utility's ratings to be upgraded in the near-term. However, upward rating pressure can surface if the new regulatory framework is seamlessly implemented, accepted as a workable model by key constituents in the state, and results in better financial results for the state's utilities. Specifically, consideration of a higher rating could emerge if the ratio of ComEd's cash flow to debt exceeds 20% and its cash flow interest coverage exceeds 5.0x on a sustainable basis.

The rating could be downgraded if the implementation of EIMA ratemaking is altered dramatically or terminated, if the company's cash flow to debt declines to below 16.0% or cash flow to interest expense falls below 3.5x for an extended period. Additionally, negative rating pressure could materialize if the outcome of a continuing IRS challenge concerning certain sale/leaseback transactions affecting Exelon and ComEd lead to substantial payments for the utility, or if ComEd's dividend policy is dramatically increased to support affiliated businesses at Exelon.

The principal methodology used in this rating Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Headquartered in Chicago, Illinois, ComEd is a regulated electric transmission and distribution company and a subsidiary of

Exelon Corporation (Exelon: Baa1 senior unsecured; under review for possible downgrade). ComEd provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission and the Federal Energy Regulatory Commission. For yearend 2011, ComEd reported operating revenues of $6.056 billion and net income of $416 million.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 30 April 2012. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

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A.J. Sabatelle
Senior Vice President
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

William L. Hess
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Commonwealth Edison Company

Global Credit Research - 05 Mar 2012

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
First Mortgage Bonds	A3
Senior Secured Shelf	(P)A3
Senior Unsecured	Baa2
Commercial Paper	P-2
Parent: Exelon Corporation	
Outlook	Rating(s) Under Review
Issuer Rating	*Baa1
Senior Unsecured	*Baa1
Subordinate Shelf	*(P)Baa2
Pref. Shelf	*(P)Baa3
Commercial Paper	P-2
ComEd Financing III	
Outlook	Stable
BACKED Pref. Stock	Baa3

* Placed under review for possible downgrade on April 28, 2011

Contacts

Analyst	Phone
A.J. Sabatelle/New York City	212.553.4136
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Commonwealth Edison Company**

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	5.2x	3.9x	4.0x	3.9x
(CFO Pre-W/C) / Debt	25%	20%	20%	18%
(CFO Pre-W/C - Dividends) / Debt	21%	15%	16%	18%
Debt / Book Capitalization	38%	39%	40%	42%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Regulatory environment shows improvement but possibility of unpredictable outcomes remain

Improved ability to recover costs under new legislation

Strong credit metrics for rating category

Sizeable capital program

Dispute with IRS remains an overhang credit issue

Corporate Profile

Commonwealth Edison Company (ComEd) is a regulated electric transmission and distribution company and a subsidiary of Exelon Corporation (Exelon: Baa2 senior unsecured; stable). ComEd provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission (ICC) and the Federal Energy Regulatory Commission (FERC). At December 31, 2011, ComEd had total assets of $22.65 billion.

SUMMARY RATING RATIONALE

ComEd's Baa2 senior unsecured rating primarily reflects an improved but still less predictable state regulatory environment in which the company operates, strong credit metrics for the rating category, and an improved cost recovery mechanism following last year's passage of legislation. The rating recognizes the company's good liquidity management, the diversity of its regional economy which helps mitigate the financial impact from the still weak economic recovery, as well as the overhang of the company's ongoing exposure to litigation with the IRS.

DETAILED RATING CONSIDERATIONS

Regulatory environment improved but possibility of unpredictable outcomes remain

An important factor in the rating methodology for Regulated Electric and Gas Utilities is the credit supportiveness of the regulatory framework.

ComEd's rating recognizes an improved, but still challenging regulatory environment that continues to persist for electric utilities in Illinois leading to lingering concerns about the framework's predictability. Intervention risk from key and influential stakeholders have occurred in past rate case decisions and regulatory actions involving ComEd making the framework less reliable. Specifically, actions by consumer groups, the Illinois Attorney General, and various legislators have had negative implications for regulatory decisions involving ComEd and other IOUs in the state.

On Dec. 30, 2011, the Energy Infrastructure Modernization Act (EIMA) became law. The EIMA establishes a new distribution formula-rate-plan (FRP) ratemaking paradigm for the state's largest electric utilities and is intended to spur utility infrastructure investment. Specifically, EIMA requires electric utilities that serve at least one million customers, ComEd and Ameren subsidiary Ameren Illinois (AI) , to invest specific amounts in their transmission and distribution (T&D) systems, with recovery of these investments to occur in the context of annual FRP proceedings, subject to ICC approval.

The legislation requires ComEd to invest $1.3 billion over a five-year period in electric system upgrades, modernization projects, and training facilities, and at least $1.3 billion over a 10-year period in transmission & distribution assets and smart-grid system upgrades. Key aspects of the FRP calculation include cost recovery of the utility's actual capital structure, excluding goodwill; a legislatively-set formula for purposes of calculating the allowed return on equity (ROE) equivalent to a 580 basis-point premium above the 12-month average 30-year Treasury Bond yield; recovery of pension-related costs, as well as recovery of certain incentive compensation expenses. If the utility's actual ROE in a given period is more than 50 basis points above or below its authorized ROE, the company is required to refund to/collect from ratepayers any amounts outside of this deadband. Also, the utility's allowed ROE can be reduced if it fails to meet certain performance metrics. Moreover, the new law requires the utility's FRP to be terminated if the average annual rate increase for the years 2012 through 2014 exceeds 2.5%. All FRPs are to terminate at year-end 2017 (unless legislation is enacted permitting the continued use of these rate plans), and unrecovered costs associated with the investment programs would presumably be addressed in traditional base rate proceedings.

Although the passage of EIMA helps to offset lingering concerns about the predictability of the regulatory framework, the legislation remains untested. Moreover, we understand that the ICC and other stakeholders were opposed to the law's passage since, in their opinion, EIMA limits the oversight ability of the commission. We continue to view the state's regulatory framework for electric utilities as having the potential to be unpredictable and unreliable. Therefore, the regulatory framework (Factor 1 in the Methodology) for ComEd continues to be scored below investment grade or at Ba. Our future assessment of this Factor will be influenced by the manner in which the new regulatory framework is implemented and whether it is accepted as a workable regulatory model by key constituents.

Ability to recover costs and earn returns is acceptable

In light of the passage of EIMA, we believe ComEd's ability to recover costs and earn reasonable returns (Factor 2) has improved and is consistent with an mid-Baa score for this rating factor. Specifically, we believe that passage of EIMA will enhance cost recovery and reduce regulatory lag. From a timing perspective, ComEd implemented into 2011 rates amounts due under the true-up mechanism in EIMA and made its initial filing with the ICC in November 2011 to implement a $44 million refund to customers during the period June 1, 2012 through Dec. 31, 2012. The November 2011 filing reflects a 2010 test year and 2011 plant additions. ComEd plans to file its 2011-test-year FRP case during May 2012, reflecting 2012 net plant additions. New rates associated with that proceeding would take effect in January 2013. Thereafter, ComEd would submit an annual FRP filing each May, with new rates to take effect the following January.

Material Capital Investment

Over the past several years, ComEd's capital expenditure program has approximated around $950 million each year to maintain and strengthen the transmission and distribution network in and around its service territory, and to improve overall reliability for customers. Prospectively, we anticipate that capital spending for smart grid deployment, infrastructure, and maintenance to be approximately $1.5 billion each year. We expect a large portion of these costs to be recovered through the annual FRP filings with the ICC. Like most distribution and transmission systems that serve large metropolitan areas, continued capital investment is important for maintaining system reliability, given the age of these systems.

Strong Credit Metrics for the Current Rating

For the past three years, ComEd has produced very strong credit metrics for the Baa rating category. Reported 2011 results for ComEd included net income of $416 million, representing a 23% increase over 2010 results. The improvement is largely a function of receipt of the distribution rate case during mid 2011 and revenue from recently enacted legislation addressing the recovery of infrastructure investments. Cash flow (CFO pre W/C) to debt has averaged around 21.6%, cash flow coverage of interest expense has averaged 4.3x and retained cash flow to cash has averaged 16.6% for the past three years, all of which are reflective of a higher Baa rating. Some of this financial performance can be attributed to the positive impact of tax treatment, including the receipt of bonus depreciation, which is not a sustainable source of cash flow. We view Exelon's decision to utilize the receipt of bonus depreciation to voluntarily make a sizable contribution to ComEd's pension plan as a conservative and credit supportive action. Prospectively, and factoring in the benefits of loss of bonus depreciation in the near-term financial results, we believe that ComEd will produce credit metrics that will strongly position the company within the Baa2 rating category.

IRS dispute remains an overhang credit issue

Exelon, through ComEd, is involved in a tax dispute with the IRS relating to the $2.8 billion tax gain associated with the 1999 sale of ComEd's fossil generating assets, and the subsequent transition to market rates for generation that occurred among ComEd's and PECO's customers. Exelon believes that it was economically compelled to dispose of ComEd's fossil generating plants and that the proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that $1.6 billion of the gain could be deferred over the lives of the replacement property under the involuntary conversion provisions. The remaining approximately $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions. 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.

In the third quarter 2010, Exelon and the IRS reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and competitive transition charge positions. Under the terms of the agreement, Exelon estimates that the IRS will assess tax and interest of approximately $300 million in 2012, and that Exelon will receive additional tax refunds of approximately $365 million between 2012 and 2014, of which $335 million would be received by ComEd, $55 million would be received by ExGen and the remainder paid by Exelon.

During 2010, Exelon and IRS failed to reach a settlement with respect to the like-kind exchange position. As year-end 2011, assuming Exelon's preliminary settlement of the involuntary conversion position is finalized, the potential tax and interest, exclusive of penalties, that could become currently payable in the event of a fully successful IRS challenge to Exelon's like-kind exchange position could be as much as $860 million, of which $550 million would be paid by ComEd and the remainder by Exelon.

Liquidity

ComEd's Prime-2 short-term rating for commercial paper reflects our view that the company will maintain adequate liquidity for the next 4 quarters.

