Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
Year Ending December 31, 2014

Line No.	Debt, Issue Type Coupon Rate[1,2]		Date Reacquired	Amortization Period End Date	Principal of Debt Reacquired	Call Premium	Net Gain or (Net Loss)	Balance as 12/31/2014	Annual Amortization
	(A)		(B)	(C)	(D)	(E)	(F)	(G)	(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)	$ 20,362	$ (69,867)
4	15.375%	Series 47	11/24/87	04/15/15	100,000,000	12,410,000	(13,618,887)	59,131	(202,851)
5	17.500%	Series 44	05/24/88	04/15/15	47,315,000	2,122,000	(2,161,698)	5,473	(18,789)
6	12.250%	Series 50	11/21/88	04/15/15	100,000,000	3,500,000	(3,839,210)	10,014	(34,370)
7	13.375%	Series 51	11/21/88	04/15/15	83,650,000	8,802,000	(9,670,777)	25,238	(86,577)
8	12.000%	Series 66	03/23/93	04/15/15	100,000,000	9,000,000	(9,791,995)	103,485	(355,009)
9	11.125%	Series 71	05/01/93	04/15/15	125,000,000	9,612,500	(11,593,775)	122,962	(421,821)
10	10.500%	Series 56	05/27/93	04/15/15	150,000,000	9,750,000	(11,536,825)	123,442	(423,470)
11	10.375%	1985	12/14/94	03/01/20	30,000,000	600,000	(1,615,843)	190,299	(36,817)
12	10.625%	1985	12/14/94	03/01/20	111,000,000	2,200,000	(6,825,849)	144,623	(27,976)
13	10.625%	1985	12/14/94	03/01/17				499,944	(230,551)
14	8.375%	Series 86	09/16/02	02/01/33		3,425,000		2,130,060	(117,744)
15	8.375%	Series 88	03/18/03	04/15/15	235,950,000	9,114,749	(12,244,541)	195,785	(671,642)
16	8.000%	Series 91	04/15/03	04/15/15	160,000,000	5,862,400	(11,858,267)	189,609	(650,454)
17	5.875%	Series 100	07/27/04	02/01/33	11,400,000	(185,592)	(788,382)	500,229	(27,627)
18	5.875%	Series 100	08/06/04	02/01/33	40,000,000	866,000	(4,283,438)	2,720,468	(150,246)
19	5.875%	Series 100	08/25/04	02/01/33	45,000,000	2,611,350	(6,455,972)	4,107,783	(226,863)
20	4.700%	Series 101	08/06/04	04/15/15	85,000,000	(499,800)	(8,553,071)	234,415	(799,660)
21	4.700%	Series 101	08/25/04	04/15/15	50,000,000	793,000	(6,118,209)	168,511	(574,812)
22	1.950%	Series 111	10/12/11	09/01/16	80,148,600	-	(171,078)	59,056	(34,796)
23	3.400%	Series 112	10/12/11	09/01/21	110,681,400	-	(236,251)	159,552	(23,824)
24									
25	**Interest Rate Swap Settlement[3]**			02/01/33			21,539,444	9,394,424	(519,507)
26	**Interest Rate Swap Settlement[3]**			04/15/15			8,249,000	131,516	(450,911)
27	**Interest Rate Swap Settlement[3]**			07/31/20			4,246,042	2,371,886	(424,604)
28									
29	**Subordinated Deferrable Interest Notes and Senior Notes**								
30	8.480%		03/20/03	03/15/33	206,190,000	-	(20,228,911)	12,277,788	(674,297)
31	6.950%		08/06/04	07/15/18	60,000,000	11,509,200	(16,568,486)	4,211,280	(1,187,880)
32	6.950%		08/25/04	07/15/18	25,000,000	5,516,000	(7,624,035)	1,945,091	(548,654)
33	**Pollution Control Obligations**								
34	11.375%	IEFFA 1984	11/21/94	11/01/19	42,200,000	844,000	(1,687,652)	281,581	(58,191)
35									
36	5.875%	1977	05/15/03	05/15/17	40,000,000	-	(599,277)	101,657	(42,806)
37	Variable	1994B	09/30/03	11/01/19	42,200,000	-	(174,123)	52,377	(10,821)
38	Variable	1994C	11/28/03	03/01/20	50,000,000	-	(79,616)	25,318	(4,899)
39	Variable	1994D	03/21/05	03/01/17	91,000,000	-	(4,524,506)	820,296	(378,299)
40	Variable	2005	06/13/08	03/01/17	91,000,000	-	(961,559)	238,954	(110,408)
41	Variable	2003C	06/18/08	03/01/20	50,000,000	-	(795,632)	351,664	(67,954)
42	Variable	2003B	07/08/08	11/01/19	42,200,000	-	(222,142)	94,990	(19,632)
43	Variable	2003B	07/08/08	05/01/21		-	(435,433)	215,327	(33,983)
44	Variable	2003A	07/10/08	05/15/17	40,000,000	-	(566,327)	152,022	(64,020)
45	Variable	2003A	07/10/08	05/01/21		-	(332,768)	164,628	(25,982)
46	Variable	2003D	07/29/08	05/01/21		-	(112,292)	55,780	(8,803)
47	Variable	2008D	05/28/09	03/01/20	50,000,000	-	(546,292)	260,539	(50,427)
48	Variable	2008F	05/28/09	03/01/17	91,000,000	-	(677,508)	187,396	(86,490)
49	Variable	2008E	05/28/09	05/01/21	49,830,000	-	(566,726)	299,105	(47,228)
50	**Subordinated Deferrable Interest Debentures**								
51	8.500%	ComEd Financing II	03/07/08	01/15/38	154,640,000	-	(11,579,481)	8,947,046	(387,598)
52	**Write-off**	**1997 Unamortized Loss**					2,240,678	(1,015,393)	1,258,427
53	TOTAL					$ 101,672,807	$ (158,062,353)	$ 53,335,713	$ (9,130,733)
54									
55	**Unamortized Gain on Reacquired Debt**								
56	**Interest Rate Swap Settlement[3]**			07/31/20			165,326	(92,353)	16,533
57	TOTAL					$ -	$ 165,326	$ (92,353)	$ 16,533

Notes:
(1) Listing sourced from Form 21 ILCC, Pages 24a-24b.
(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, 2014

Line No.	Debt, Issue Type Coupon Rate[1]		Maturity Date(s) of New Debt Issues				
	(A)		(B)	(C)	(D)	(E)	(F)
	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	17.500%	Series 44	Mar-1998	Feb-2023	Apr-2015	(2)	
5	12.250%	Series 50	Mar-1998	Feb-2023	Apr-2015	(2)	
6	13.375%	Series 51	Mar-1998	Feb-2023	Apr-2015	(2)	
7	12.000%	Series 66	Feb-2023	Apr-2015	(2)		
8	11.125%	Series 71	Feb-2023	Apr-2015	(2)		
9	10.500%	Series 56	Apr-2023	Apr-2015	(2)		
10	10.375%	1985	Mar-2009	Mar-2020	(2)		
11	10.625%	1985	Mar-2009	Mar-2015	Mar-2020	Mar-2017	(2)
12	8.375%	Series 86	Feb-2033				
13	8.375%	Series 88	Apr-2015				
14	8.000%	Series 91	Apr-2015				
15	**Subordinated Deferrable Interest Notes**						
16	8.480%		Mar-2033				
17	**Subordinated Deferrable Interest Debentures**						
18	8.500%		Jan-2038				
19	**Pollution Control Obligations**						
20	11.375%	IEFFA Series '84	Oct-2014	Nov-2019	(2)		
21	5.875%	IDFA Series '77	May-2017				
22	Variable	IDFA 1994B	Nov-2019				
23	Variable	IDFA 1994C	Mar-2020				
24	Variable	IDFA 1994D	Mar-2017				
25	Variable	IFA Series 2005	Mar-2017				
26	Variable	IDFA Series 2003 C	Mar-2020				
27	Variable	IDFA Series 2003 B	Nov-2019	May-2021			
28	Variable	IDFA Series 2003 A	May-2017	May-2021			
29	Variable	IDFA Series 2003 D	Jan-2014	May-2021			
30	Variable	IFA Series 2008 D	Mar-2020	Sep-2016	Sep-2021		
31	Variable	IFA Series 2008 F	Mar-2017	Sep-2016	Sep-2021		
32	Variable	IFA Series 2008 E	May-2021	Sep-2016	Sep-2021		
33							
34	**The following debt items were not refinanced:**						
35			Original Maturity Date of Debt Issues				
36	First Mortgage Bonds						
37	5.850%	Series 94C	Jan-2014				
38	5.875%	Series 100	Feb-2033				
39	4.700%	Series 101	Apr-2015				
40	1.950%	Series 111	Sept-2015				
41	3.400%	Series 112	Sept-2021				
42							
43	Notes -						
44	6.950%		Jul-2018				

Notes:
(1) Listing sourced from Form 21 ILCC, Pages 24c and 24d.
(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
Schedule D-7 Embedded Cost Of Long Term Debt
Years 2010 - 2014
(In Dollars)

Line No.	Description	FERC Form 1 Source	2014	2013	2012	2011	2010
	(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	$ 6,174,786,000	$ 5,891,786,000	$ 5,793,786,000	$ 5,893,786,000	$ 5,231,216,000
3	Unamortized Premium on Long-Term Debt (Acct 225)	p. 112, l. 22	382,482	618,304	854,125	1,164,491	1,761,174
4	Unamortized Discount on Long-Term Debt (Acct 226)	p. 112, l. 23	(18,520,046)	(19,547,559)	(21,181,829)	(23,327,102)	(25,787,502)
5	Unamortized Gain on Reacquired Debt (Acct 257)	p. 113	-	-	6,866	30,724	54,580
6	Unamortized Loss on Reacquired Debt (Acct 189)	p. 111	41,437,887	49,178,323	58,342,092	71,594,893	89,630,249
7	Loss on Settled Cash Flow Swaps (Acct 182.3)	p. 232, l. 8	(11,897,826)	(13,292,848)	(14,687,871)	(16,243,849)	(18,411,455)
8	Gain on Settled Cash Flow Swaps (Acct 254)	p. 278, l. 3	92,353	108,885	125,418	141,951	158,484
9	Unamortized Debt Expenses (Acct 181)	p. 111	33,725,681	29,070,884	29,211,484	29,959,231	(27,238,293)
10	Net Long-Term Debt Outstanding		$ 6,220,006,531	$ 5,937,921,989	$ 5,846,456,285	$ 5,957,106,339	$ 5,251,383,237
11	Cost of Long-Term Debt DR / (CR)		2014	2013	2012	2011	2010
12	Interest on Long-Term Debt (Acct 427 / 430)	p. 256 - 257, col. (I)	$ 297,204,931	$ 281,465,894	$ 282,861,311	$ 307,737,280	$ 288,723,797
13	Amortization of Debt Discount and Expense (Acct 428)	p. 117, l. 63	6,124,199	6,864,175	7,106,514	11,262,014	9,853,063
14	Amortization of Loss on Reacquired Debt (Acct 428.1)	p. 117, l. 64	7,740,437	9,163,768	13,252,802	18,442,686	20,058,932
15	Amortization of Premium on Debt (Acct 429)	p. 117, l. 65	(235,820)	(235,821)	(310,366)	(596,683)	(596,683)
16	Amortization of Gain on Reacquired Debt (Acct 429.1)	p. 117, l. 66	-	6,868	23,856	23,856	(23,856)
17	Total Cost of Long-Term Debt		$ 310,833,747	$ 297,264,884	$ 302,934,117	$ 336,869,153	$ 318,015,253
18	Embedded Cost of Long-Term Debt Rate (l. 18 / l. 11) (a)		5.00%	5.01%	5.18%	5.65%	6.06%