ComEd has a $1 billion unsecured revolving credit facility that expires on March 25, 2013. This credit facility is used primarily to provide liquidity support and for the issuance of letters of credit. As of December 31, 2011, there were no borrowings under the facility; however, $1 million of the facility is used for letters of credit, leaving $999 million of availability. While the credit agreement does not contain any rating triggers that would affect borrowing access to the commitment and does not require any material adverse change (MAC) representation for borrowings, there is a requirement to maintain a ratio of net cash flow from operations to net interest expense at a minimum level of at least 2.0 times. At December 31, 2011 ComEd's ratio of net cash flow from operations to net interest expense was 6.39x. Cash on hand at December 31, 2011 was $233 million. We understand that the company is currently in the market replacing and extending the $1 billion revolver due March 2013 to a March 2017 expiry date at the same $1 billion level.

In light of the ample capital investment program anticipated at the utility, the company is expected to be free cash flow negative for the next few years. During 2011, ComEd paid out about 70% of its earnings to Exelon in the form of a dividend. In light of the capital needs at the utility, we do not believe that the ComEd dividend will reach the 70% payout level over the next several years. ComEd has approximately $450 million of debt maturing in 2012, $252 million in 2013, and $600 million in 2014. We would anticipate the company seeking to access the capital markets to refinance a substantial portion of this debt given the planned capital requirements of the utility.

As of December 31, 2011, we observe that if ComEd lost its investment grade credit rating, it could be required to provide $227 million of incremental collateral.

For more information on Exelon's liquidity, please see the Exelon Credit Opinion on www.moodys.com.

Rating Outlook

ComEd's rating outlook is stable reflecting an expectation that financial results will remain strong for the rating category, particularly with the passage of EIMA, which helps to offset lingering concerns about the regulatory framework, which has historically been less predictable. ComEd's stable outlook further incorporates our belief the company's dividend policy will remain sensible in light of the utility's increased capital spending requirements.

What Could Change the Rating - Up

In light of the March 2nd one notch upgrade by Moody's, the newness of ratemaking under EIMA, and the increased capital spending anticipated at ComEd, limited prospects exist for the utility's ratings to be upgraded in the near-term. However, upward rating pressure can surface if the new regulatory framework is seamlessly implemented, accepted as a workable model by key constituents in the state, and results in better financial results for the state's utilities. Specifically, consideration of a higher rating could emerge if ComEd's the ratio of cash flow to debt exceeds 20% and its cash flow interest coverage exceeds 5.0x on a sustainable basis.

What Could Change the Rating - Down

The rating could be downgraded if the implementation of EIMA ratemaking is altered dramatically or terminated, if the company's cash flow to debt declines to below 16.0% or cash flow to interest expense falls below 3.5x for an extended period. Additionally, negative rating pressure could materialize if the outcome of a continuing IRS challenge concerning certain sale/leaseback transactions affecting Exelon and ComEd leads to substantial payments for the utility.

Other Considerations

As depicted below, ComEd's indicated rating under the grid on a historical and projected basis is Baa2 on par with the current senior unsecured rating.

Rating Factors

Commonwealth Edison Company

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2011**		**Moody's 12-18 month Forward View* As of February 2012**	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework				
Factor 2: Ability To Recover Costs And Earn Returns (25%)		Ba		Ba
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Baa		Baa
b) Generation and Fuel Diversity (na)		na		na
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				

a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.3x	Baa	4.8 - 5.3x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	21.6%	Baa	18 - 21%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	17.3%	A	16 - 17%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	39.1%	A	35 - 36%	A
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa2		Baa2

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[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2011(L); Source: Moody's Financial Metrics

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Moody's
INVESTORS SERVICE

Rating Action: **Moody's downgrades Exelon and Exelon Generation; outlook negative**

Global Credit Research - 12 Mar 2012

Approximately $8.7 billion of Debt Securities and Bank Credit Facilities Affected

New York, March 12, 2012 -- Moody's Investors Service downgraded the long-term ratings of Exelon Corporation (Exelon: senior unsecured to Baa2 from Baa1) and its primary subsidiary, Exelon Generation Company, LLC (ExGen: senior unsecured to Baa1from A3) following today's closing of Exelon's merger with Constellation Energy Group, Inc. (CEG). Concurrently, Moody's affirmed the short-term rating for commercial paper at Prime-2 for Exelon and ExGen. This rating action concludes the rating review which initiated on April 28, 2011 when the merger was announced. The rating outlook for Exelon and ExGen is negative.

"Today's rating action factors in Exelon's expansion of its unregulated business platform through the merger with financially weaker CEG," said A. J. Sabatelle, Senior Vice President at Moody's. "While the merger benefits are notable, particularly from a commercial and liquidity standpoint, the transaction increases the potential for earnings and cash flow volatility during the current down commodity cycle". Added Sabatelle, "Of particular concern to Moody's is the manner in which the expected negative free cash flow will be financed in light of Exelon's sizeable common dividend and capital spending program."

RATINGS RATIONALE

The rating downgrade for Exelon and ExGen reflects our expectation for a decline in financial metrics following the merger driven in part by sustained low power prices. While the rating action recognizes the strategic benefits of linking a company that is long on generation with a company that is long on customer load, Moody's believes that the combined entity will still be exposed to earnings and cash flow volatility due to the large unregulated business platform whose financial performance is influenced by market determined commodity pricing levels. Moreover, the transaction, in our opinion, increases the likelihood that future growth opportunities at Exelon will center around the unregulated power space given the company's position as the largest unregulated generation company in terms of production and the largest retail energy supplier in North America. In that vein, we believe that it will be very challenging for Exelon in the future to easily transform the company's business mix into one that is materially more balanced across regulated operations given the sheer size of the existing unregulated footprint. For these reasons, we believe the merged company's credit metrics may need to be stronger than similarly rated peers while maintaining access to amply sized liquidity sources.

The rating action also considers the likelihood that Exelon will be negative free cash flow for the next several years, a change from recent historical results, due to the current outlook for power prices coupled with sizeable capital requirements for growth investments and maintenance of the common dividend. Based on SEC filings (including CEG's), Exelon's consolidated capital budget for 2012 could exceed $6.6 billion, a more than $1 billion increase above 2011 levels. Some of this incremental increase is due to planned investments associated with its nuclear fleet "uprate" program which, if fully implemented, could add up to 1,300 megawatts of incremental nuclear capacity, as well as investments in solar and wind resources. Also, Exelon has a sizeable annual common dividend requirement of approximately $1.8 billion. In light of the relative size of Exelon's regulated operations, the capital requirements at each of the regulated utilities, and specific regulatory limits imposed on dividends, we anticipate that the majority of the common dividend may be funded by the more volatile unregulated business platform under most scenarios examined.

Balancing these rating concerns are the expected benefits that this merger should produce as the linkage of Exelon's generation with CEG's retail business should considerably reduce consolidated liquidity requirements and enable the company to secure somewhat better and more sustainable margins for its electric output given the stickiness of customer load. We further recognize that completing the transaction enables Exelon gain access to end-use customers within the retail supply chain at a much faster pace and in a more efficient way than it could have otherwise achieved from building it internally. While these factors add support for the merger, we observe that certain of the businesses being added have little to do with matching generation with load but could impact the potential capital and liquidity requirements of the firm and increase the associated volatility with operating a commodity business. To that end, we note the $245 million settlement announced on March 9th by CEG and FERC relating to alleged market manipulation as a stark reminder of the pitfalls of operating a commodity business.

As part of the merger agreement, Exelon has assumed all of CEG's obligations, including CEG's $1.8 billion of senior Fixed-Rate Notes, its $1.5 billion syndicated bank revolver, and the $450 million of Series A junior subordinated debentures. In light of Exelon's assumption of all CEG obligations, Moody's has upgraded the long-term rating one notch (to Baa2 from Baa3) on three series of CEG senior unsecured debt (described below) to be in-line with the senior unsecured rating at Exelon. Similarly, the rating on a $1.5 billion senior unsecured syndicated bank revolver was raised to Baa2 from Baa3, and the rating on the Series A junior subordinated debentures to Baa3 from Ba1.

The ratings and outlook for Exelon's regulated utilities, Commonwealth Edison Company (ComEd: Baa2 sr unsecured; stable) and PECO Energy Company (A3: Issuer Rating; stable outlook) are unaffected by today's downgrade at Exelon and ExGen reflecting in both cases an expectation for strong credit metrics for the respective rating category at these utilities and a view that the boards of both companies will continue to follow a responsible dividend policy that first considers the capital and infrastructure needs of each utility. For more information, please review the most recent Credit Opinion on moodys.com.

The rating affirmation of Exelon and ExGen's Prime-2 short-term rating for commercial paper considers the substantial liquidity arrangements that will remain at the company which factor in the expected reduction in future collateral requirements. Moody's understands that the consolidated multi-year liquidity arrangements at Exelon are anticipated to decline in the near-term by $2.7 billion to $9.8 billion, of which $2.2 billion will be dedicated for the regulated utilities under separate syndicated arrangements. Separately, commercial paper investors at Exelon should be aware of the negative rating outlook that accompanies the holding company's Baa2 senior unsecured rating. To the extent that Exelon's Baa2 long-term rating was placed under review for possible downgrade, the probability of a downgrade of Exelon's commercial paper to Prime-3 would increase.

Exelon's rating outlook is negative reflecting the likelihood of negative free cash over the next several years due to the expected maintenance of the company's sizeable common dividend, the size of capital investment program across the company, and the prospects for weak margins and operating cash flow caused by low power prices. The negative rating outlook also considers the sizeable unregulated platform that the merger provides which increases the likelihood that future acquisitions that augment this platform will be pursued. The negative outlook further consider the degree to which Exelon chooses to implement various levers that we believe exist over the next two years to address the expected negative free cash flow at the corporation.

In light of the negative rating outlook, Exelon's rating is not likely to be upgraded in the near-term. The rating outlook could be stabilized once greater clarity is known about the company's commercial strategy around retail including the implication for hedging forward in light of today's weak commodity cycle. An important factor to the future direction of the rating will be the manner in which the company finances its expected negative free cash flow.

The rating is likely to be downgraded if Exelon chooses to finance the majority of its negative free cash with substantial incremental debt thereby permanently weakening credit metrics during this down cycle. Of particular concern to Moody's is the reliance on unregulated operations for the ongoing payment of a sizeable dividend, particularly given the firm's substantial capital spending program. Moreover, should the consolidated credit profile decline such that cash flow to debt is below 25%, retained cash flow to debt below 15%, and cash flow interest coverage approaches 5.5x, downward rating pressure could surface.