Notes:
(a) 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 2010 - 2014

(In Dollars)

Line No.	Description	FERC Form 1 Source	2014	2013	2012	2011	2010
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Rate Base (Unadjusted) (a)						
2	Plant in Service	p. 200, l. 3	$21,396,203,109	$20,112,450,283	$19,220,833,674	$18,350,434,707	$17,565,228,096
3	Completed Construction Not Classified	p. 200, l. 6	532,482,419	322,652,899	330,961,259	434,982,980	384,942,681
4	Accumulated Depreciation	p. 200, l. 22	(7,867,016,286)	(7,622,336,723)	(7,352,149,396)	(7,152,494,925)	(6,843,280,703)
5	Net Utility Plant (b)		14,061,669,242	12,812,766,459	12,199,645,537	11,632,922,762	11,106,890,074
6	Plant Materials and Supplies (Acct 154)	p. 110	125,238,926	108,605,523	91,498,270	81,131,789	71,908,090
7	Stores Expense Undistributed (Acct 163)	p. 111	-	-	-	-	-
8	Fuel (Acct 151 - 152)	p. 110	-	-	-	-	-
9	Property Held For Future Use	p. 214	44,182,715	40,487,556	38,476,664	35,658,200	35,369,141
10	Other Regulatory Assets (Acct 182.3) -						
11	Recoverable Transition Costs	p. 232	-	-	-	-	-
12	Capitalized Incentive - March 2003 Agreement	p. 232	7,458,687	7,714,811	7,956,298	8,197,785	8,439,273
13	Unrecovered Nuclear Decommissioning Costs	p. 232	-	-	-	-	-
14	Accumulated Deferred Income Taxes (Acct 190)	p. 111	457,034,289	507,570,436	366,662,593	324,645,956	343,318,321
15	Pension Asset (Acct 186)	p. 233	1,550,662,320	1,583,221,096	1,661,482,369	1,802,548,972	1,038,782,729
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	(53,660,239)	(56,043,028)	(53,890,692)	(52,759,525)	(53,669,501)
19	Accum Prov for Pensions & Benefits (Acct 228.3)	p. 112	(307,098,954)	(424,723,951)	(319,558,110)	(317,414,580)	(314,601,906)
20	Accum Misc Operating Provisions (Acct 228.4)	p. 112	(237,668,091)	(234,209,351)	(209,920,922)	(126,920,032)	(120,561,389)
21	Asset Retirement Obligations (Acct 230)	p. 112	(104,367,913)	(100,602,470)	(99,212,577)	(89,039,536)	(104,935,733)
22	Customer Advances for Construction (Acct 252)	p. 113	(92,821,728)	(69,693,749)	(74,520,744)	(69,659,709)	(60,282,885)
23	Accumulated Deferred ITC's (Acct 255)	p. 113	(19,634,303)	(21,686,995)	(24,000,597)	(26,314,193)	(28,965,908)
24	Accumulated Deferred Income Taxes (Accts 281 - 283)	p. 113	(5,154,250,596)	(4,918,870,536)	(4,597,331,987)	(4,299,915,834)	(3,578,903,968)
25	Remove Accum Def Taxes on Like-Kind Exchange (c)		167,358,000	307,722,000	320,647,376	333,929,822	343,784,338
26	Net Rate Base (Unadjusted) (a)		$10,444,102,355 (a)	$ 9,542,257,801 (a)	$ 9,307,933,478 (a)	$ 9,237,011,877 (a)	$ 8,686,570,676 (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.

FitchRatings

Fitch Revises EXC and Exgen Rating Outlook to Negative; Comed Upgraded

Ratings Endorsement Policy

07 Feb 2014 2:39 PM (EST)

Fitch Ratings-New York-07 February 2014: Fitch Ratings has taken a number of actions with respect to the ratings and Rating Outlooks of Exelon Corp. (EXC) and its subsidiaries. The ratings actions include the following:

--Affirmed the 'BBB+' Issuer Default Ratings (IDR) and instrument ratings of Exelon Corp. (EXC) and Exelon Generation Co., LLC (Exgen) and revised the Rating Outlook for each entity to Negative from Stable.

--Upgraded the IDR of Commonwealth Edison Co. (Comed) to 'BBB' from 'BBB-' and revised the Rating Outlook to Stable from Positive. Comed's instrument ratings were also upgraded one-notch.

--Affirmed the 'BBB' IDR and instrument ratings of Baltimore Gas and Electric Co. (BGE) and revised the Rating Outlook to Positive from Stable.

--Affirmed the 'BBB+' IDR and instrument ratings of PECO Energy Co. (PECO) with a Stable Rating Outlook.

The Negative Rating Outlooks for EXC and Exgen primarily reflect the continued down trend in gross margin and credit protection measures due to the on-going weakness in forward power and natural gas prices, soft power demand and aggressive competition in the retail supply business. Exgen remains the largest contributor to EXC's cash flow and as such the Negative Ratings Outlook for EXC mirrors that of its non-regulated subsidiary. The revised Rating Outlook also considers that credit protection measures, although declining remain solidly within the investment grade category.

The upgrade of Comed reflects the improvement in credit metrics due in large measure to tariff increases over the past several years and the greater predictability of earnings and cash flow due to the implementation of a formula rate plan (FRP) in Illinois.

Similarly, the Positive Rating Outlook for BGE results from higher rates and improving credit measures.

The rating and Stable Rating Outlook for PECO are consistent with the company's strong credit profile.

Key Rating Drivers

Exelon Corp.

Competitive Generation Business: Low power prices, weak demand and aggressive competitive pricing behavior have adversely affected wholesale and retail margins and are expected by Fitch to persist for several more years keeping pressure on credit quality measures.

Utility Earnings Contribution: The consolidated ratings also consider the contributions of EXC's three regulated utilities, which account for about 50% of consolidated earnings and cash flow. The utilities have sound and/or improving credit profiles, limited commodity price risk and a relatively predictable earnings stream, balancing the more volatile earnings and cash flow of the commodity sensitive merchant business.

Prudent Financial Management: Management has taken a number of steps over the past 15-months to reduce financial commitments and solidify credit quality in the face of persistently low power prices that are pressuring wholesale and retail profit margins. The credit supportive actions include substantial reductions in merchant capex and the common stock dividend. Consequently, financial metrics are expected by Fitch to remain solidly within the investment grade category. In February 2013, EXC reduced its common stock dividend by 40%, saving nearly $750 million annually. The dividend reduction followed a $2.3 billion reduction in merchant capex that have subsequently been further reduced.

Financial Position: The combined reductions of the common stock dividend and capex have solidified EXC's financial position. Fitch estimates EXC's adjusted ratio of funds from operations (FFO)/interest to be in excess of 6.0x over the next several years and FFO/debt to approximate 30%.

Liquidity: Liquidity is ample and debt maturities should be manageable. On a consolidated basis committed credit facilities aggregate $8.4 billion, and extend to 2018.

Rating Sensitivity

Positive
Other than an unexpected change in business strategy (i.e. additional sources of regulated earnings and cash flow), positive rating action at the parent is unlikely at the present rating level.

Negative
Lack of rate support for utility infrastructure investments or changes in the commodity cost recovery provisions in Illinois, Pennsylvania or Baltimore.

More aggressive growth strategy that increased business risk and/or leverage.

Increase in risk appetite as evidenced by change in hedging strategy at Exgen.

Exelon Generation Company, LLC
Operating environment: The operating environment for Exgen's competitive generation business is expected to remain challenging with sluggish demand and low natural gas and power prices likely to persist for several years with a downtrend in gross margin. Favorably, Exgen is expected to be free cash flow (FCF) positive due to reduced capex and dividend requirements, easing the pressure on cash flow and credit quality measures during a low point in the commodity cycle.

Competitive Position: Exgen's largely nuclear-fueled generating fleet is positioned low on the dispatch curve and likely to be dispatched under any price scenario. The nuclear fleet is also well positioned to benefit from any uplift in power prices from higher environmental costs or plant retirements and requires limited environmental remediation expenditures. Nonetheless, several nuclear plants operating in regions without a capacity market are at risk for closure.

Expense Reductions: Exgen entered into a service agreement to operate the Constellation Energy Nuclear Group (CENG) nuclear fleet that is expected by management to generate annual savings of roughly $50 million - $70 million annually (Exgen's share is 50%) with a $20 million cost to achieve. NRC approval is required. CENG is a joint venture with Electricite de France. The transaction is expected to close late in 2014 Q1 or early Q2.

Financial Position: Exgen's financial position has weakened in recent years, but remains solidly within the investment grade category. Fitch expects expense and debt reductions to offset on-going declines in gross margin and stabilize credit metrics at or near current levels. Fitch estimates Exgen's adjusted ratio of EBITDA/interest to range between 5.5x and 6.0x and debt/EBITDA at about 2.5x - 2.75x. Cash flow measures are expected to be stronger with FFO/debt to be in excess of 40% and FFO/interest to exceed 7.0x.

Debt Reduction: Since the dividend reduction Exgen has retired $950 million of recourse debt with cash including $450 million of callable junior subordinated debt at par in June 2013 and $500 million of maturing senior debt in January 2014. Additional debt retirements are anticipated in 2015.

Revised Growth Plan: Planned capital expenditures were reduced $2.3 billion and now aggregate $6.8 billion over the 2014-2016 time frame. The reductions were primarily investments in unidentified renewable projects and cancelling planned nuclear uprates at the LaSalle and Limerick units, totaling nearly 600 MW to beyond 2019. Over the three-year period through 2016, growth capex is now about $775 million for nuclear uprates and wind and solar projects, including the build-out of the Antelope Valley Solar Ranch (AVSR). Exgen will also be investing approximately $350 million to construct generation in Maryland required as part of the Constellation merger approval. Fitch believes other investments are likely, but will be limited to contracted renewables or possibly distressed merchant assets in regions that have a well-functioning capacity market and/or a tight reserve position.

Rating Sensitivity

Positive:
There are no developments that are likely to lead to a positive rating action.

However, ratings could be maintained if there is clear evidence of a sustainable improvement in power prices and/or capacity revenue.

Negative:
A further decline in gas and power prices;
An unexpected reversion to a more aggressive growth strategy.

Commonwealth Edison Co.
Strong Credit Metrics: Higher rates effective Jan. 1, 2014 and the FRP plan that allows for annual rate adjustments should allow Commonwealth Edison Co. (Comed) to sustain its currently sound financial position over the next few years. Fitch estimates EBITDA/interest will average about 5.0x, FFO/interest 4.5x, FFO/debt 18% - 20% and debt/EBITDA about 3.75x over the next several years. Each measure is strong for the current rating.

Regulatory Predictability: The FRP implemented in October 2011 provides increased regulatory predictability in Illinois. The FRP recognizes forward looking capital additions and includes a true-up mechanism reducing, albeit not eliminating, rate lag.

Constructive Rate Decision: In December 2013, the Illinois Commerce Commission approved a $341 million increase in distribution rates or approximately 97% of the company's rate request.

Commodity Price Exposure: Ratings and credit quality benefit from the absence of commodity price exposure, which limits cash flow volatility and reduces business risk.

Rising Capex: Capital expenditures are forecasted to rise to approximately $5.7 billion over the three-year period 2014-2016, compared to $3.7 billion in the prior three-year period. The higher outlays are primarily driven by the Illinois Energy Infrastructure Modernization Act (EIMA), which requires Comed to invest an incremental $1.3 billion on electric system upgrades over five years and an additional $1.3 billion for smart grid deployment over 10 years. The legislation provides for recovery through the FRP filings. The capex forecast also reflects an increase in transmission expenditures, which are subject to credit supportive Federal Energy Regulatory Commission (FERC) regulatory policies.

Like-Kind-Exchange: Comed's exposure to the IRS's disallowance of the tax benefits associated with a like-kind-exchange is a credit concern, however, the issue is not likely to be resolved for several years and was not factored into the rating decision. As of Sept. 30, 2013, Comed's potential tax and interest that could become payable, excluding penalties, is $305 million.

Rating Sensitivity

Positive:
A continuation of constructive outcomes in FRP filings;

Ability to reduce leverage below 3.5x.

Negative:
Lack of rate support for infrastructure investments or changes in the commodity cost recovery provisions.

PECO Energy Co.
Strong Credit Profile: Historical and projected credit measures are strong and well in excess of Fitch's target ratios for the current rating category and the companies' peer group of 'BBB+' distribution utilities. Over the next few years, Fitch estimates EBITDA/interest and FFO/interest will average about 7.0x and 6.0x, respectively and FFO/debt and debt/EBITDA about 20% and 3.0x. The strong performance reflects expectations of timely rate recovery and moderate debt financing.

Alternative Regulatory Model: Fitch considers the regulatory legislation enacted in Pennsylvania in February 2012 (HB 1294) to be supportive of credit quality.

Manageable Capital Spending: PECO expects to invest approximately $1.6 billion over the next three years, moderately higher than the $1.4 billion expended in the prior three-years. The expenditures equate to about 2.2x depreciation and amortization, which approximates the industry in average.

Low business Risk: Ratings and credit quality benefit from the absence of commodity price exposure and the associated cash flow volatility.

Rating Sensitivity

PECO Energy Company

Positive:
Sustaining current financial condition could lead to a positive rating action.

Negative:
Not likely given the head room in current ratings.

Baltimore Gas and Electric Company
Credit Metrics: BGE's financial position improved significantly in 2013 largely due to electric and gas rate increases implemented in February 2013, the first increases since December 2010 and the expiration of a $112 million rate credit. Subsequent electric and gas rate increases implemented in December 2013 are expected to drive further improvement in 2014 and beyond. Fitch estimates EBITDA/interest and FFO/interest to exceed 6.0x and FFO/debt and debt/EBITDA of about 25% and 2.5x, respectively.

Dividend Restrictions: BGE is precluded from paying dividends to parent Exelon Corp. (Exelon) through 2014

Regulatory Recovery Mechanisms: Rate adjustment mechanisms outside of base rate cases tend to stabilize BGE's on-going cash flow. These include decoupling for both residential and commercial gas and electricity sales and purchased gas and purchased power recovery mechanisms. In addition, investments in energy efficiency are subject to a tracking mechanism.

Ring-fencing: BGE's funding and Treasury practices result in moderate ring fencing of the utility from its parent Exelon Corp. and affiliates. These include maintaining separate books and records and separate credit facilities and commercial paper programs and allocating parent expenses according to a Cost Allocation Manual that is filed annually with the Maryland Public Service Commission (MPSC). Also, BGE does not participate in the corporate money pool. Furthermore, BGE's financings do not contain any provisions that could result in cross defaults between BGE and Exelon.

Rating Sensitivity

Positive:

A constructive outcome in expected 2014 rate filing.

Negative:
Lack of rate support for infrastructure investments or changes in the commodity cost recovery provisions.

Fitch has affirmed the following ratings with a Negative Outlook:

Exelon Corp.
--Issuer Default Rating (IDR) 'BBB+';
--Senior unsecured debt 'BBB+';
--Commercial paper 'F2';
--Short-term IDR 'F2'.

Exelon Generation Co., LLC
--Issuer Default Rating (IDR) 'BBB+';
--Senior unsecured debt 'BBB+';
--Commercial paper 'F2';
--Short-term IDR 'F2'.

Fitch has affirmed the following ratings with a Positive Outlook:

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

Fitch has upgraded the following ratings with a Stable Outlook:

Commonwealth Edison Company
--Issuer Default Rating (IDR) to 'BBB' from 'BBB-;
--First mortgage bonds to 'A-' from 'BBB+';
--Senior unsecured debt to 'BBB+' from 'BBB';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F2' from 'F3';
--Commercial paper to 'F2' from 'F3'.

ComEd Financing Trust III
--Preferred stock to 'BBB-' from 'BB+'.

Fitch has affirmed the following ratings with a Stable Outlook:

PECO Energy Co.
--Issuer Default Rating (IDR) 'BBB+';
--First mortgage bonds 'A';
--Senior unsecured debt 'A-';
--Commercial paper 'F2';
--Short-term IDR 'F2'.

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

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

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Applicable Criteria and Related Research:

--'Corporate Rating Methodology' (Aug. 5, 2013);
--'Recovery Ratings and Notching Criteria for Utilities' (Nov. 19, 2013).

Applicable Criteria and Related Research:
Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage
Recovery Ratings and Notching Criteria for Utilities

Additional Disclosure
Solicitation Status

Commonwealth Edison Co.

Subsidiary of Exelon Corp.
Full Rating Report

Ratings

Long-Term IDR	BBB
Short-Term IDR	F2
Secured	A–
Senior Unsecured	BBB+
Preferred Stock	BBB–
Commercial Paper	F2

IDR – Issuer Default Rating.

Rating Outlook

Foreign-Currency Long-Term IDR	Stable

Financial Data

Commonwealth Edison Co.

($ Mil.)	12/31/13	12/31/12
Revenue	4,464	5,443
Gross Margins	3,290	3,136
Operating EBITDAR	1,638	1,514
Net Income	530.0	379
Cash flow from Operations	1,499	1,334
Total Debt	6,003	5,753
Total Capitalization	13,593	13,096
Capex/Depreciation (x)	2.14	2.04

Related Research

Baltimore Gas and Electric Company (Subsidiary of Exelon Corp.) (May 2014)

Exelon Corp. (May 2014)

Exelon Generation Co. LLC (Subsidiary of Exelon Corp.) (May 2014)

PECO Energy Co. (Subsidiary of Exelon Corp.) (May 2014)

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Key Rating Drivers

Strong Credit Metrics: Higher rates effective Jan. 1, 2014, and a formula rate plan (FRP) that allows for annual rate adjustments should allow Commonwealth Edison Co. (ComEd) to sustain its currently sound financial position over the next few years. Fitch estimates Debt/EBITDAR and FFO leverage will average about 3.7x and 4.0x, respectively, and FFO fixed-charge coverage approximately 4.75x over the next several years, which is consistent with the current rating level.

Regulatory Predictability: The FRP implemented in October 2011 provides increased regulatory predictability in Illinois. The FRP recognizes forward-looking capital additions and includes a true-up mechanism reducing, albeit not eliminating, rate lag. The FRP was enacted into law by the Illinois Energy Infrastructure Modernization Act (EIMA).

Constructive Rate Decision: The Illinois Commerce Commission (ICC) approved a $341 million increase in distribution rates, or approximately 97% of the company's rate request, in December 2013. Although the legislatively set return on equity (ROE) of 8.72% is well below the industry average, ComEd should have a reasonable opportunity to earn the allowed ROE.

Commodity Price Exposure: Ratings and credit quality benefit from the absence of commodity price exposure, which limits cash flow volatility and reduces business risk.

Rising Capex: Capex is forecast to rise to approximately $5.7 billion over the three-year period 2014–2016, compared with $3.7 billion in the prior three-year period. The higher outlays are primarily driven by the EIMA, which requires ComEd to invest an incremental $1.3 billion on electric system upgrades over five years and an additional $1.3 billion for smart grid deployment over 10 years. The legislation provides for recovery through the FRP filings. The higher capex also reflects an increase in transmission expenditures, which are subject to credit-supportive Federal Energy Regulatory Commission (FERC) regulatory policies.

Like-Kind Exchange: ComEd's exposure to the IRS's disallowance of the tax benefits associated with a like-kind exchange is a credit concern. However, the issue is not likely to be resolved for several years and was not factored into the rating decision. ComEd's potential tax and interest that could become payable, excluding penalties, is $305 million as of Dec. 31, 2013.

Rating Sensitivities

Positive Rating Action: A continuation of constructive outcomes in FRP filings could lead to higher ratings.

Negative Rating Action: Lack of rate support for infrastructure investments or changes in the commodity cost recovery provisions could lead to lower ratings.

Financial Overview

Liquidity and Debt Structure

A $1 billion committed credit facility provides ample liquidity. The credit facility supports a commercial paper program of equal size and provides for direct borrowings. It extends to March 2019. Commercial paper borrowings totaled $184 million and available cash $36 million as of Dec. 31, 2013.

Long-term debt as of Dec. 31, 2013, aggregated $5.9 billion, including $206 million of subordinated debentures that qualify for 50% equity credit under Fitch's methodology. Approximately 94% of the outstanding long-term debt is first mortgage bonds. Annual debt maturities in each of the next five years ranging between $260 million and $840 million should be manageable, but will require capital market access.

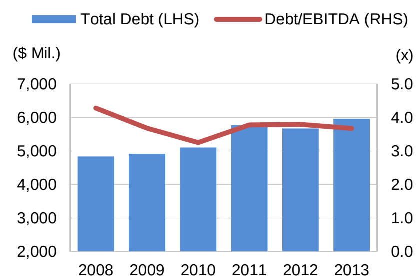
Debt Maturities and Liquidity

($ Mil., As of Dec. 31, 2013)

Debt Maturities	
2014	617
2015	260
2016	665
2017	425
2018	840
After 2018	3,093
Cash and Cash Equivalents	36
Undrawn Committed Facilities	1,000

Source: Company data, Fitch Ratings.

Total Debt and Leverage

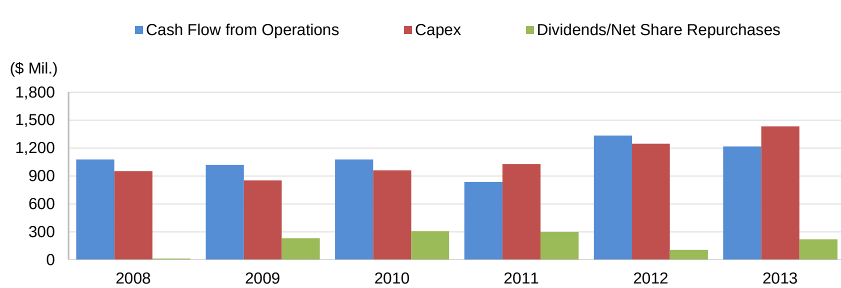


Source: Company data, Fitch Ratings.

Cash Flow Analysis

Forecast capex aggregates approximately $5.7 billion over the three-year period 2014–2016, or about 3.0x depreciation. Forecast expenditures are more than 50% greater than capex over the prior three years. Fitch expects internal cash generation after dividends to provide 65%–75% of capex. The recent action by parent Exelon Corp. (EXC) to reduce its common stock dividend by 40%, or about $700 million annually, is expected to have limited impact on ComEd. Affiliate Exelon Generation Co., LLC will be the primary beneficiary, with ComEd expected to upstream about 70% of earnings.

CFO and Cash Use



Source: Company data, Fitch Ratings.

Related Criteria

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 2014)

Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage (August 2013)

Recovery Ratings and Notching Criteria for Utilities (November 2013)

Peer and Sector Analysis

Peer Group

Issuer	Country
BBB+	
PECO Energy Co.	U.S.
BBB	
Baltimore Gas and Electric Company	U.S.
PPL Electric Utilities Corporation	U.S.

Source: Fitch Ratings.