Affirmations:

..Issuer: Exelon Corporation

.Short-Term Rating for Commercial Paper at Prime-2

..Issuer: Exelon Generation Company, LLC

.Short-Term Rating for Commercial Paper at Prime-2

Downgrades:

..Issuer: Exelon Corporation

.... Senior Unsecured and Issuer Rating, Downgraded to Baa2 from Baa1

....Multiple Seniority Shelf, Downgraded to a range of (P)Ba1 to (P)Baa2 from a range of (P)Baa3 to (P)Baa1

..Issuer: Exelon Generation Company, LLC

....Senior Unsecured and Issuer Rating, Downgraded to Baa1 from A3

....Multiple Seniority Shelf, Downgraded to (P)Baa3, (P)Baa1 from (P)Baa2, (P)A3

..Issuer: Pennsylvania Economic Dev. Fin. Auth. (for the benefit of Exelon Generation Company, LLC)

....Senior Unsecured Revenue Bonds, Downgraded to Baa1 from A3

..Issuer: Exelon Capital Trust I

....Preferred Stock Shelf, Downgraded to (P)Baa3 from (P)Baa2

..Issuer: Exelon Capital Trust II

....Preferred Stock Shelf, Downgraded to (P)Baa3 from (P)Baa2

..Issuer: Exelon Capital Trust III

....Preferred Stock Shelf, Downgraded to (P)Baa3 from (P)Baa2

Upgrades:

..Issuer: Constellation Energy Group, Inc. (Assumed by Exelon Corporation)

.4.55% Senior Unsecured Notes due 2015, Upgraded to Baa2 from Baa3

.7.0% Senior Unsecured Notes due 2020, Upgraded to Baa2 from Baa3

.7.60% Senior Unsecured Notes due 2032, Upgraded to Baa2 from Baa3

.Bank Credit Facility, Upgraded to Baa2 from Baa3

.8.625% Senior Unsecured Notes due 2063, Upgraded to Baa2 from Baa3

.MTN program rating, Upgraded to (P)Baa2 from (P)Baa3

.Short-Term Rating for Commercial Paper, Upgraded to Prime-2 from Prime-3

The merger documents contemplate that upon merger close CEG's corporate existence will cease. As such, Moody's will withdraw CEG's (P)Baa2 MTN program rating and its Prime-2 short-term rating for commercial paper as these programs have terminated.

Outlook Changes:

..Issuer: Exelon Corporation

....Outlook, Changed To Negative From Rating Under Review

..Issuer: Exelon Generation Company, LLC

....Outlook, Changed To Negative From Rating Under Review

..Issuer: Exelon Capital Trust I

....Outlook, Changed To Negative From Rating Under Review

..Issuer: Exelon Capital Trust II

....Outlook, Changed To Negative From Rating Under Review

..Issuer: Exelon Capital Trust III

....Outlook, Changed To Negative From Rating Under Review

The principal methodology used in these ratings was Unregulated Utilities and Power Companies published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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A.J. Sabatelle
Senior Vice President
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

William L. Hess
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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MOODY'S
INVESTORS SERVICE

Credit Opinion: **Exelon Corporation**

Global Credit Research - 13 Mar 2012

United States

Ratings

Category	Moody's Rating
Outlook	Negative
Issuer Rating	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Pref. Shelf	(P)Ba1
Commercial Paper	P-2
Commonwealth Edison Company	
Outlook	Stable
Issuer Rating	Baa2
First Mortgage Bonds	A3
Senior Secured Shelf	(P)A3
Senior Unsecured	Baa2
Commercial Paper	P-2
Exelon Generation Company, LLC	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Pref. Shelf	(P)Baa3
Commercial Paper	P-2

Contacts

Analyst	Phone
A.J. Sabatelle/New York City	212.553.4136
William L. Hess/New York City	212.553.3837

Key Indicators

[1]
Exelon Corporation

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest	**8.5x**	**7.3x**	**6.7x**	**6.8x**
(CFO Pre-W/C) / Debt	**43%**	**37%**	**36%**	**32%**
RCF / Debt	**35%**	**33%**	**31%**	**30%**
FCF / Debt	**8%**	**6%**	**10%**	**12%**

[1] All ratios calculated in accordance with the Unregulated Utilities and Power Companies Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Strong consolidated credit metrics, albeit declining from recent historical levels

Merger with financially weaker unregulated power company

System wide capital requirements plus dividend requirements weaken free cash flow prospects

Competitive position & consistent operations offset by potential new nuclear related capital requirements

Hedging strategies influence cash flow predictability

IRS tax disputes continues

Corporate Profile

Exelon Corporation (Exelon; Baa2 senior unsecured, negative outlook) is the holding company for non-regulated subsidiary, Exelon Generation Company, LLC (ExGen; Baa1 senior unsecured, negative outlook) and for regulated subsidiaries, Commonwealth Edison Company (ComEd; Baa2 senior unsecured, stable), PECO Energy Company (PECO; A3 Issuer Rating, stable outlook), and Baltimore Gas and Electric Company (BGE: Baa1; senior unsecured, stable). On March 12th, the merger of Exelon and Constellation Energy Group, Inc (CEG) was consummated. Under the terms of the merger agreement, CEG shareholders received 0.93 shares of Exelon common stock in exchange for each share of CEG. Exelon also legally assumed of CEG's obligations, including $2.25 billion of CEG senior unsecured and junior subordinated debt and is obligor for CEG's credit facilities. According to the merger terms of the merger, CEG no longer exists following merger close.

ExGen is one of the largest competitive electric generation companies in the US, as measured by owned and controlled megawatts (MW). At December 31, 2011, ExGen owned generation assets with a net capacity of 25,544 MW, including 17,115 MW of nuclear capacity. In addition, ExGen controlled another 5,025 MW of capacity through long-term contracts. With the CEG merger, the company added 11, 751 MW of net capacity and 1,100 MW under long-term tolling obligations.

ComEd is an electric transmission and distribution (T&D) utility providing service to 3.8 million customers across northern Illinois. ComEd is regulated by the Illinois Commerce Commission (ICC) and by the Federal Energy Regulatory Commission (FERC).

PECO provides T&D service to about 1.6 million electric customers in Philadelphia as well as several surrounding Pennsylvania counties. PECO also provides gas distribution service to 494,000 natural gas customers in areas outside the city. PECO is regulated by the Pennsylvania Public Utility Commission (PAPUC) and by FERC.

BGE is a regulated electric transmission and distribution and gas distribution utility and provides electricity and gas services to the city of Baltimore and ten other counties in Maryland. BGE is regulated by the Maryland Public Service Commission (MPSC) and FERC.

SUMMARY RATING RATIONALE

Exelon's Baa2 rating reflects strong consolidated credit metrics, due in large part to the financial performance of its unregulated generation subsidiary, and the generally predictable cash flows at its T&D subsidiaries. While the T&D subsidiaries are sizeable standalone companies, Exelon's rating is largely influenced by the performance of its unregulated segment, which will be increasing in size and importance following the merger with CEG.

DETAILED RATING CONSIDERATIONS

Strong consolidated credit metrics expected to decline from historical levels

Exelon's historical consolidated credit metrics position the company well in the current category as an unregulated power company; however, financial results are expected to decline over the next several years due to lower margins caused primarily by sustained low natural gas prices and the expected expiration of bonus depreciation. At year-end 2011, we calculated the ratio of Exelon's cash flow (CFO pre-W/C) to debt at 43%, retained cash flow to debt at 35%, free cash flow to debt at 8.0%, and cash flow coverage of interest expense at 7.3x. Exelon has indicated in SEC filings that bonus depreciation enhanced cash flow by $850 million during 2011 and is expected to augment 2012 cash flow by $300 million.

Prospectively, we expect financial results to weaken, particularly the retained cash flow and free cash flow metrics as margins compress due to soft power prices caused in large part by sustained low natural gas prices while the company maintains a sizeable dividend and contemplates a sizeable capital investment program throughout the company. Specifically, when one incorporates both companies' tolling obligations into the consolidated metrics, we calculate that Exelon's cash flow to debt could decline to approximately 25%, its retained cash flow to debt to the high-teens, and its cash flow interest coverage ratio to less than 7.0x while generating significant negative free cash flow over the next several years. To the extent that power prices end up being weaker than incorporated into this view, the company's metrics will suffer in the absence of any mitigating action.

Merger with financially weaker unregulated power company

We believe that a motivating factor behind the merger with CEG was to address the expected declining earnings trend and weaker cash flow profile beginning in 2012. As the largest unregulated power company in terms of kilowatt hours produced and retail customers served, the merger should garner the strategic benefits of linking a company that is long on generation with a company that is long on customer load. As a byproduct of this linkage, the merger should considerably reduce consolidated liquidity requirements and enable the merged company to receive somewhat better margins for its electric output given the stickiness of customer load. That being said, we believe that the better balanced combined merchant operation will still be exposed to earnings and cash flow volatility due to the large unregulated business platform where financial results will remain heavily influenced by market determined commodity pricing levels. To that end, we note the $245 million settlement reached on March 9th between CEG and FERC settling claims related to certain energy-trading transactions and alleged market manipulation from September 2007 to December 2008.

We also believe that completion of this transaction increases the likelihood that Exelon will remain more focused on maintaining its leadership position among unregulated power companies. As both the largest unregulated generation company in terms of production and supplier of retail energy in North America, we believe that management, along with the board, will be more inclined in the future to pursue acquisitions of additional unregulated properties as a natural extension of an existing strategy, particularly given the more streamlined and less challenging regulatory approval requirements that tend to accompany unregulated acquisitions.

Overall, we view the merged company as embracing a higher risk tolerance than what may have existed in the past given the large commodity platform that has been created with this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers while maintaining access to amply sized sources of liquidity.

Maintenance and growth capital requirements plus payment of sizeable dividend weaken free cash flow

As a large capital intensive commodity company, Exelon has substantial capital requirements to maintain the operation of its generation fleet while also maintaining and replacing the infrastructure of its regulated T&D utilities. Exelon is considering making "uprate" investments across its nuclear fleet, which if fully completed, would add up to 1,300 MWs to the company's fleet at a very competitive cost. We believe that decisions concerning uprate investments will need to occur within the next 12-18 months, given the estimated remaining life of some of the plants. For 2012, Exelon plans to spend $6.6 billion in capital investment, including $4.2 billion at its unregulated platform, $1.3 billion at ComEd, $700 million at BGE and $436 million at PECO. With respect to the generation business, $450 million will be invested in nuclear uprates while $1.3 billion is planned for new renewable investments. In light of the reduced cash flow anticipated to be generated by ExGen, the sizeable dividend of $1.8 billion following the merger with CEG and capital investment requirement for maintenance and growth, we anticipate Exelon to be negative free cash flow over the next several years.