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
Feb. 7, 2014	BBB	Stable
Feb. 8, 2013	BBB–	Positive
March 12, 2012	BBB–	Stable
April 28, 2011	BBB–	Stable
Jan. 24, 2011	BBB–	Stable
Jan. 25, 2010	BBB–	Stable
May 30, 2008	BB+	Stable
Aug. 29, 2007	BB+	Stable
Aug. 1, 2007	BB	RWP
March 9, 2007	BB	RWN
Nov. 17, 2006	BBB–	RWN
July 31, 2006	BBB–	Negative
Jan. 9, 2006	BBB+	Negative
Dec. 6, 2005	BBB+	Stable
Dec. 20, 2004	BBB+	Stable
May 2, 2001	BBB+	Stable
Oct. 20, 2000	BBB+	—
Dec. 17, 1999	BBB+	—
July 26, 1999	BBB	—
Jan. 8, 1997	BBB–	—

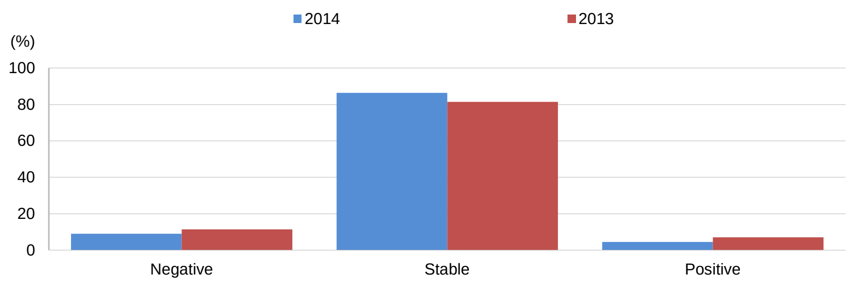
LT IDR – Long-term Issuer Default Rating.
FC – Foreign currency.
RWP – Rating Watch Positive.
RWN – Rating Watch Negative.
Source: Fitch Ratings.

Peer Group Analysis

	Commonwealth Edison Co.	PECO Energy Co.	Baltimore Gas and Electric Company	PPL Electric Utilities Corporation
LTM as of	12/31/13	12/31/13	12/31/13	9/30/13
Long-Term IDR	BBB	BBB+	BBB	BBB
Outlook	Stable	Stable	Positive	Stable
Financial Statistics ($ Mil.)				
EBITDA	1,623	894	712	572
EBITDA Margin (%)	36	29	24	31
Total Adjusted Debt	6,003	2,289	2,105	2,315
Cash and Cash Equivalents	36	217	31	225
Funds Flow from Operations	1,236	714	681	516
Capex	(1,433)	(537)	(587)	(905)
Credit Metrics (x)				
EBITDA/Gross Interest Coverage	2.8	7.4	6.1	5.4
Debt/FFO	4.9	3.2	3.1	4.5
Debt/EBITDA	3.7	2.6	3.0	4.1
FFO Interest Coverage	3.1	6.9	6.8	5.9
Capex/Depreciation (%)	214.2	235.5	208.9	523.1

IDR – Issuer Default Rating. YoY – Year over year.
Source: Company data, Fitch Ratings.

Sector Outlook Distribution



Source: Company data, Fitch Ratings.

Key Rating Issues

Legislative Fix

In May 2013, the Illinois legislature enacted legislation that clarifies certain FRP provisions in a manner supportive of credit quality. Specifically, the new legislation, Public Act 98-0015 (formerly Senate Bill 9), requires the ICC to use a year-end rate base and capital structure in all rate proceedings, allows a return on ComEd's pension asset, and specified the use of the weighted average cost of capital to calculate interest on the annual reconciliation adjustment. In previous FRP decisions, the ICC relied on an average rate base and capital structure, excluded a return on the pension assets, and applied a short-term debt rate on the reconciliation adjustment, all of which effectively lowered the revenue requirement.

Recent Rate Decision

In December 2013, the ICC issued an order in ComEd's third FRP filing and the first to incorporate the clarifications incorporated in Public Act 98-0015. The increase in distribution rates approved by the ICC aggregated $341 million, which equates to approximately 97% of ComEd's revised rate request. The increase included approximately $160 million for the filing year and a $181 million reconciliation adjustment to capture the shortfall in 2012 revenue based on actual costs. The formula-based ROE was 8.72%.

Load Trends

Weather-normalized electric load declined 0.02% in 2013, with similar results expected in 2014. The 2014 outlook includes a modest decline in sales to the higher margin residential and small commercial and industrial customers, and a modest increase in sales to lower margin large commercial and industrial customers.

Energy Infrastructure Modernization Act

Since 2011, ComEd's distribution rates have been established through a performance-based FRP as established by the EIMA. The legislation requires participating utilities to invest certain amounts in their distribution systems, with cost recovery provided through annual FRP filings. Instead of periodic rate filings, delivery service rates are reset 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 rate base and capital structure. The legislatively set ROE is equal to the 12-month average of the 30-year Treasury bond yield during the test year plus a risk premium of 580 bps.

Although the FRP relies on a historical test year, defined as data in the most recently filed FERC Form 1, there are two adjustments that 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 based on actual costs during the prior rate year. The FRP also 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 ComEd's pension asset.

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

Like-Kind Exchange

ComEd's exposure to the IRS's disallowance of the tax benefits associated with a like-kind exchange is not likely to be resolved for several years and was not factored into the current rating. ComEd's potential tax and after-tax interest that could become payable, excluding penalties, is $305 million as of Dec. 31, 2013, after EXC's agreement to hold ComEd harmless for any incremental interest amounts. ComEd recognized an after-tax noncash charge of $170 million in first-quarter 2013 that represents the incremental interest and state income taxes for periods through March 31, 2013, which would be payable in the event of an unfavorable court decision.

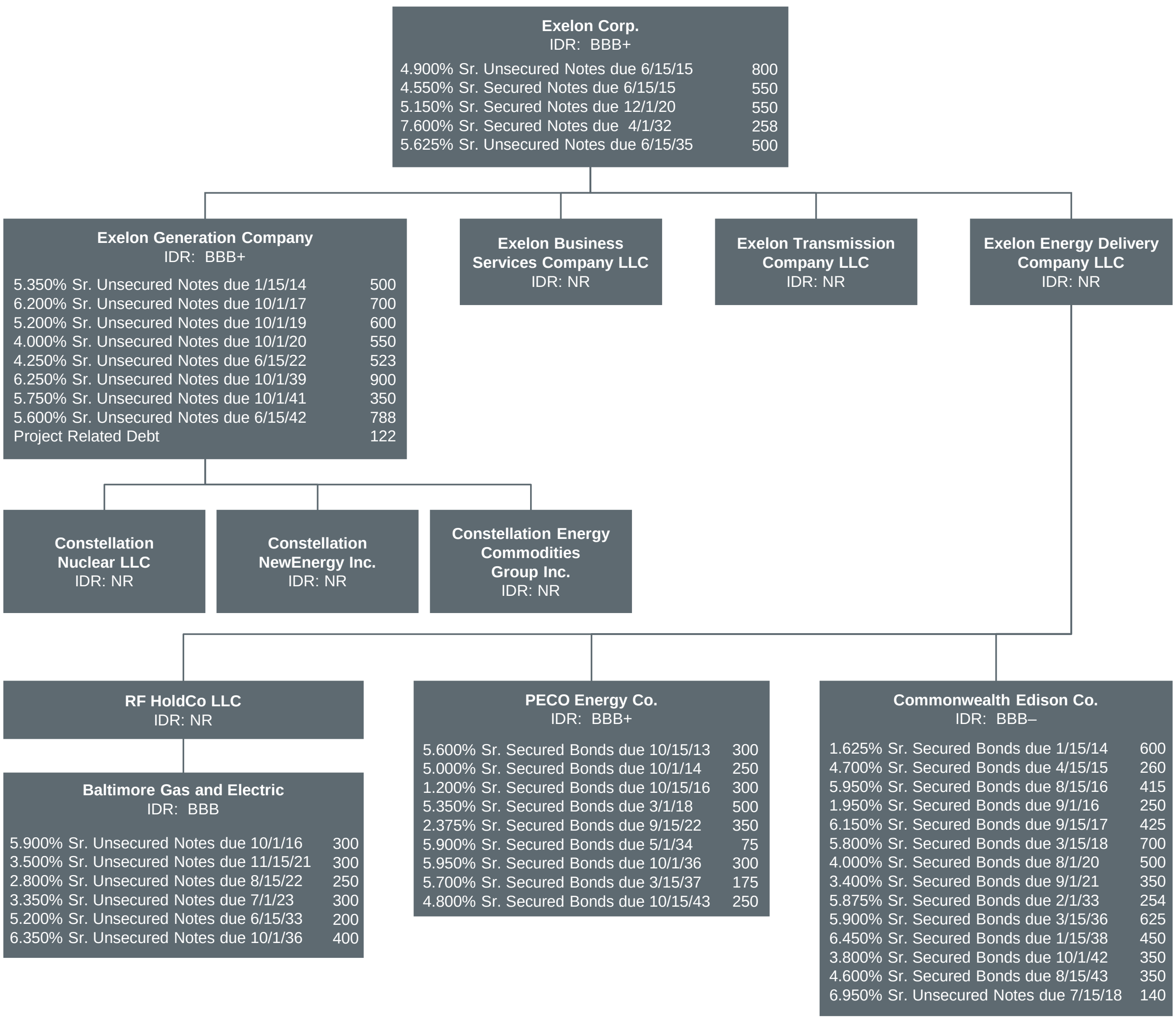
The potential tax liability results from a position ComEd took on its 1999 tax return to defer a taxable gain of approximately $1.6 billion on the sale of its fossil fuel-generating assets. The proceeds were invested in three municipal-owned generating facilities, which were leased back to the municipalities. The IRS challenged the position and management has been unable to reach a settlement with the IRS. The IRS asserted the transaction is substantially similar to a sale-in lease-out transaction, which it does not respect as an ownership interest in property, and does not qualify for the like-kind exchange.

Merger of Exelon Corp. and Pepco Holdings, Inc.

ComEd's ratings are unaffected by the proposed merger of its corporate parent EXC and Pepco Holdings, Inc. (PHI). EXC entered into a definitive agreement to acquire PHI for $6.9 billion in cash on April 30, 2014. The funding plan and assumed debt will increase EXC consolidated leverage, but should not affect ComEd. EXC expects to close the merger in the second or third quarter of 2015.

Organizational Structure — Exelon Corp.

($ Mil., As of Dec. 30, 2013)



IDR – Issuer Default Rating. NR – Not rated. Note: Fitch analysis excludes nonrecourse and securitization debt.
Source: Company filings, Bloomberg, Fitch Ratings.

Definitions

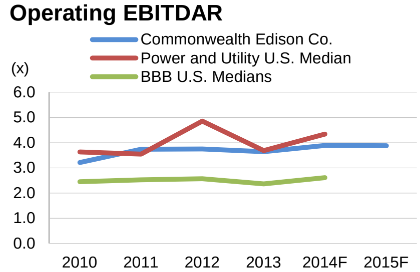
- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest Cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/Revenue: FCF after dividends divided by revenue.
- FFO/Debt: FFO divided by gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock.

Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecasts assumptions include:

- Retail sales growth of less than 1% annually.
- Annual rate increases through FRP proceedings.
- No resolution of like-kind exchange issue in forecast period.
- Dividend payout ratio of no more than 70%.

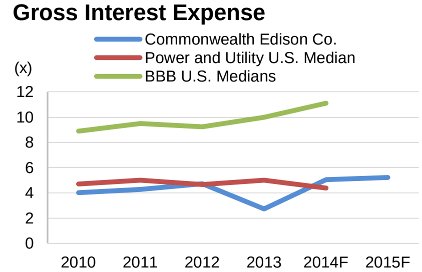
Key Metrics

Leverage: Total Adjusted Debt/ Operating EBITDAR



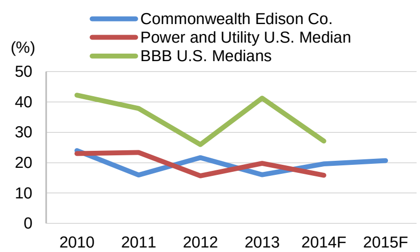
F – Forecast.
Source: Company data, Fitch Ratings.