Hedging strategies influence cash flow predictability

As an unregulated wholesale energy company whose gross margin can be materially impacted by changes in commodity prices, a company's hedging strategy can be an important rating factor. Exelon manages its hedges over a 36 month cycle with targets of 90% or more of expected generation hedged in the first year, 70-90% in the second year, and less than 50% in the third year. At December 31, 2011, we understand that Exelon was 88-91% hedged for 2012, 61-64% for 2013, and 32-35% in 2014 with respect to ExGen's fleet only. With the completion of the CEG merger, we anticipate that more of the company's electric output will be sold directly to end-use customers through the retail chain.

Competitive position & consistent operations remain long-term strengths

As the largest owner and operator of nuclear generation in the US, Exelon has a strong competitive position and continues to demonstrate an outstanding record as a plant operator, particularly as a nuclear operator. In the intermediate-term, we expect its competitive position to remain largely unchanged as capacity reductions from plant shut-downs in the region should lower reserve margins (and possibly enhance capacity revenues) but are less likely to enhance energy margins given the outlook for natural gas and the fact that most of the plants that will shut down have low capacity factors. Longer-term, the potential implications of EPA regulations should enhance profitability as any incremental environmental control related costs are likely to result in a higher margin potential for Exelon.

Regulatory Environment

As noted in the Regulated Electric and Gas Utilities methodology, the regulatory framework and the ability of the framework to provide timely recovery of costs and predictable returns are important factors in assessing credit quality of a utility.

ComEd operates in an improved, but still challenging regulatory environment for electric utilities in Illinois with some lingering concerns about the framework's predictability. On December 30, 2011, however, the Energy Infrastructure Modernization Act (EIMA) was signed into law. EIMA establishes a new formula-rate-plan (FRP) distribution ratemaking paradigm for the state's largest electric utilities and is intended to spur utility infrastructure investment. The legislation requires ComEd to invest $1.3 billion over a five-year period in electric system upgrades, modernization projects, and training facilities, and at least $1.3 billion over a 10-year period in transmission & distribution assets and smart-grid system upgrades. Key aspects of the FRP calculation include cost recovery of the utility's actual capital structure, excluding goodwill; a legislatively-set formula for purposes of calculating the allowed return on equity (ROE) equivalent to a 580 basis-point premium above the 12-month average 30-year Treasury Bond yield; recovery of pension-related costs, as well as recovery of certain incentive compensation expenses. If the utility's actual ROE in a given period is more than 50 basis points above or below its authorized ROE, the company is required to refund to/collect from ratepayers any amounts outside of this deadband. Moreover, the new law requires the utility's FRP to be terminated if the average annual rate increase for the years 2012 through 2014 exceeds 2.5%.

We view the PAPUC to be generally credit supportive. This degree of credit supportiveness is exemplified by the reasonable settlements with the PAPUC. On December 16, 2010, the PAPUC approved the settlement of PECO's electric and natural gas distribution rate cases for increases of $225 million and $20 million, respectively, with PECO receiving about 68% of its combined original ask.

In February 2012, the state's governor signed into law a measure that would allow for the implementation of a distribution system improvement charge (DSIC) in rates designed to recover capital project costs incurred to repair, improve or replace utilities' aging electric and natural gas distribution systems. To qualify for the DSIC, utilities are required to submit a long-term infrastructure improvement plan, which will be reviewed by the PAPUC every 5 years, and a certification that a base rate case has been or will be filed within 5 years. The DSIC cannot exceed 5% of distribution rates and will be reset to zero if the utility's return on equity exceeds the allowable rate of return under the DSIC. HB 1294 also includes a provision that allows utilities to use a fully projected future test year under which the PAPUC may permit the inclusion of projected capital costs in rate base for assets that will be placed in service during the future test year. Moody's views the terms of HB1294 as supportive to utility credit quality.

Moody's considers the relationship between BGE and MPSC to be fairly challenging. Moreover, the MPSC had several substantial conditions it required from Exelon in order for the merger to be completed. Among the conditions included were that Exelon provide a $100 rate credit to every residential customer 90 days after merger close ($112 million), that Exelon build up to 300 MW of generation within Maryland, that Exelon construct a new office building in Baltimore for its unregulated platform and that Exelon fund a $113.5 million investment in energy efficiency over the next three years. Over time, Moody's believes that the change in ownership may improve this relationship. The MPSC has also implemented provisions that are intended to insulate BGE from the rest of the organization. Most were established in 2009 following the financial problems that existed at CEG. These provisions were strengthened, from a BGE perspective, following the merger with Exelon as BGE is precluded from paying dividends to Exelon through 2014.

For more information on ComEd, PECO, and BGE, please refer to their credit opinions which can be found on moodys.com.

IRS Tax Dispute Continues

Exelon continues to have tax disputes with the IRS relating to the 1999 $2.8 billion tax gain from the sale of ComEd's fossil generating assets and the subsequent transition to market rates for generation that occurred among ComEd's and PECO's customers. Exelon believes that it was economically compelled to dispose of ComEd's fossil generating plants and that the proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that $1.6 billion of the gain could be deferred over the lives of the replacement property under the involuntary conversion provisions. The remaining approximately $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provision. 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.

In the third quarter 2010, Exelon and the IRS reached a nonbinding, preliminary agreement to settle Exelon's involuntary conversion and competitive transition charge positions. Under the terms of the agreement, Exelon estimates that the IRS will assess tax and interest of approximately $300 million in 2012, and that Exelon will receive additional tax refunds of approximately $365 million between 2012 and 2014.

During 2010, Exelon and IRS failed to reach a settlement with respect to the like-kind exchange position. As of year-end 2011, assuming Exelon's preliminary settlement of the involuntary conversion position is finalized, the potential tax and interest, exclusive of penalties, that could become currently payable in the event of a fully successful IRS challenge to Exelon's like-kind exchange position could be as much as $860 million, of which $550 million would be paid by ComEd and the remainder by Exelon.

Liquidity

Overall, we believe that Exelon has good liquidity. For fiscal year 2011, we calculate that Exelon generated about $4.975 billion of cash from operations, which covered 85% of the $4.4 billion of capital outlays (including acquisitions of $387 million) and $1.4 billion of dividends, resulting in negative free cash flow of around $850 million on a consolidated basis.

At December 31, 2011, Exelon had a total of $7.7 billion and CEG had $4.8 billion of credit facilities spread across key business segments for working capital requirements. ComEd, PECO, and BGE have senior unsecured credit agreements totaling $1 billion, $600 million, and $600 million, respectively. ComEd is in the process of extending the expiry of its facility to March 2016, while PECO and BGE facilities are scheduled to expire in March 2016 and March 2015, respectively.

Exelon expects to reduce its liquidity facilities by at least $2.7 billion over the next few months due to the anticipated benefits of the CEG merger. Specifically, the CEG revolver (assumed by Exelon) was reduced by $1.0 billion to $1.5 billion from $2.5 billion at merger close and the company expects to gradually terminate $1.2 billion of bilateral arrangements for existing letters of credit (LOC) as the LOCs expire. Exelon and ExGen will continue to keep in place their $500 million and $5.3 billion revolvers, respectively, due March 2016 as well as a $300 million commodity linked facility.

The credit facilities are used primarily to provide liquidity support and for the issuance of letters of credit. While the credit agreements do not contain any rating triggers that would affect borrowing access to the commitments and do not require material adverse change (MAC) representation for borrowings or the issuance of LOCs, there is a financial covenant for each entity, all of which are compliant.

With respect to rating triggers, if ExGen lost its investment grade credit rating as of December 31, 2011, it would be required to provide incremental collateral of about $1.612 billion. If CEG lost its investment grade rating, it would be required to post an additional $1.1 billion collateral at December 31, 2011. Moreover, should ComEd lose its investment grade credit rating as of December 31, 2011, it could be required to provide $200 million of incremental collateral, whereas if PECO lost its investment grade credit rating, it could be required to provide $54 million related to its natural gas procurement contracts.

For the next twelve months, Exelon and its subsidiaries have $937 million of maturing debt, including $450 million of ComEd First Mortgage Bonds (FMBs) due March 2012, $225 million of PECO FMBs due October 2012, $150 million of PECO secured tax-exempt debt due December 2012, as well as $109.5 million of medium term notes at BGE. We would anticipate the company seeking to access the capital markets to refinance a substantial portion of this debt.

At December 31, 2011, Exelon had $1.01 billion and CEG had $964.5 million of consolidated cash on their respective balance sheets, of which $467 million resided with the regulated utilities. We anticipate that post merger, the level of cash on the balance sheets will reduce and will instead be used to fund negative free cash flow and other obligations during 2012, including CEG's $235 million settlement payment to FERC announced on March 9th as well as to provide the funding for the $112 million refund to BG&E customers. Proceeds from the required sale of CEG's coal-fired generation assets will undoubtedly help to fund the negative free cash flow expected at the company.

Structural Considerations

Within the last several years, Exelon has refinanced holding company debt with debt issued at ExGen. Exelon currently has $1.3 billion of remaining holding company debt, $800 million that matures in 2015 and $500 million that matures in 2035. Additionally, at merger close, Exelon legally assumed the obligations of CEG's publicly-held debt, guarantees and other contracts at merger close adding $1.8 billion of senior debt and $450 million of subordinated debt to Exelon. For these reasons, when evaluating ExGen, Moody's examines historical and projected financial metrics for ExGen with the debt of Exelon holding company incorporated into the analysis.

Rating Outlook

Exelon's rating outlook is negative reflecting the likelihood of negative free cash over the next several years due to the expected maintenance of the company's sizeable common dividend, the size of capital investment program across the company, and the prospects for weak margins and operating cash flow caused by low power prices. The negative rating outlook also considers the sizeable unregulated platform that the merger created which increases the likelihood that future acquisitions that could augment this platform will be pursued. The negative outlook further consider the degree to which Exelon chooses to implement various levers that we believe exist over the next two years to address the expected negative free cash flow at the corporation.

What Could Change the Rating - Up

In light of the negative rating outlook, Exelon's rating is not likely to be upgraded in the near-term. The rating outlook could be stabilized once greater clarity is known about the company's commercial strategy around retail including the implication for hedging forward in light of today's weak commodity cycle. An important factor to the future direction of the rating will be the manner in which the company finances its expected negative free cash flow.

What Could Change the Rating - Down

The rating is likely to be downgraded if Exelon chooses to finance the majority of its negative free cash with substantial incremental debt thereby permanently weakening credit metrics during this down cycle. Of particular concern to Moody's is the reliance on the unregulated operations for the ongoing payment of the sizeable dividend, particularly given the firm's substantial capital spending program. Moreover, should the consolidated credit profile decline such that cash flow to debt is below 25%, retained cash flow to debt below 15%, and cash flow interest coverage approaches 5.5x, downward rating pressure could surface.

Other Considerations

Given the size of the unregulated revenues, earnings, and cash flow, Moody's evaluates Exelon's financial performance relative to the Unregulated Utility and Power Company methodology and as depicted below, Exelon's indicated rating under the grid based on historical is Baa1 and from projected results is Baa3.

Rating Factors

Exelon Corporation

Power Companies [1][2]	**Current 12/31/2011**		**Moody's 12-18 month Forward View* As of March 2012**	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Market and Competitive Position (15%)		A		A
b) Geographic Diversity (5%)		Baa		Baa
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		Ba		Baa
b) Fuel Strategy and mix (5%)		Ba		Ba
c) Capital requirements and operatinal performance (5%)		Baa		Baa
Factor 3: Financial policy (10%)		Ba		Ba
Factor 4: Financial Strength - Key Financial Metrics (50%)				

a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	7.5x	A	6.5 - 7.0x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	38.6%	A	23 - 30%	Baa
c) RCF / Debt (7.5%) (3yr Avg)	33.0%	A	15 - 20%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	8.1%	Ba	(10) - (5)%	B
Rating:				
a) Indicated Rating from Grid		Baa2		Baa3
b) Actual Rating Assigned		Baa2		Baa2

* The forward view reflects Moody's view with the completion of the merger with Constellation Energy Group.
* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2011(L); Source: Moody's Financial Metrics

affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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MOODY'S
INVESTORS SERVICE

ANALYSIS

Answers to Investors' Most Pressing Questions about the Exelon – CEG merger

United States

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» contacts on the last page

This Analysis provides an in-depth discussion of credit rating(s) for Exelon Corporation and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on the Exelon Corporation and Constellation Energy Group, Inc. pages on Moody's website.

Introduction

On March 12th, Exelon Corporation (EXC) and Constellation Energy Group, Inc. (CEG) completed their merger, creating one of the largest unregulated power companies in North America. The merger resulted in a downgrade for the long-term ratings of EXC (senior unsecured to Baa2 from Baa1) and its primary subsidiary, Exelon Generation Company, LLC (ExGen: senior unsecured to Baa1 from A3). Obligations of CEG assumed by EXC were upgraded one notch including $1.8 billion of senior unsecured notes (to Baa2 from Baa3) and $450 million of Series A junior subordinated debentures (to Baa3 from Ba1). The rating outlook for both EXC and ExGen following these ratings actions is negative.

We address investors' most frequently asked questions in this report. Key observations include:

» The merger benefits are substantial, particularly from the perspectives of economies of scale, commercial profile and liquidity. Still, the transaction, in our opinion, increases the potential for earnings and cash flow volatility given the size of the new company's unregulated footprint.

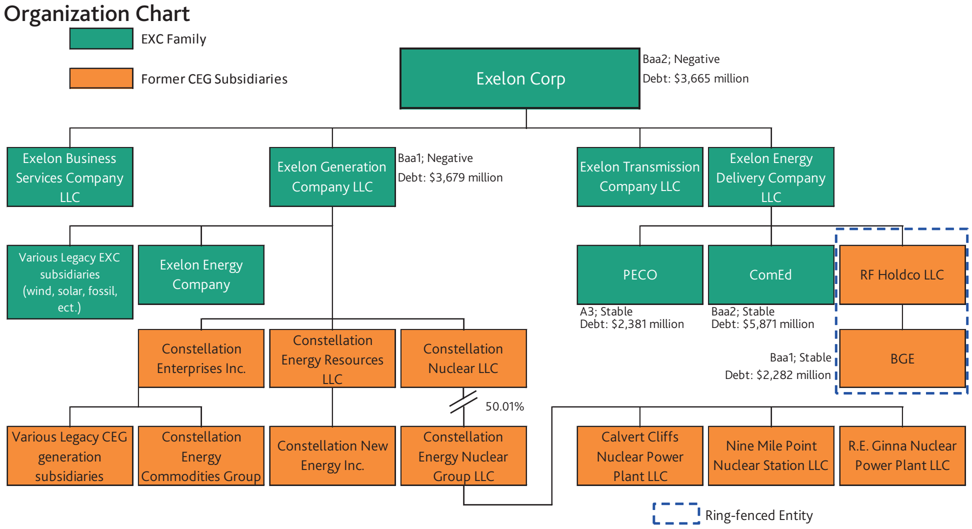
» Of particular concern in the current weak power market is the manner in which the expected negative free cash flow will be financed in light of EXC's current common dividend and capital investment program.

» Given the associated integration process, and the fact that EXC's generation is largely hedged for at least the next 12 months, we anticipate that any future rating action might occur sometime during 2013. But EXC, like many of its investment grade peers, has a certain degree of financial flexibility that can be used to protect the rating. We also believe that maintaining an investment grade rating remains an important consideration for management and EXC's board.

» From a quantitative perspective, should the consolidated credit profile decline such that cash flow to debt is below 25%, retained cash flow to debt is below 15%, and cash flow interest coverage approaches 5.5x, the rating could be downgraded.

EXHIBIT 1

Organization Chart



Sources: 2011 Annual 10K SEC Filings

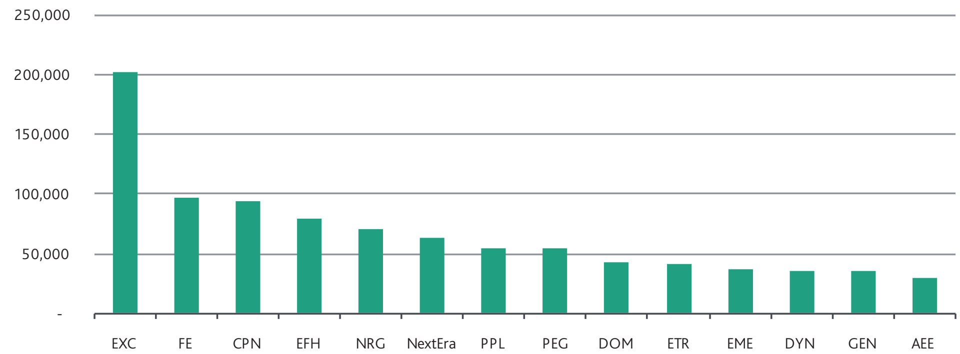
*Note: Debt numbers only reflect Moody's rated debt as of year-end 2011 and do not include Moody's Standard Adjustments.

Q.1 Given the downgrade and negative outlook, Moody's appears to view the merger unfavorably from a credit perspective. Is this correct?

A. No. The merger itself is not viewed unfavorably. We believe that the combination makes strategic sense given the economies of scale required to successfully operate a large unregulated commodity business. Moreover, we recognize the benefits of linking a company that is long generation supply with a company that is long generation demand (i.e., customer load) as well as the considerable reduction in liquidity requirements associated with matching the respective supply and demand power requirements. We note that the transaction should help EXC secure somewhat better and more sustainable margins for its electric output given the stickiness of customer load, and we acknowledge that the merger enables EXC to gain access to end-use customers within the retail supply chain at a much faster pace and in a more efficient way than it otherwise could have achieved from building that retail platform internally.

Nevertheless, from a credit perspective, we believe that the combination will be exposed to greater earnings and cash flow volatility due to the large unregulated business platform whose financial performance will be influenced by market-determined commodity pricing levels. In our opinion, the transaction increases the likelihood that the unregulated power business will provide the majority of future growth opportunities for EXC, given the company's position as the largest unregulated generation company in terms of production, and the largest retail energy supplier in North America. Exhibit 2 provides a comparison of several unregulated power companies' generation output for 2011, including the merged EXC. We note the dominant position of EXC relative to this peer group, producing twice as many GigaWatt hours (GWh) as its closest peer. And while the fragmented nature of the retail supply business makes peer comparison difficult, the merged company will remain the largest retail energy supplier in North America.

EXHIBIT 2
2011 Unregulated Electric Generation (GWh)



Source: SEC Filings (10K) and SNL Financial LC

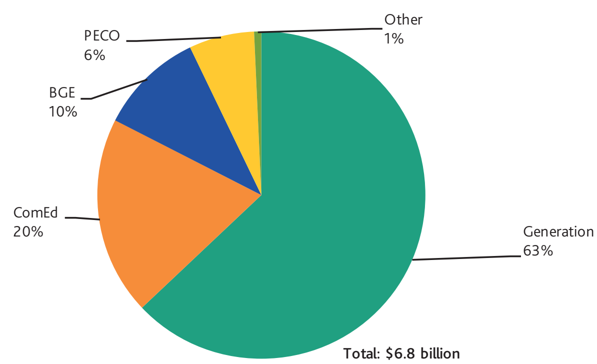
With that backdrop, we believe it will be very difficult for EXC in the future to easily transform the company's mix of regulated and unregulated businesses into one that is materially more balanced, given the sheer size of its unregulated footprint. Overall, we view the merged company as embracing a higher risk tolerance than existed in the past at EXC given the commodity platform that accompanies this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers while maintaining access to ample sources of liquidity for ongoing working capital and collateral requirements.

Q.2 What is the primary reason that EXC and ExGen's ratings have a negative outlook?