Interest Coverage: Operating EBITDA/ Gross Interest Expense



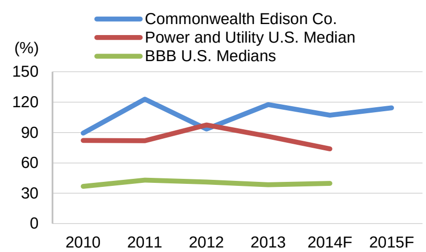
F – Forecast.
Source: Company data, Fitch Ratings.

FFO/Debt



F – Forecast.
Source: Company data, Fitch Ratings.

Capex/CFO



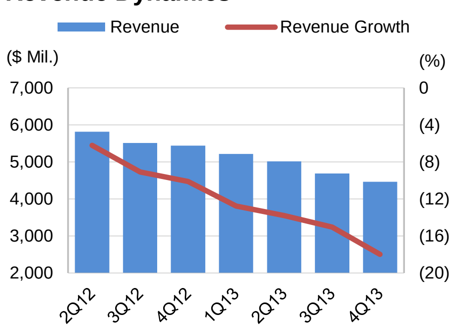
F – Forecast.
Source: Company data, Fitch Ratings.

Company Profile

ComEd, a wholly owned subsidiary of EXC, is a regulated electric distribution and transmission utility serving approximately 3.8 million customers in northern Illinois, including the city of Chicago. The company supplies electricity to customers as the provider of last resort (POLR), but bears no commodity price risk. POLR supply costs are recovered from customers and adjusted monthly.

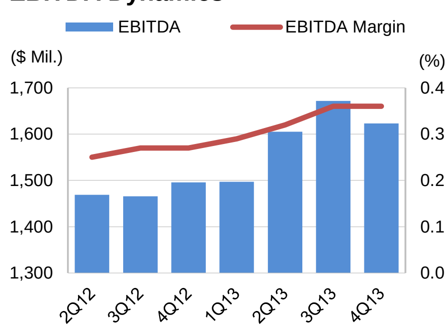
Business Trends

Revenue Dynamics



Source: Company data, Fitch Ratings.

EBITDA Dynamics



Source: Company data, Fitch Ratings.

Financial Summary — Commonwealth Edison Co.

($ Mil., Fiscal Years Ended Dec. 31)	2010	2011	2012	2013
Fundamental Ratios (x)				
Operating EBITDAR/(Gross Interest Expense + Rents)	3.9	4.2	4.6	2.7
FFO Fixed-Charge Coverage	4.0	3.5	4.8	3.1
Total Adjusted Debt/Operating EBITDAR	3.3	3.8	3.8	3.7
FFO/Total Adjusted Debt (%)	31.4	22.0	27.1	30.6
FFO Adjusted Leverage	3.2	4.6	3.7	3.3
Common Dividend Payout (%)	92.0	72.1	27.7	41.5
Internal Cash/Capex (%)	79.7	52.1	98.6	89.3
Capex/Depreciation (%)	186.4	189.7	204.3	214.2
ROE (%)	4.9	6.0	5.3	7.1
Profitability				
Revenues	6,204	6,056	5,443	4,464
Revenue Growth (%)	7.4	(2.4)	(10.1)	(18.0)
Net Revenues	2,897	3,021	3,136	3,290
Operating and Maintenance Expense	1,069	1,201	1,345	1,368
Operating EBITDA	1,572	1,524	1,496	1,623
Operating EBITDAR	1,591	1,542	1,514	1,638
Depreciation and Amortization Expense	516	542	610	669
Operating EBIT	1,056	982	886	954
Gross Interest Expense	391	349	310	583
Net Income for Common	337	416	379	530
Operating and Maintenance Expense % of Net Revenues	36.9	39.8	42.9	41.6
Operating EBIT % of Net Revenues	36.5	32.5	28.3	29.0
Cash Flow				
Cash Flow from Operations	1,077	836	1,334	1,499
Change in Working Capital	(147)	(86)	103	263
Funds from Operations	1,224	922	1,231	1,236
Dividends	(310)	(300)	(105)	(220)
Capex	(962)	(1,028)	(1,246)	(1,433)
FCF	**(195)**	**(492)**	**(17)**	**(154)**
Net Other Investment Cash Flow	23	15	6	39
Net Change in Debt	132	662	(100)	282
Net Equity Proceeds	2	—	—	—
Capital Structure				
Short-Term Debt	—	—	—	184
Total Long-Term Debt	**5,104**	**5,768**	**5,670**	**5,778**
Total Debt with Equity Credit	5,104	5,768	5,670	5,962
Total Adjusted Debt with Equity Credit	5,205	5,865	5,753	6,003
Total Hybrid Equity and Minority Interest	103	103	103	103
Total Common Shareholder's Equity	6,910	7,037	7,323	7,528
Total Capital	**12,117**	**12,908**	**13,096**	**13,593**
Total Debt/Total Capital (%)	42.1	44.7	43.3	43.9
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.85	0.80	0.79	0.76
Common Equity/Total Capital (%)	57.0	54.5	55.9	55.4

Source: Company reports, 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 Rates Commonwealth Edison's First Mortgage Bonds 'A-' Ratings Endorsement Policy

03 Nov 2014 4:44 PM (EST)

Fitch Ratings-New York-03 November 2014: Fitch Ratings assigned an 'A-' rating to Commonwealth Edison Co.'s (Comed) proposed new $250 million issue of first mortgage bonds series 117 due 2024. The Rating Outlook is Stable. Proceeds will be used to repay a portion of outstanding commercial paper and for general corporate purposes. As of Oct. 30, 2014, outstanding commercial paper was $477 million.

KEY RATING DRIVERS

Strong Credit Metrics: Higher rates effective Jan. 1, 2014 and a formula rate plan (FRP) that allows for annual rate adjustments each January should allow Commonwealth Edison Co. (Comed) to sustain its currently sound financial position over the next few years. Fitch estimates Debt/EBITDAR and FFO leverage will average about 3.7x and 4.0x, respectively and FFO fixed charge coverage 4.60x over the next several years, which is consistent with the current rating level.

Regulatory Predictability: The FRP implemented in October 2011 provides increased regulatory predictability in Illinois. Instead of periodic rate filings delivery rates service rates are set annually and based on the actual cost of service. Although the FRP relies on an historical test year, it does include post-test year net plant additions and a true-up of the previously allowed revenue requirement and actual costs in the rate year.

Importantly, the FRP established the data provided in the company's most recently filed FERC Form 1, including the capital structure, as the appropriate cost of service, sets protocols for several items that were had been contentious in past rate cases and relies on a legislatively set return on equity minimizing disputes. FRP was enacted into law by the Illinois Energy Infrastructure Modernization Act (EIMA).

Pending Rate Decision: A $269 million FRP filing is pending which should bolster 2015 earnings and cash flow. A decision expected in December 2014 and new rates will take effect Jan. 1, 2015. The FRP filing is based on a 9.20% ROE reflecting the average rate on the 30-year treasury notes plus 580 basis points (bp) less a performance metrics penalty of 5 bp. The Administrative Law Judge is recommending a $239 million rate increase. Previously, Comed implemented a $341 million increase in distribution rates effective Jan. 1, 2014.

Limited Commodity Price Exposure: Ratings and credit quality benefit from the absence of commodity price exposure, which limits cash flow volatility and reduces business risk. Comed's energy supply costs are recovered from customers through a monthly fuel adjustment mechanism. The company has no volumetric or price risk on energy supply costs.

Rising Capex: Capital expenditures are forecasted to rise to approximately $5.7 billion over the three-year period 2014 - 2016, compared to $3.7 billion in the prior three-year period. The higher outlays are primarily driven by the EIMA, which requires Comed to invest an incremental $1.3 billion on electric system upgrades over five years and an additional $1.3 billion for smart grid deployment over 10 years. The legislation provides for recovery through the FRP filings. The higher capex also reflects an increase in transmission expenditures, which are subject to credit supportive Federal Energy Regulatory Commission (FERC) regulatory policies.

Like-Kind-Exchange: Comed's exposure to the IRS's disallowance of the tax benefits associated with a like-kind-exchange is a credit concern, however the issue is not likely to be resolved for several. As of Sept. 30, 2014, Comed's potential tax and interest that could become payable, excluding penalties, is $310 million.

RATING SENSITIVITIES

Positive: Continuation of constructive outcomes in FRP filings that drive debt/EBITDAR below 3.65x and FFO fixed charge coverage above 4.65x on a sustainable basis could lead to higher ratings.
Negative: Lack of rate support for infrastructure investments or changes in the commodity cost recovery provisions could lead to lower ratings.

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Applicable Criteria and Related Research:

--'Corporate Rating Methodology - Including Short-term Ratings and Parent and Subsidiary Linkage' (May 28, 2014;

--'Recovery Ratings and Notching Criteria for Utilities' (Nov. 19, 2013);
--'Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 11, 2014).

Applicable Criteria and Related Research:
Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage
Recovery Ratings and Notching Criteria for Utilities
Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors)

Additional Disclosure
Solicitation Status

MOODY'S
INVESTORS SERVICE

Issuer Comment: Commonwealth Edison taps the market for debt and provides additional evidence why Exelon's utilities provide a solid credit foundation

Global Credit Research - 06 Jan 2014

On 6 January 2014, Commonwealth Edison Company (CWE: Baa2 senior unsecured, review for upgrade), a subsidiary of Exelon Corporation (Exelon: Baa2 senior unsecured, stable), jumped into the capital markets with an offer to raise $650 million in new First Mortgage Bonds (senior secured rated A3, review for upgrade). The proceeds will be used to refinance pending maturities totaling $617 million with the remainder for general corporate purposes. We expect the bond offering will be well received by investors and see the refinancing as additional evidence that CWE, along with Exelon's two other transmission and distribution utilities, Baltimore Gas and Electric Company (BG&E: Baa1 senior unsecured, review for upgrade) and PECO Energy Company (PECO: A3 senior unsecured, review for upgrade), maintain a low business risk profile with an open and welcoming access to the capital markets.

Combined, these three utilities are roughly the same size as Consolidated Edison Company of New York (A3 senior unsecured, review for upgrade), generating almost $11 billion in revenue with $3.5 billion in EBITDA and $2.5 billion in cash flow. We see cash flow increasing over the next few years towards the $3.0 billion level with net income following and eventually reaching the $1.0 billion plateau. The utilities have roughly $13 billion in aggregate debt, so they produce a ratio of cash flow to debt in the high-teen's range.

The revenue and cash flow stability for Exelon's three utilities is principally driven by much improved regulatory environments where each of the large city T&D systems enjoy a strong suite of cost and investment recovery mechanisms. The recent regulatory decisions from Maryland, affecting BG&E, and Illinois, affecting CWE, are viewed as additional evidence that the regulatory recovery process is working more smoothly, a credit positive. The recent actions in Maryland and Illinois, states where the regulatory relationships have historically been more contentious, are exactly the kinds of constructive, timely and transparent decisions that have contributed to our evolving view of regulatory support for the US regulated utility sector which was the key driver behind the November rating action, when we placed most US investor owned utilities on review for a possible upgrade, including Exelon's BG&E, CWE and PECO.