A. The primary reason for the negative outlook is the reasonably high probability that EXC will generate material negative free cash flow for the next several years, a change from recent historical results, due to the current outlook for power prices coupled with the sizeable capital requirements for growth investments and our expectation of continued maintenance of the common dividend. Based on SEC filings, EXC's consolidated capital budget for 2012 is expected to reach $6.8 billion, an increase of more than $1 billion over 2011 levels. Some of this incremental increase is due to planned investments associated with its nuclear fleet "up-rate" program which, if fully implemented, could add up to 1,300 megawatts (MWs) of incremental nuclear capacity by 2017 under the current schedule. While we understand that the capital investment program for nuclear "up-rates" can be postponed, we also view this investment opportunity as a cost-effective way to organically grow the generation business on a relatively low cost basis with no added environmental costs. We understand that decisions concerning "up-rate" investments will need to occur within the next 12-18 months, given the estimated remaining life of some of the plants. Exhibit 3 shows the breakdown of the company's capital investment program for 2012 by business line.

EXHIBIT 3

2012 EXC Capital Expenditures

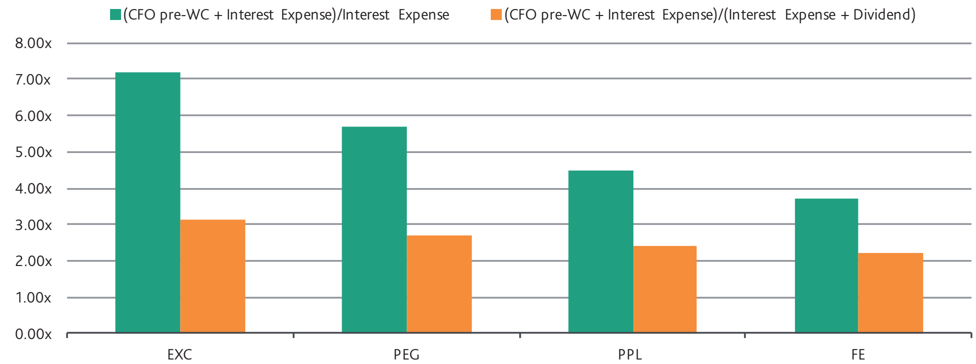


Source: SEC Filings (10-K)

In addition to the substantial capital investment program contemplated by EXC, the company has a very sizeable annual common dividend requirement of approximately $1.8 billion. Prior to the merger with CEG, EXC's common dividend approximated $1.4 billion, while CEG paid its shareholders approximately $196 million in annual dividends. The terms of the merger agreement have resulted in a more than doubling of the dividend being paid to former CEG shareholders thereby increasing EXC's annual dividend by approximately $400 million to $1.8 billion. While many of EXC's peers that own unregulated and regulated operations also pay a dividend, EXC's expected greater reliance on its unregulated operations for payment of the dividend is unique in this peer group. For example, FirstEnergy Corp. pays a common dividend that has been historically funded by its regulated companies, enabling unregulated subsidiary FirstEnergy Solutions Corp. to retain all of its earnings and use all of its cash flow to fulfill internal funding requirements. PPL Corporation, another peer, has drastically shrunk the relative importance of its unregulated platform through the 2010 and 2011 acquisitions of regulated utilities in Kentucky and in the United Kingdom. Public Service Enterprise Group, Inc., while somewhat reliant on their unregulated operations for dividends, has a far more modest capital investment program at its unregulated subsidiary and enjoys better margins due to the location of its generation, which should enable the unregulated power company to generate positive free cash flow in most years.

To better magnify this issue, Exhibit 4 compares the merged EXC with these three peers based on the average cash flow interest coverage ratio for the past three years and an adjusted cash flow interest coverage ratio which includes common dividend payments as part of debt service. We believe that the managements and the boards of directors of dividend paying companies place very high importance on maintaining the common dividend in both good times and bad, and only look to alter dividend policy when severe sustained negative events occur, with a dividend cut often being a last ditch effort to "save the company". We further believe that EXC's board and management are strongly committed to maintaining the current dividend and view such payments as akin to a mandatory obligation. Exhibit 4 highlights the size of EXC's dividend relative to this peer group. The green columns represent the average cash flow coverage of interest and lease expense for the past three years, while the orange columns represent the average cash flow coverage of interest, lease expense, and dividends over the same timeframe. The $1.8 billion dividend is used when calculating the ratio for EXC. While EXC produces the strongest coverage metrics in both scenarios within this peer group, the differential in the coverage ratio between EXC and its peers narrows substantially when the common dividend is considered and added to the equation as a fixed obligation.

EXHIBIT 4
Coverage Metrics



Source: Moody's Financial Metrics, includes Moody's Standard Adjustments

We further observe the greater reliance that EXC will have on its less predictable unregulated operations to meet the annual common dividend. We note that only two of the three regulated operations of EXC will be able to provide common dividends to the parent over the next several years as Baltimore Gas and Electric Company (BG&E: Baa1 senior unsecured stable) is precluded from paying a dividend through 2014 due to the terms of the settlement agreement with the Maryland Public Service Commission (MPSC). EXC's other two regulated subsidiaries, Commonwealth Edison Company (ComEd:Baa2 senior unsecured stable) and PECO Energy Company (PECO: A3 Issuer Rating stable), are expected to generate fairly predictable earnings which should result in their being able to pay a meaningful and steady stream of dividends to the parent each year. Exhibit 5 provides an illustrative example of the expected dividends from EXC's non-regulated operations based upon certain assumptions concerning dividends from ComEd and PECO. This example assumes that ComEd and PECO each pay 75% of their respective reported 2011 earnings in the form of dividends to EXC, resulting in the regulated operations collectively providing about $604 million of upstream dividends to EXC. The remaining $1.196 billion will need to be sourced from earnings derived from EXC's unregulated operations.

EXHIBIT 5
Illustrative Example of Dividend Payout

in millions	2012
Expected Common Dividend Payment	**1,800**
Commonwealth Edison*	312
PECO Energy*	292
Baltimore Gas and Electric	-
Dividend from Regulated Business	**604**
Remainder funded by Unregulated Business	**1,196**

*Assumes dividend payout to be 75% of 2011 earnings.

Source: SEC Filings (10K)

As a point of further comparison, we observe that during 2011 the EXC regulated utilities collectively paid $648 million in dividends to EXC, resulting in a system need of approximately $752 million funded in part by EXC's unregulated operations (based on EXC's $1.4 billion dividend prior to the merger). In light of the higher dividend requirement post merger and the lack of any contribution from BG&E through 2014, a substantially higher percentage of dividends will need to be funded from an expanded unregulated platform currently operating in a weakened margin environment, and in the absence of sufficient unregulated earnings and up-streamed dividends, we would expect EXC to borrow to fund the balance of its common dividend.

Q.3 In light of the negative rating outlook, how much time will Moody's give EXC before considering a further negative rating action?

A. Generally speaking, a negative rating outlook indicates that there is up to a 50% probability of a rating downgrade over the next 12 to 18 months. In light of the recently closed merger, the associated integration process, and the fact that EXC's generation is largely hedged for at least the next 12 months, we anticipate that any future rating action might occur sometime during 2013. One area we will seek to clarify is the degree of integration expected in the company's hedging and commercial strategy, after combining CEG's retail business with the firm's generation assets. We understand that this integration will enable EXC reduce its liquidity sources by at least $2.7 billion in the near-term.

For more information on EXC and ExGen's liquidity profile, please refer to the most recent Credit Opinion which can be found on moodys.com.

Q.4 Are there identifiable levers that EXC can execute to address Moody's rating concerns?

EXC, like many of its investment grade peers, has a certain degree of financial flexibility that can be used to protect the rating. We further believe that maintaining an investment grade rating remains an important consideration for both management and EXC's board. EXC's recent financial performance strongly positions the company in its current Baa rating category for unregulated power companies. At year-end 2011, Moody's calculates the ratio of EXC's cash flow to debt at 43%, retained cash flow to debt at 35%, free cash flow to debt at 8.0%, and cash flow coverage of interest expense at 8.5x. We understand that bonus depreciation contributed $850 million to cash flow in 2011 and is expected to augment 2012 cash flow by $300 million. If we calculate EXC's 2011 credit metrics adjusting for the $850 million in bonus depreciation, the ratio of EXC's cash flow to debt would be 38%, retained cash flow to debt 30%, free cash flow to debt 3%, and cash flow coverage of interest expense at 7.6x. Prospectively, financial results will weaken, particularly retained cash flow and free cash flow metrics due to margin compression, maintenance of the common dividend, and the sizeable capital investment program.

We expect 2012 funding requirements to be partially met by the expected cash proceeds from the sale of about 2,650 MW of CEG's coal-fired generation assets, a transaction required by the Federal Energy Regulatory Commission (FERC) to be completed within 180 days of merger close. Additionally, we expect cash on the merged EXC balance sheet to be freed up due to declining liquidity requirements following the merger. Offsetting these likely sources of cash during 2012 are one-time funding requirements including a $245 million payment to FERC settling past CEG claims, and EXC's funding of a distribution of $100 per BG&E residential customer that totals approximately $112 million.

We also anticipate merger savings to enhance earnings and cash flow particularly across the entire unregulated business platform. Moreover, we calculate that up to 30% of the merged company's $6.8 billion in capital investments relate to growth investments within the generation segment which are discretionary and have the potential to be delayed or pushed to subsequent years. Finally, we believe that other capital raising initiatives supportive of credit quality would be considered.

Q.5 From a quantitative perspective, are there specific ranges for certain key credit metrics that if reached would increase the probability of a rating downgrade?

After incorporating approximately $1.9 billion of tolling obligations onto the balance sheet, EXC's cash flow to debt could decline to approximately 25%, its retained cash flow to debt to the high-teens, and its cash flow interest cover ratio to less than 7.0x. To the extent that power prices end up being weaker than incorporated in this view, EXC 's metrics would suffer in the absence of any mitigating action.

The rating would likely be downgraded if EXC chooses to finance the majority of its expected negative free cash with substantial incremental debt, thereby permanently weakening credit metrics during this period of compressed margins. In addition, should the consolidated credit profile decline such that cash flow to debt is below 25%, retained cash flow to debt below 15%, and cash flow interest coverage approaching 5.5x, the rating could be downgraded.

Q.6 How does Moody's factor in EXC's ownership of three large regulated transmission and distribution subsidiaries when assessing EXC's rating?

Since EXC largely operates ComEd, PECO, and BG&E as standalone businesses from a liquidity, operational, and corporate governance perspective, Moody's primarily analyzes each on a standalone basis. Specifically, each of the three subsidiaries has its own standalone credit facility, none of the service territories are contiguous, and varying degrees of separateness provisions exist at each of the three utilities.

BG&E operates under the most stringent separateness provisions, recently enhanced by a precondition for the MPSC to approve the merger. As previously mentioned, dividends are prohibited through 2014 and restrictions of common dividends exist thereafter. Also, RF HoldCo LLC, a special purpose subsidiary formed in 2009 for the sole purpose of holding 100% of BG&E's common equity, continues to exist post merger. BG&E's charter and bylaws have been amended to require the unanimous vote of the BG&E board of directors (including its two independent directors) in order for BG&E to file a voluntary bankruptcy petition.

Both ComEd and, to a lesser extent, PECO, have separateness provisions around corporate governance but neither are as strict as those implemented at BG&E. For example, within the nine member ComEd board, there is one director other than the EXC Chairman that serves on both the ComEd and EXC board. In contrast, of the eight member PECO board, there are two directors, including the PECO Chairman, that only serve on the PECO board. All of the other six directors either currently or in the past have served on EXC's board.

EXHIBIT 6
Baltimore Gas and Electric
LT Issuer Rating: Baa2 Outlook: Stable

(in $ millions)	FY 2009	FY 2010	FY 2011
Revenue	$3,579	$3,462	$2,993
Total Assets	6,453	6,667	6,980
Total Debt	2,633	2,415	2,698
Total Equity	1,986	2,121	2,154
Cash From Operations	810	460	435
Capital Expenditures	373	552	581
Dividends	(313)	3	88
(CFO pre-wc + Int Exp) / Int Exp	5.16x	4.99x	3.92x
CFO pre-wc / Debt	28.9%	25.0%	16.3%
(CFO pre-wc - Dividend) / Debt	40.8%	24.9%	13.1%

Source: Moody's Financial Metrics, includes Moody's Standard Adjustments

On March 12th, Moody's upgraded the senior unsecured rating of BG&E to Baa1 from Baa2 due to its steady financial performance along with the implementation of the aforementioned separateness provisions which, among other things, will retain all company earnings through 2014 to help fund a large infrastructure investment program.

EXHIBIT 7
Commonwealth Edison
LT Issuer Rating: Baa1 Outlook: Stable

(in $ millions)	FY 2009	FY 2010	FY 2011
Revenue	$5,774	$6,204	$6,056
Total Assets	20,823	21,766	22,761
Total Debt	6,459	6,684	6,741
Total Equity	6,934	6,962	7,089
Cash From Operations	1,132	1,330	1,542
Capital Expenditures	868	975	1,040
Dividends	243	313	303
(CFO pre-wc + Int Exp) / Int Exp	4.02x	3.86x	5.20x
CFO pre-wc / Debt	19.8%	19.6%	25.3%
(CFO pre-wc - Dividend) / Debt	16.0%	14.9%	20.8%

Source: Moody's Financial Metrics, includes Moody's Standard Adjustments

On March 2nd, Moody's upgraded the ratings of ComEd, including its senior unsecured debt to Baa2 from Baa3 and its commercial paper rating to Prime-2, reflecting our expectation of continued strong financial performance aided in large part by the passage of the Energy Infrastructure Modernization Act, which should result in increased infrastructure investment, more timely cost recovery, and resilient credit metrics.

EXHIBIT 8

PECO Energy

LT Issuer Rating: A3 Outlook: Stable

(in $ millions)	FY 2009	FY 2010	FY 2011
Revenue	$5,311	$5,519	$3,720
Total Assets	9,406	9,171	9,324
Total Debt	3,598	3,106	2,741
Total Equity	2,698	3,016	3,071
Cash From Operations	1,219	1,213	1,033
Capital Expenditures	406	566	500
Dividends	319	231	355
(CFO pre-wc + Int Exp) / Int Exp	6.37x	6.14x	7.82x
CFO pre-wc / Debt	33.1%	36.8%	38.2%
(CFO pre-wc - Dividend) / Debt	24.2%	29.4%	25.3%

Source: Moody's Financial Metrics, includes Moody's Standard Adjustments

PECO's A3 Issuer Rating benefits from a credit supportive regulatory environment in Pennsylvania. For example, in February the state passed a law to allow for a distribution system improvement charge in rates, designed to recover capital project costs incurred to repair, improve or replace aging electric and natural gas distribution systems. The bill also includes a provision that allows utilities to use a fully projected future test year permitting the inclusion of projected capital costs in the rate base for assets that will be placed in service during the future test year.

Overall, we believe that material capital investment will be made by the three utilities to address their respective infrastructure needs, and this should provide predictable earnings and cash flow for EXC. In the end, however, EXC's rating is largely dictated by the financial performance of its competitive energy business. In the current weak power price environment, we anticipate that the earnings from the company's three regulated utilities will contribute about 35-40% of consolidated results, increasing over time thanks to the effects of their capital investment programs. Based on recent history, we estimate that during a strong commodity price environment, the three regulated utilities' contribution to earnings could represent about 20-25% of consolidated earnings.

For additional information on BG&E, ComEd, and PECO, please refer to the most recent Credit Opinion posted on moodys.com.

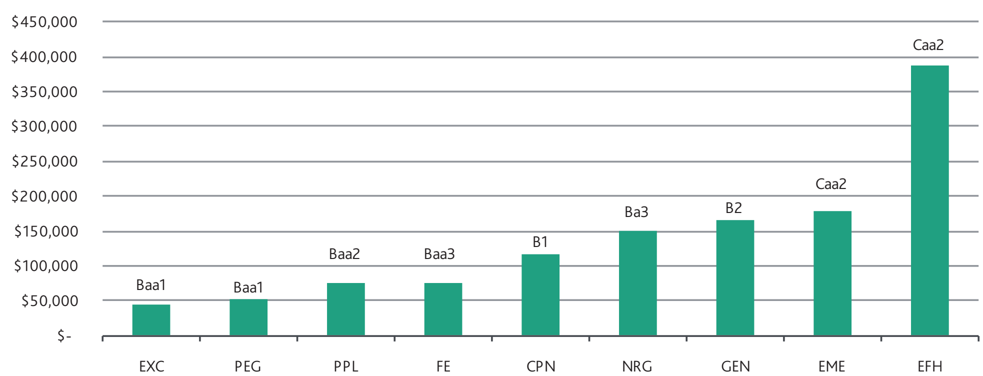
Q.7 EXC's unregulated power business primarily generates electricity from nuclear power. How does the company's ownership of nuclear generating plants affect EXC's rating?

As the largest owner and operator of nuclear generation in the US, EXC has a very strong competitive position which is supported by its outstanding operating performance, particularly across its nuclear fleet. In all of the markets where it operates, EXC's plants are among the first plants to be dispatched, which we view as a positive rating factor for unregulated power companies. In the intermediate-term, we expect its competitive position to remain largely unchanged as environmental regulations cause certain coal-fired plants to shut-down lowering regional reserve margins. We believe that lower reserve margins should enhance future capacity revenues for all unregulated power companies but are less bullish on any appreciable energy margin expansion given the depressed outlook for natural gas prices and a still struggling economy in many parts of the country. Also, most of the coal-fired plants expected to shut down have historically operated at low capacity factors. Longer-term, the potential implications of environmental regulations should enhance EXC's cash flow and profitability as unlike several of its peers, any incremental environmental control related costs are likely to result in higher margins for EXC.

Notwithstanding this very strong competitive position that ownership of the nuclear fleet provides, we consider the company's fuel source concentration as a modest negative to the rating. We also recognize that incremental costs are likely to surface for all US nuclear operators, following the accident at Fukushima, but do not expect such costs to affect nuclear generation's inherently strong competitive position.

EXC's competitive position is further enhanced by the relatively low level of indebtedness that currently exists at the company. Exhibit 9 compares leverage among unregulated power companies based upon their level of indebtedness at 2011 relative to the company's generation output (GWh) this past year. Leverage at EXC's unregulated business continues to be the lowest among its unregulated power generation peers post merger, even after factoring in the sizeable amount of off-balance tolling commitments. As a company that operates a commodity business in up and down cycles, we believe that the sustainability of that business is highly dependent upon the level of indebtedness. This is especially the case for a company with high fuel source concentration in nuclear generating assets, where outages should they occur can be lengthy and expensive. In light of the anticipated negative free cash flow at EXC, the company's competitive position could become compromised should it choose to finance the majority of the negative free cash flow with incremental debt.

EXHIBIT 9
Debt/GWh



*Debt amounts and ratings refer to only the unregulated portion of each family.
Note: Includes Moody's Standard Adjustments except for Pension Adjustment. EXC reflects unregulated debt in the combined entity, including toll obligations.
Source: Moody's Financial Metrics and SNL Financial LC

Q.8 By merging with CEG, EXC is now the largest retail supplier. Does Moody's believe that the retail business adds to or reduces enterprise business risk?

A. Our assessment of the riskiness of the retail business depends in large part on whether the retail provider also owns or has contractual rights to generation resources backing up the retail load. To the extent that retail load is matched with owned or contracted generation, commodity and related margin risks can be largely mitigated particularly given the stickiness of certain types of end-use customers. Moreover, having two affiliates provide retail supply and electric generation services should substantially reduce liquidity requirements. By contrast, operating a retail business without access to generation resources is viewed as a very high risk business model posing liquidity, operational, and financial challenges.

That being said, we view the retail business as a subset of any commodity business where risks are often difficult to mitigate and at times, challenging to identify. Even the largest, well-capitalized firms with access to sophisticated risk mitigation tools and unquestioned liquidity cannot completely eliminate earnings and liquidity surprises that occur from time to time when operating a commodities business. Moreover, within the power space, while ready access to in-market generation to supply an adjacent retail platform can reduce operational and liquidity risk, it does not eliminate risk as demonstrated by the performance of several companies this past summer in Texas. Furthermore, while a retail arm can protect operating margins for some period, we anticipate that in the weak power price environment that exists today, competition from other retail providers will cause downward pressure on retail margins.

For EXC, we view the addition of a large retail platform as having the potential to reduce certain of the risks associated with operating a large commodity business. As mentioned, matching retail load with generation should reduce liquidity requirements across the system and should provide the organization with an intermediate-term source of contractual cash flow given the stickiness of customer load. One area of further analysis will be the degree to which the retail operation alters EXC's historical hedging strategy.