Exelon's utilities are expected to invest roughly $2.5 billion in annual capital expenditures over the next few years and we think the collective upstream dividends will roughly double - from about $0.5 billion for the twelvemonths ended September 2013 to almost $1.0 billion within the next 3 years. The growth in the upstream dividends is partly due to BG&E coming off a mandated dividend freeze, a condition that Exelon had to agree to in order to complete the Constellation Energy acquisition. Nevertheless, the utilities' net incomes are also growing, in part, due to the heavy capital investments and timely recovery mechanisms authorized by the regulators. As a result, Exelon, which currently pays an annual common dividend of about $1.0 - $1.1 billion to its shareholders, will be better positioned to meet its shareholder dividend principally through its regulated utilities rather than relying on its unregulated power subsidiary, Exelon Generation Company LLC (Baa2, senior unsecured, stable), a credit positive.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Exelon's T&D utilities; rating outlooks stable

Global Credit Research - 30 Jan 2014

Approximately $9 Billion of Debt Affected

New York, January 30, 2014 -- Moody's Investors Service today upgraded the senior unsecured ratings of Baltimore Gas & Electric Company (BGE) to A3 from Baa1, Commonwealth Edison Company (CWE) to Baa1 from Baa2, and PECO Energy Company (PECO) to A2 from A3. Moody's also upgraded the short-term rating at PECO to Prime 1 from Prime 2. This rating action completes our review of BGE, CWE and PECO initiated on November 8, 2013. The outlooks for BGE, CWE and PECO are stable.

"Exelon's three electric transmission and distribution utilities are financially secure and operate under supportive regulatory environments in Maryland, Illinois and Pennsylvania. All three jurisdictions provide a good suite of timely cost recovery mechanisms." said Jim Hempstead, Associate Managing Director.

RATINGS RATIONALE

The primary driver of today's rating action was Moody's more favorable view of the relative credit supportiveness of the US regulatory environment, as detailed in our September 2013 Request for Comment titled "Proposed Refinements to the Regulated Utilities Rating Methodology and our Evolving View of US Utility Regulation."

The rating upgrades for BGE and CWE reflect the improved regulatory frameworks in Maryland and Illinois, where formulaic or forward looking recovery mechanisms, rate riders or other single-issue special purpose trackers exist. The upgrade for PECO reflects the continued supportive regulatory framework in Pennsylvania. All three utilities benefit from a reasonably transparent regulatory framework.

"Evidence of supportive regulatory decisions can be found in recent rate orders in Maryland and Illinois," added Hempstead "states where the utilities were often a party in more contentious proceedings."

In Maryland, BGE's upgrade reflects the existence of a more constructive political and regulatory environment. The merger conditions, which included a 3-year share-holder dividend holiday, also help lay the foundation to a more constructive relationship. Over the next 3-5 years, BGE's ratio of cash flow to debt is expected to remain in the high-teen's range. Next year, in 2015, shareholder dividends will recommence with a 70% payout range.

In December, BGE received a rate increase of about $46 million with an authorized return on equity of 9.6% for the gas distribution business and an authorized return on equity of 9.75% for the electric business. BGE also received a small infrastructure tracker.

In Illinois, Commonwealth Edison's upgrade reflects a more constructive political and regulatory environment, which will provide greater predictability. Recent legislations, Energy Infrastructure and Modernization Act (EIMA) and Senate Bill 9, established a framework to adopt more formulaic cost recovery mechanisms. In the formula's first material regulatory proceeding, CWE was authorized a revenue increase of $341 million, as compared to the $353 million request. The small difference appears to indicate that the utility and commission have a shared understanding of how utilities should apply for cost recovery for these types of distribution investments, a credit positive.

In fact, CWE's suite of recovery mechanisms, taken as a whole, actually look better than both BGE and PECO. The rating is one-notch lower than BGE and two-notches lower than PECO because the regulatory lag in Illinois had been running almost twice as long as that of Maryland and Pennsylvania. Nonetheless, allowed returns are on par with the broader peer groups of T&D utilities as well as with vertically integrated electrics that do not operate in states that legislatively enacted the unbundling of the traditional electric utility framework.

In Pennsylvania, PECO operates with a good suite of recovery mechanisms and riders. These include recovery for fuel and purchased power, and investments for generation, environmental and natural gas T&D infrastructure, among others. PECO is not expected to file for a revenue increase for a few years.

RATING OUTLOOK

The rating outlook for all three utilities is stable. BGE, CWE and PECO own and operate critical infrastructure around the greater Baltimore, Chicago and Philadelphia metro-regions, respectively. In all three states, Moody's expects regulators and politicians to provide a reasonably supportive and constructive framework for the utilities to pursue, submit and ultimately receive authorization to recover the vast majority of their prudently incurred costs and investments. The financial profile for the three T&D utilities is strong, and cash flows (combined for all three utilities) should grow to roughly $2.8 -- $3.0 billion over the next 3 years. Assuming the three utilities can keep their total debt outstanding near $15 billion, the ratio of CFO to debt should remain in the high-teen's range over the next five years.

WHAT COULD CHANGE RATING -- UP

All three utilities could be upgraded as the new formulaic rate setting framework and other positive legislative intervention (such as the Illinois EIMA law) starts to build a track record. It will take a few years to fully understand the credit impacts associated with new trackers and recovery mechanisms as they experience different economic and financial cycles. For now, we incorporate a view that the regulatory environment will remain supportive for at least the next 2 – 3 years, and that the suite of recovery mechanisms will not be materially diminished.

WHAT COULD CHANGE RATING -- DOWN

All three utilities could be downgraded if the ratio of cash flow to debt fell below the 15% threshold for a sustained period of time, especially if the decline was in cash flow and associated with an unexpected regulatory or political intervention. Mis-managing liquidity or an unbalanced shareholder rewards policy, where the dividend payout ratio was near 100%, could also create negative rating pressure. At this point, the biggest credit rating exposure appears to reside in the three utility's relationship with their unregulated affiliate, Exelon Generation.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

LIST OF RATING CHANGES

Ratings Upgraded

Commonwealth Edison Company

Long-term Issuer Rating -- Baa1 from Baa2

Senior Secured Rating – A2 from A3

Senior Unsecured Rating – Baa1 from Baa2

Senior Unsecured Shelf Rating -- (P)Baa1 from (P)Baa2

Preferred Shelf Rating – (P)Baa3 from (P)Ba1

Outlook -- Stable

Baltimore Gas & Electric

Long-term Issuer Rating -- A3 from Baa1

Senior Unsecured Rating – A3 from Baa1

Senior Secured Shelf Rating -- (P)A1 from (P)A2

Senior Unsecured Shelf Rating -- (P)A3 from (P)Baa1

Preferred Shelf Rating – (P)Baa2 from (P)Baa3

Outlook -- Stable

PECO Energy Company

Long-term Issuer Rating -- A2 from A3

Senior Secured Rating – Aa3 from A1

Senior Unsecured Rating -- A2 from A3

Preferred Stock Rating -- Baa1 from Baa2

Senior Secured Shelf Rating -- (P)Aa3 from (P)A1

Subordinated Shelf Rating -- (P)A3 from (P)Baa1

Preferred Shelf Rating -- (P)Baa1 from (P)Baa2

Commercial Paper Rating -- Prime 1 from Prime 2

Outlook -- Stable

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms ratings for Exelon and PEPCO families upon merger announcement; outlooks remain stable

Global Credit Research - 30 Apr 2014

Approximately $28 Billion of Debt Affected

New York, April 30, 2014 -- Moody's Investors Service today affirmed the ratings of Exelon Corporation (Exelon) and its subsidiaries. Ratings affirmed include: Exelon's Baa2 senior unsecured and Prime-2 short term commercial paper ratings; Baltimore Gas & Electric Company's (BGE) A3 senior unsecured rating; Commonwealth Edison Company's (CWE) Baa1 senior unsecured rating; and PECO Energy Company's (PECO) A2 senior unsecured rating and Prime-1 short term commercial paper rating. In addition, Moody's affirmed Exelon Generation Company's (ExGen) Baa2 senior unsecured rating. The rating outlook for Exelon and all of its subsidiaries is stable.

Concurrently, Moody's affirmed the ratings of Pepco Holdings Inc (PHI) and its subsidiaries. Ratings affirmed include PHI's Baa3 long-term issuer and Prime-3 short term commercial paper ratings; Potomac Electric Power Company's (PEPCO) Baa1 long-term issuer and Prime-2 short term commercial paper ratings; Delmarva Power & Light Company's (DPL) Baa1 long-term issuer and Prime-2 short term commercial paper ratings; and Atlantic City Electric Company's (ACE) Baa2 long-term issuer and Prime-2 short term commercial paper ratings. The rating outlook for PHI and all of its subsidiaries is stable.

"This transaction fundamentally shifts Exelon's business mix towards lower risk regulated transmission and distribution utilities" said Jim Hempstead, Associate Managing Director "and looks to have a high degree of execution certainty given the company's presence in the region and prior success with the BGE integration."

"Although PHI has had some success in addressing several regulatory overhangs across its jurisdictions, being part of a large company, and eliminating the need to finance its common dividend are positive" said Lesley Ritter, Analyst. "As the planned investment in rate base unfolds and the recovery structures commence, we think PHI and its utility subsidiaries will be better positioned for rating upgrades."

RATINGS RATIONALE

The primary driver of today's rating action is the shift in Exelon's business mix towards the lower risk transmission and distribution (T&D) utility business, the improved diversity of regulatory jurisdictions, increased scale and scope of the company and balanced acquisition financing plans. We also view this transaction as a credit positive for PHI and its subsidiaries because it eliminates the pressure of maintaining an aggressive common dividend, thereby reducing the need for further leverage at this entity, during a period of heightened capital spending.

With the addition of PHI, Exelon's mix of regulated and unregulated business activities will shift to approximately 60% regulated -- 40% unregulated from roughly 50% - 50%, and its revenue concentration in Maryland, Illinois and Pennsylvania shifts to 33%, 30% and 21% from 29%, 42% and 29%, respectively. In addition, Exelon picks up exposure to New Jersey, Delaware and the District of Columbia.

Exelon's credit profile will also benefit by the larger and more diversified rate base, which is expected to grow across all of the jurisdictions. Exelon's roughly $18 billion T&D rate base will grow with PHI's roughly $7 billion rate base, creating one of the largest T&D utilities in the US. The greater breadth and diversity of these regulated jurisdictions is a credit positive because all of the jurisdictions are viewed as being relatively supportive to long term credit quality and provide a reasonable suite of timely recovery mechanisms.

We also see improvement in the upstream subsidiary dividend policy, with the reliance on upstream dividends shifting further away from ExGen and more toward regulated cash flows. PHI benefits because incorporation into a large diversified family of businesses eliminates the pressure of maintaining an aggressive common dividend, thereby reducing the need for further leverage at this entity.

Exelon is defending its Baa2 rating by utilizing a balanced mix of debt and equity, and ExGen will dividend roughly $1.0 billion in non-core, after-tax asset sale proceeds to help finance the purchase of PHI. That said, the rating is constrained by the shift in Exelon's corporate finance policies, where roughly $3.5 billion in holding company debt will be issued along with mandatorily convertible debt. Assuming 50% equity treatment for the convertible debt, and including an additional $500 million of debt that currently resides at Exelon's parent holding company (but excluding an expected retirement of $800 million that currently resides at Exelon), the ratio of parent holding company debt to total consolidated debt will rise from around 6% today. If this ratio of parent holding company debt to total consolidated debt rose above the 25%-30% range, a wider notching between the parent and its subsidiaries could result. Still, the issuance of approximately $2.8 billion of equity is viewed as a credit positive, and the convertible debt should convert to additional equity in about 3 years.

On a pro-forma basis, Exelon's consolidated financial metrics will also weaken somewhat, with the ratio of consolidated cash flow to debt expected to remain in the low 20% range over the next few years. This compares with the 2013 ratio of roughly 25%. The higher concentrations of regulated operations will provide some cushion lower credit metric thresholds for a given rating because of the inherent stability of regulated cash flows.

RATING OUTLOOKS

The stable rating outlook for Exelon considers the stability and predictability of its large T&D utility businesses, the reduced shareholder dividend outflows, adequate liquidity profile and conservatively levered unregulated generation business.