For more information concerning the debt securities of EXC, ExGen, or the CEG debt assumed by EXC at merger close, please refer to the press release dated March 12, 2012 as well as the EXC and ExGen Credit Opinions which can be found on www.moodys.com.

Appendix A (Methodology)

Moody's Rating Methodology: Power Companies
Exelon Corporation

Long Term Rating: Baa2

Outlook: Negative

			12/31/2009		12/31/2010		12/31/11		Forward Grid	
		Weight - Debt	Sub-Factor	Grid-Indicated Rating	Sub-Factor	Grid-Indicated Rating	Sub-Factor	Grid-Indicated Rating	Sub-Factor	Grid-Indicated Rating
MARKET ASSESSMENT, SCALE & COMPETITIVE POSITION	Market and Competitive Position	15.00%	A	A	A	A	A	A	A	A
	Geographic Diversity	5.00%	Baa	Baa	Baa	Baa	Baa	Baa	Baa	Baa
CASH FLOW PREDICTABILITY OF BUSINESS MODEL	Effectiveness of Hedging Strategy	10.00%	Ba	Ba	Ba	Ba	Ba	Ba	Ba	Ba
	Fuel Strategy and Mix	5.00%	Ba	Ba	Ba	Ba	Ba	Ba	Ba	Ba
	Capital Requirements and Operational Performance	5.00%	Baa	Baa	Baa	Baa	Baa	Baa	Baa	Baa
FINANCIAL POLICY	Financial Policy	10.00%	Baa	Baa	Baa	Baa	Ba	Ba	Ba	Ba
FINANCIAL STRENGTH METRICS	(CFO Pre-W/C + Interest) / Interest Expense (3 year Avg)	15.00%	6.78x	Baa	6.96x	Baa	7.47x	A	6.5 - 7.0x	Baa
	(CFO Pre-W/C) / Debt (3 year Avg)	20.00%	34.05%	Baa	34.83%	Baa	38.65%	A	23 - 30%	Baa
	RCF / Debt (3 year Avg)	7.50%	29.82%	A	31.39%	A	33.03%	A	15 - 20%	Baa
	FCF / Debt (3 year Avg)	7.50%	8.66%	Ba	9.40%	Ba	8.13%	Ba	(10) - (5)%	B
	Grid-Indicated Rating	100.00%	Baa2		Baa2		Baa2		Baa3	

All quantitative measures are based on 'As Adjusted' financial data and incorporate Moody's standard adjustments.

Source: Moody's Financial Metric, includes Moody's Standard Adjustments

Appendix B (Five Year Historical Financials)

Exelon Corporation

LT Issuer Rating: Baa2 Outlook: Negative

(in $ millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	$18,916	$18,859	$17,318	$18,644	$18,924
EBITDA	7,257	7,204	7,916	8,196	7,118
Net Property Plant & Equipment	24,825	26,295	27,891	30,589	33,169
Total Assets	46,258	48,253	49,955	52,888	55,691
Total Debt	15,367	17,971	17,052	17,131	16,279
Total Equity	10,235	11,145	12,707	13,658	14,452
Cash From Operations	4,480	6,611	6,363	5,880	6,746
Capital Expenditures	2,730	3,170	3,273	3,380	4,047
Dividends	1,186	1,341	1,391	1,395	1,399

Constellation Energy Group

(in $ millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	$21,193	$19,742	$15,599	$14,340	$13,758
EBITDA	2,097	(412)	1,042	1,718	1,274
Net Property Plant & Equipment	9,917	10,895	8,664	9,487	11,157
Total Assets	21,892	22,462	23,755	20,227	19,666
Total Debt	5,753	8,628	5,656	5,276	5,671
Total Equity	5,375	3,421	8,805	7,970	7,254
Cash From Operations	965	(487)	4,539	564	1,309
Capital Expenditures	1,295	1,909	1,467	1,037	1,128
Dividends	296	347	241	196	196

Source: Moody's Financial Metrics

*Standalone historicals with Moody's Standard Adjustments

Appendix C (Peer Comparison)

Revenue

(in $ millions)

Company Name	Rating	2007	2008	2009	2010	2011
Exelon Corporation	Baa2	$ 18,916	$ 18,859	$ 17,318	$ 18,644	$ 18,924
Constellation Energy Group Inc.	**	$ 21,193	$ 19,742	$ 15,599	$ 14,340	$ 13,758
Ameren Corporation	Baa3	$ 7,562	$ 7,839	$ 7,135	$ 7,638	$ 7,531
Dominion Resources Inc.	Baa2	$ 14,816	$ 16,290	$ 14,798	$ 15,197	$ 14,379
Entergy Corporation	Baa3	$ 11,484	$ 13,094	$ 10,746	$ 11,488	$ 11,229
FirstEnergy Corporation	Baa3	$ 12,802	$ 13,627	$ 12,973	$ 13,339	$ 16,258
NextEra Energy Inc.	Baa1	$ 15,263	$ 16,410	$ 15,643	$ 15,317	$ 15,341
PPL Corporation	Baa3	$ 6,498	$ 8,007	$ 7,449	$ 8,521	$ 12,737
Public Service Enterprise Group Inc.	Baa2	$ 12,677	$ 13,322	$ 12,406	$ 11,793	$ 11,079

** Debt assumed by Exelon

Total Debt

Company Name	Rating	2007	2008	2009	2010	2011
Exelon Corporation	Baa2	$ 15,367	$ 17,971	$ 17,052	$ 17,131	$ 16,279
Constellation Energy Group Inc.	**	$ 5,753	$ 8,628	$ 5,656	$ 5,276	$ 5,671
Ameren Corporation	Baa3	$ 8,067	$ 9,257	$ 9,167	$ 8,719	$ 8,275
Dominion Resources Inc.	Baa2	$ 17,647	$ 18,455	$ 19,406	$ 18,705	$ 22,074
Entergy Corporation	Baa3	$ 12,150	$ 13,979	$ 14,134	$ 13,845	$ 15,071
FirstEnergy Corporation	Baa3	$ 14,967	$ 17,477	$ 18,117	$ 18,463	$ 21,860
NextEra Energy Inc.	Baa1	$ 12,483	$ 16,251	$ 17,699	$ 20,135	$ 22,282
PPL Corporation	Baa3	$ 8,197	$ 9,943	$ 9,601	$ 15,022	$ 19,499
Public Service Enterprise Group Inc.	Baa2	$ 10,219	$ 10,409	$ 9,947	$ 9,871	$ 8,904

** Debt assumed by Exelon

(CFO Pre-W/C) / Debt

Company Name	Rating	2007	2008	2009	2010	2011
Exelon Corporation	Baa2	34.8%	31.5%	36.0%	37.1%	43.0%
Constellation Energy Group Inc.	**	21.4%	5.3%	41.6%	35.1%	36.7%
Ameren Corporation	Baa3	16.5%	14.8%	20.8%	21.2%	21.0%
Dominion Resources Inc.	Baa2	-0.6%	19.5%	17.1%	12.9%	16.0%
Entergy Corporation	Baa3	25.4%	18.5%	21.8%	31.9%	19.7%
FirstEnergy Corporation	Baa3	13.9%	16.0%	15.7%	16.4%	13.8%
NextEra Energy Inc.	Baa1	29.2%	20.6%	25.6%	17.6%	18.9%
PPL Corporation	Baa3	21.2%	16.4%	18.8%	18.5%	15.5%
Public Service Enterprise Group Inc.	Baa2	20.4%	22.1%	26.4%	31.7%	32.9%

** Debt assumed by Exelon

(CFO Pre-W/C + Interest) / Interest Expense

Company Name	Rating	2007	2008	2009	2010	2011
Exelon Corporation	Baa2	6.76x	6.85x	6.73x	7.30x	8.50x
Constellation Energy Group Inc.	**	4.30x	2.01x	5.62x	6.45x	8.24x
Ameren Corporation	Baa3	3.72x	3.60x	4.09x	4.19x	4.26x
Dominion Resources Inc.	Baa2	0.93x	4.68x	4.19x	3.39x	4.46x
Entergy Corporation	Baa3	5.22x	4.63x	5.14x	7.08x	5.47x
FirstEnergy Corporation	Baa3	3.36x	4.08x	3.54x	4.10x	3.62x
NextEra Energy Inc.	Baa1	6.15x	5.13x	6.30x	4.49x	4.83x
PPL Corporation	Baa3	3.95x	3.91x	4.52x	5.26x	4.00x
Public Service Enterprise Group Inc.	Baa2	3.64x	4.37x	4.92x	6.11x	6.24x

** Debt assumed by Exelon

Source: Moody's Financial Metric, includes Moody's Standard Adjustments

Moody's Related Research

Credit Opinions:

» Exelon Corporation

» Exelon Generation Company

» Commonwealth Edison Company

» PECO Energy Company

» Baltimore Gas & Electric Company

Rating Methodologies:

» Unregulated Utilities and Power Companies, August 2009 (118508)

» Regulated Electric and Gas Utilities, August 2009 (118481)

Industry Outlooks:

» US Regulated Electric and Gas Utilities: Stable Despite Rising Headline Rhetoric, January 2012 (137878)

» US Unregulated Power Companies: Hunkering Down in Hope for Better Prices, January 2012 (138140)

Special Comments:

» US Utility Pension Funding Levels Experience Modest Drop Despite Increased Asset Levels, January 2012 (139095)

» Decoupling and 21st Century Rate Making, November 2011 (136797)

» Credit Quality Emphasized More in Recent U.S. Utility M&A, November 2011 (136790)

» Wider Rating Differentials Seen for a Number of U.S. Utility and Parent Companies, October 2011 (136354)

» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)

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» contacts continued from page 1

Analyst Contacts:

NEW YORK	1.212.553.1653
A.J. Sabatelle *Senior Vice President* angelo.sabatelle@moodys.com	1.212.553.4136
Susan Lam *Associate Analyst* susan.lam@moodys.com	1.212.553.4351
Michael Haggarty *Senior Vice President* michael.haggarty@moodys.com	1.212.553.7172
William Hess *Managing Director* william.hess@moodys.com	1.212.553.3837

Report Number: 140851

Author
A.J. Sabatelle

Editor
Tom Bowker

Associate Analyst
Susan Lam

Production Associate
Sarah Warburton

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