The stable rating outlook for ExGen considers the benefits to credit quality from deferring growth capital investments and from the parent's decision to reduce the common dividend by 40%. The stable rating outlook factors in our belief that ExGen is strongly positioned as a mid-Baa company during the current down cycle that also incorporates some degree of financing flexibility which should help facilitate incremental growth prospects as they arise.

The stable rating outlooks for BGE, CWE and PECO reflects the critical utility infrastructure they operate around the greater Baltimore, Chicago and Philadelphia metro-regions, respectively. In all three states, Moody's expects regulators and politicians to provide a reasonably supportive and constructive framework for the utilities to pursue, submit and ultimately receive authorization to recover the vast majority of their prudently incurred costs and investments. The financial profile for the three T&D utilities is strong, and cash flows (combined for all three utilities) should grow to roughly $2.8 - $3.0 billion over the next 3 years. Assuming the three utilities can keep their total debt outstanding near $15 billion, the ratio of CFO to debt should remain in the high-teen's range over the next five years.

The stable rating outlooks for PHI and its subsidiaries factor in the benefits of the merger as being a part of a larger family, including the likely reduction of negative free cash flow across the companies.

WHAT COULD CHANGE RATING -- UP

Exelon's ratings could be upgraded with a continued shift in business mix towards the regulated T&D utilities and away from the unregulated merchant power and retail businesses. To the extent that growth initiatives continue to center around acquisitions of rate regulated businesses, credit quality for Exelon could be enhanced, particularly if such an acquisition was financed in a credit friendly fashion. Exelon's ratings could also be upgraded if it can produce a ratio of cash flow to debt in the mid-20% range for a sustained period of time and if the T&D utilities produced sustained ratios of cash flow to debt in the mid- to high-teen's range. At this level, Exelon's more risky unregulated businesses will be sufficiently mitigated with its strong financial profile.

In light of the most recent negative rating action in February 2013 that lowered ExGen's long-term rating to Baa2 along with a continuing negative rating outlook for the unregulated power sector, it is unlikely for ExGen's ratings to upgraded over the next several years.

PHI will likely see upwards rating pressure once regulatory approvals for the merger are reached and there is further clarity on the company's pro forma dividend policy. While the PHI rating could benefit from merger completion, rating upgrades at the utility levels are unlikely for now given the sizeable capital spending program at each of the subsidiaries.

For BGE, CWE and PECO, ratings could be upgraded as the new formulaic rate setting framework and other positive legislative intervention (such as the Illinois EIMA law) starts to build a track record. It will take a few years to fully understand the credit impacts associated with new trackers and recovery mechanisms as they experience different economic and financial cycles. For now, we incorporate a view that the regulatory environment will remain supportive for at least the next 2 -- 3 years, and that the suite of recovery mechanisms will not be materially diminished.

WHAT COULD CHANGE RATING -- DOWN

Exelon's rating could be downgraded if weaker than expected financial performance surfaced for a sustained period of time, either as a result of a further sustained drop in operating margins across the unregulated power sector or a substantial outage at several of the company's generating assets. In addition, if sizeable negative free cash flows were financed with material increase in indebtedness, or if a more contentious regulatory environment in Illinois, Maryland or Pennsylvania were to materialize, ratings could be pressured. From a financial perspective, Exelon's ratings could be downgraded if cash flow to debt fell below 20% for a sustained period of time, or it retained cash flow to debt below 12%.

ExGen's rating is strongly-positioned in the mid-Baa rating category and its hedging strategy enhances the reliability of its near-term cash flow. The rating, however, could be downgraded if weaker than expected financial performance surfaced either as a result of a further sustained drop in operating margins across the sector or a substantial outage at several of the company's generating assets resulting in negative free cash flow being financed with material incremental indebtedness. Specifically, ExGen's ratings could be downgraded if cash flow to debt declined to the low twenties percentages, retained cash flow to debt fell below 15%, cash flow interest coverage was below 5.0x and material negative free cash flow surfaced on a sustained basis.

PHI's rating could be downgraded if the company encounters adverse regulatory or political developments at its utility subsidiaries, or finances its near-term capital expenditure program in a manner that impairs its ability to maintain low Baa metrics over a sustained period of time.

The ratings of Pepco, DPL and ACE could be lowered if there were a deterioration in the regulatory environment, which might include greater regulatory lag, uncertainty about recovery of investments, further compression in rates, or if there were a downward revision in our expectation of future financial metrics relative to our current view.

For BGE, CWE and PECO, ratings could be downgraded if the ratio of cash flow to debt fell below the 15% threshold for a sustained period of time, especially if the decline was in cash flow and associated with an unexpected regulatory or political intervention. Mis-managing liquidity or an unbalanced shareholder rewards policy, where the dividend payout ratio was near 100%, could also create negative rating pressure. At this point, the biggest credit rating exposure appears to reside in the three utility's relationship with their unregulated affiliate, Exelon Generation.

LIST OF RATING AFFIRMATIONS

Exelon Corporation

Long-term Issuer Rating -- Baa2

Senior Unsecured Rating -- Baa2

Senior Unsecured Bank Credit Facility Rating -- Baa2

Senior Unsecured Shelf Rating -- (P)Baa2

Subordinate Shelf Rating -- (P)Baa3

Pref. Stock Rating -- (P)Ba1

Commercial Paper Rating -- Prime 2

Outlook -- Stable

Exelon Generation Company

Long-term Issuer Rating -- Baa2

Senior Unsecured Rating -- Baa2

Senior Unsecured Bank Credit Facility Rating -- Baa2

Senior Unsecured Shelf Rating -- (P)Baa2

Pref. Stock Rating -- (P)Ba1

Commercial Paper Rating – Prime 2

Outlook -- Stable

Commonwealth Edison Company

Long-term Issuer Rating -- Baa1

First Mortgage Bonds Rating -- A2

Senior Unsecured Rating – Baa1

Senior Unsecured Bank Credit Facility Rating – Baa1

Commercial Paper Rating – Prime 2

Outlook -- Stable

Baltimore Gas & Electric

Long-term Issuer Rating -- A3

Senior Unsecured Rating – A3

Senior Unsecured Bank Credit Facility Rating – A3

Senior Secured Shelf Rating -- (P)A1

Senior Unsecured Shelf Rating -- (P)A3

Preferred Shelf Rating – (P)Baa2

Industrial Revenue Bonds -- VMIG 2

Commercial Paper Rating – Prime 2

Outlook -- Stable

BGE Capital Trust II

Preferred Stock -- Baa1

PECO Energy Company

Long-term Issuer Rating -- A2

First Mortgage Bonds Rating -- Aa3

Senior Unsecured Bank Credit Facility Rating – A2

Pref. Stock Rating -- Baa1

Commercial Paper Rating – Prime 1

Outlook -- Stable

PEPCO Holdings Inc.

Long-term Issuer Rating -- Baa3

Senior Unsecured Rating – Baa3

Commercial Paper Rating – Prime 3

Outlook -- Stable

Potomac Electric Power Company

Long-term Issuer Rating -- Baa1

First Mortgage Bonds Rating -- A2

Commercial Paper Rating -- Prime 2

Outlook -- Stable

Delmarva Power & Light Company

Long-term Issuer Rating -- Baa1

First Mortgage Bonds Rating -- A2

Senior Secured Shelf Rating -- (P)A2

Senior Unsecured Rating -- Baa1

Commercial Paper Rating -- Prime 2

Outlook -- Stable

Atlantic City Electric Company

Long-term Issuer Rating -- Baa2

First Mortgage Bonds Rating -- A3

Senior Secured Rating -- A3

Pref. Stock Rating -- Ba1

Commercial Paper Rating -- Prime 2

Outlook -- Stable

The principal methodology used in these ratings was Unregulated Utilities and Power Companies published in August 2009 and Regulated Electric and Gas Utilities published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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Credit Opinion: Commonwealth Edison Company

Global Credit Research - 28 Aug 2014

Chicago United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Parent: Exelon Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Pref. Shelf	(P)Ba1
Commercial Paper	P-2
ComEd Financing III	
Outlook	Stable
BACKED Pref. Stock	Baa2

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Key Indicators

[1]**Commonwealth Edison Company**

	6/30/2014(L)	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**
CFO pre-WC + Interest / Interest	**5.1x**	**2.6x**	**4.5x**	**5.2x**	**4.1x**
CFO pre-WC / Debt	**19.8%**	**15.1%**	**17.7%**	**25.1%**	**21.1%**
CFO pre-WC - Dividends / Debt	**16.0%**	**11.8%**	**16.1%**	**20.6%**	**16.4%**
Debt / Capitalization	**37.4%**	**36.5%**	**37.3%**	**37.8%**	**39.4%**

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

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

Opinion

Rating Drivers

Regulatory environment has improved with credit supportive recovery frameworks

Sizeable capital expenditure program

Good credit metrics for the rating category

Dispute with IRS remains an overhang credit issue but expects Exelon to hold CWE harmless

Corporate Profile

Commonwealth Edison Company (CWE) is a regulated electric transmission and distribution company and a subsidiary of Exelon Corporation (Exelon: Baa2 stable). CWE provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. CWE is regulated by the Illinois Commerce Commission (ICC) and the Federal Energy Regulatory Commission (FERC). At June 30, 2014, CWE had total assets of $24.63 billion.

SUMMARY RATING RATIONALE

CWE's Baa1 senior unsecured rating primarily reflects an improving regulatory environment, which has become more predictable with the introduction of a formulaic rate base tariff. The rating considers CWE's good financial credit metrics for its rating category, a reasonable approach to liquidity management, a sizeable capital spending program, and the diversity in the regional economy which helps insulate CWE from the region's weak recovery. A longer-term credit overhang is CWE's ongoing exposure to litigation with the IRS.

DETAILED RATING CONSIDERATIONS

- Regulatory environment has improved with credit supportive legislation

CWE operates in an improved regulatory environment for electric utilities in Illinois, albeit not without challenges. Since 2011, CWE's distribution rates have been established through a performance-based formula rate plan (FRP) pursuant to the Energy Infrastructure Modernization Act (EIMA), which provides a structure for substantial capital investment by utilities over a ten-year period to modernize Illinois' electric utility infrastructure. After initial problems were encountered with the implementation of the (FRP) the Illinois House and Senate each passed Senate Bill (SB) 9 to clarify the intent of EIMA on three major issues: the use of year-end rather than average rate base and capital structure in the annual update, the use of CWE's weighted average cost of capital interest rate to apply to the annual update and an allowed return on CWE's pension assets. On May 22, 2013, the Illinois General Assembly overrode the Governor's May 5th veto of SB9, which resulted in the legislation becoming effective immediately.

On December 19, 2013, the ICC issued its final order on the annual distribution formula rate, increasing the revenue requirement by $341 million, reflecting an increase of $160 million for the initial revenue requirement for 2013 and an increase of $181 million for the annual reconciliation for 2012. The rate increase was set using an allowed return on capital of 6.94% (inclusive of an allowed ROE of 8.72%). The changes became effective in January 2014. The decision was generally consistent with expectations except for the elimination of the income tax-gross up on the weighted average cost of capital used to calculate interest on the annual reconciliation balance. ComEd filed for a rehearing, which was denied by the ICC.

On April 16, 2014, ComEd filed its annual distribution formula rate update. The request included a total increase to the net revenue requirement of $269 million, reflecting an increase of $174 million for the initial revenue requirement for 2014 and an increase of $95 million related to the annual reconciliation for 2013. The revenue requirement provides for a weighted average debt and equity return on distribution rate base of 7.06% inclusive of an allowed return on common equity of 9.25%. The company expects a decision by December 2014.

ComEd plans to invest approximately $1.3 billion on smart meters and smart grid investments under EIMA, including $1.0 billion through the AMI Deployment Plan. On June 11, 2014, The ICC approved ComEd's request to accelerate the deployment which allows for the installation of more than four million smart meters throughout ComEd's service territory by 2018, three years in advance of the originally scheduled 2021 completion date. To date, nearly 350,000 smart meters have been installed in the Chicago area by ComEd.

-Material Capital Investment

ComEd's business is capital intensive and requires significant investments primarily in energy transmission and distribution facilities to ensure the adequate capacity, reliability and efficiency of its system. The increasing capital expenditure program also is mainly attributable to the infrastructure modernization related to EIMA. Pursuant to EIMA, ComEd will invest approximately $2.6 billion over ten years to modernize and storm-harden its distribution system and to impment smart grid technology. In 2012 and 2013, capital expenditures increased to 1.2 billion and 1.4 billion, respectively, as compared to the three year average of $948 million over the 2009-2011 period. We anticipate that capital spending will continue to escalate as the company accelerates its smart meter plan. For 2014, capital expenditures are expected to total approximately $1.8 billion.

-Overhang with IRS case

On January 9, 2013, the US Court of Appeals reached a decision for the government in a lawsuit involving Consolidated Edison`s (ConEd's) participation in a lease-in, lease-out (LILO) transaction that the IRS had characterized as a tax shelter, and disallowed ConEd's deductions stemming from its participation in this investment.

CWE has deferred the $1.2 billion of gain on the 1999 sale of its fossil generating facilities by acquiring like-kind property via a purchase leaseback transaction. The IRS has asserted that the Exelon purchase leaseback transaction is substantially similar to a leasing transaction known as a sale-in, lease-out transaction (SILO). Exelon believes that its like-kind exchange transaction is not the same as or substantially similar to a SILO. On September 30, 2013, the Internal Revenue Serivce issued a notice of deficiency to Exelon for the like-kind exchange position. Exelon filed a petition on December 13, 2013 to initiate litigation in the United States Tax Court. In light of the ConEd decision and Exelon's current determination that a settlement is unlikely, Exelon recorded in the first quarter of 2013 a non-cash charge to earnings of approximately $265 million, which represents the full amount of interest expense (after-tax) and incremental state tax expense in the event that Exelon is unsuccessful in litigation. Approximately $170 million of the amount was recorded at CWE.

Exelon expects to hold CWE harmless from any unfavorable impacts of the after-tax interest amounts on CWE's equity. As of June 30, 2014, in the event of a fully successful IRS challenge to Exelon's like-kind exchange position, the potential tax and after-tax interest, exclusive of penalties, that could become currently payable may be as much as $830 million, of which approximately $310 million would be attributable to CWE and the remainder to Exelon. Litigation could take several years such that the estimated cash and interest impacts would likely change by a material amount.

In the first quarter of 2014, Exleon entered into an agreement to terminate its investment in one of the three municipal-owned electric generation properties in exchange for a net early termination amount of $335 million. The termination will result in a 2014 tax payment of approximately $285 million by Exelon, including approximately $155 million by ComEd representing the remaining gain deferred pursuant to the like-kind exchange transaction. In the event of a fully successful IRS challenge to Exelon's like-kind exchange position, Exelon will be entitled to a refund of the 2014 tax payment.

-Good Credit Metrics for the Current Rating

CWE has produced reasonably steady financial credit metrics over the past few years. For example, the ratio of cash flow (CFO pre W/C) to debt has averaged around 19.3% over the 2011-2013 period, which is viewed as strong for the Baa rating. Some of this financial performance can be attributed to the receipt of bonus depreciation, which is not a sustainable source of cash flow. CWE's financial results declined substantially in 2013 reflecting the one-time accounting implications associated with a $170 million after-tax charge taken by CWE for the above referenced dispute with the IRS. For the LTM period ending June 30, 2014, CWE recorded cash flow to interest coverage of 5.1x, cash flow to debt of 19.8%, and cash flow less dividends to debt of 16.0%, which are slightly inflated as a result of the December 2013 formulaic rate decision. Going forward, we expect credit metrics to improve and stabilize closer to 2012 levels.

Liquidity

CWE's Prime-2 short-term commercial paper rating reflects our view that the company will maintain adequate liquidity over the next 4 quarters. For the 12 months ending June 30, 2014, we calculate that negative free cash reached roughly $465 million based on cash from operations of $1.28 billion, capital spending of $1.48 billion and the payment of $266 million in common dividends. In light of the ample capital investment program anticipated at the utility, we expect CWE to be free cash flow negative for the next few years. That said, given the higher capital spending at CWE, we believe that the company will continue to moderate its dividend to the parent to a level well below the targeted 65-70% payout range.

In March 2014, CWE extended its $1 billion unsecured revolver one additional year moving the expiry date to

March 2019. This credit facility is used primarily to provide liquidity support for commercial paper and for the issuance of letters of credit. At June 30, 2014, CWE had $498 million of commercial paper outstanding and had no letters of credit issued under the facility.

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. On August 10, 2013, CWE amended the interest coverage ratio in their credit agreement to exclude any non-cash impacts related to the like-kind exchange. At June 30, 2014, CWE's ratio of net cash flow from operations to net interest expense was 5.99x.

Over the next twelve months ending June 30, 2015, CWE has $260 million of maturing debt. We 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 30, 2014, if CWE lost its investment grade credit rating, it could be required to provide $7 million of collateral.

Rating Outlook

CWE's stable rating outlook reflects an expectation that financial results will continue to strengthen, particularly with the passage of EIMA. Although the regulatory environment remains challenging, primarily due to the region's economic conditions, we believe that the latest credit supportive legislation will improve cost recovery and predictability under the FRP, where the ratio of cash flow to debt hovers in the high-teen's range. CWE's stable outlook further incorporates our belief the company's dividend policy will continue to remain sensible in light of the utility's increased capital spending requirements.

What Could Change the Rating - Up

Upward rating pressure can surface if we observe further improvements to the state's regulatory environment such that cash flow to debt increases to above 20.0% or cash flow to interest expense rises above 4.5x for an extended period.

What Could Change the Rating - Down

The rating could be downgraded if the regulatory environment becomes increasingly contentious, if the company's cash flow to debt declines below the mid-teen's range or cash flow to interest expense falls below 3.5x for an extended period. Also, negative rating pressure could materialize if the outcome of the continuing IRS challenge concerning certain sale/leaseback transactions affecting Exelon and CWE leads to substantial payments for the utility.

Other Considerations

As depicted below, CWE's implied rating under the grid on a historical and projected basis is Baa1 on par with the current senior unsecured rating.

Rating Factors

Commonwealth Edison Company

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 6/30/2014**		[3]**Moody's 12-18 Month Forward ViewAs of August 2014**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and	A	A	A	A

Capital Costs				
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.9x	Baa	4x - 4.5x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	18.6%	Baa	17% - 20%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	15.5%	Baa	11% - 15%	Baa
d) Debt / Capitalization (3 Year Avg)	37.5%	A	35% - 40%	Aa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 6/30/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

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ISSUER COMMENT
9 DECEMBER 2014

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Ameren Illinois Company and Commonwealth Edison Company

Illinois Energy Infrastructure Modernization Act Likely to be Extended by Two Years; Credit Positive

Overwhelming Support for House Bill 3975: On December 4, the Illinois Senate voted 40 to 4 in favor of passing HB 3975. The bill proposes to extend the current Energy Infrastructure Modernization Act (EIMA), which established a formula-rate process for determining electric rates, by two years to 2019. If enacted, Ameren Illinois Company (Baa1 stable) and Commonwealth Edison Company (Baa1 stable) will continue to utilize the formula rate plan to adjust their electric rates, a credit positive. When the EIMA was originally enacted in 2011, it established an annual formulaic rate framework to recover infrastructure investment costs incurred by the Illinois' transmission and distribution utilities. It also required Ameren Illinois and ComEd to undertake a certain amount of capital investment to modernize their T&D infrastructure. Today, the law is set for a "sunset" review in 2017 and it could potentially be extended after the review. The Illinois House of Representatives voted 87 to 24, approving this bill in mid-November.

Extension of EIMA a Credit Positive for Both Ameren Illinois and ComEd: Based on the strong support of this bill in the House and the Senate, we believe the probability of the extension of the EIMA is high. Even if the current lame duck governor vetoes the bill, we believe there is enough positive momentum built behind this bill for the General Assembly to override a veto. If the EIMA is extended, it would be credit positive for both Ameren Illinois and ComEd because the EIMA provides transparency and certainty around the framework to recover prudently incurred investments. The EIMA framework also reduces political and regulatory risk related to any potential electric rate increases, because the framework appears to be working reasonably well, with all parties arriving at a common understanding of how the recovery processing should be conducted. This is not to say that various interveners and other interested parties will not contest various aspects to the EIMA, or its infrastructure investments, as some of the details related to the legislation are refined or amended. The EIMA allows the Illinois utilities and the regulators to have frequent dialogue related to the companies' capital investment plan, and the changes in the electric rates.

Robust Capital Program Planned by Ameren Illinois and ComEd Under EIMA: Ameren Illinois' 2015-2018 capital plans are expected to be up to $2.9 billion. Pursuant to the EIMA, Ameren Illinois is required to invest an incremental $625 million between 2011 and 2021 above its historical baseline spending to modernize the distribution system. In 2013, Ameren Illinois spent $61 million towards this requirement. ComEd also has a robust capex program planned pursuant to EIMA. Over the next ten years, ComEd plans to invest approximately $2.6 billion to modernize and storm-harden its distribution system and to implement smart grid technology. In 2012 and 2013, ComEd's capex increased to $1.2 billion and $1.3 billion, respectively, compared to the three year average spending of $948 million over the 2009-2011 period.

Exhibit 1

Ameren Illinois and Commonwealth Edison Historical and Projected Capital Expenditure (2010-2017)($ in millions)

Issuer	2010	2011	2012	2013	2014	2015	2016	2017
Ameren Illinois Co.	281	351	442	701	800	800	700	700
Commonwealth Edison Co.	962	1,028	1,246	1,433	1,750	2,150	1,950	1,925

For Ameren Illinois, 2015-2017 capital expenditures are Moody's estimates.

Companies' reports; Moody's

Moody's Related Research

Credit Opinions:

Ameren Illinois Corp.

Commonwealth Edison Company

Methodology:

Regulated Electric and Gas Utilities, December 2013 (157160)

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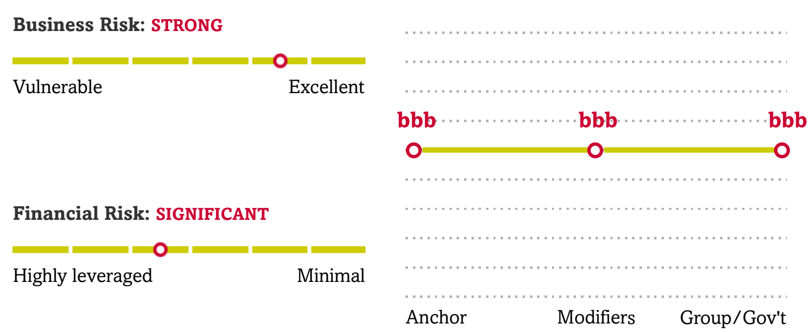
Summary:

Commonwealth Edison Co.



CORPORATE CREDIT RATING

BBB/Stable/A-2

Rationale

Business Risk: Strong	Financial Risk: Significant
• Operations under a somewhat improving and evolving regulatory environment • Low operating risk electric transmission and distribution operations • Large customer base with no geographic diversity	• Credit protection measures largely adequate to support the "significant" financial risk profile • Planned high capital spending leading to negative discretionary cash flow

Outlook: Stable

The rating outlook on Commonwealth Edison Co. reflects our rating outlook on its parent, Exelon Corp. The outlook on Exelon accounts for the company's plans to merge with PEPCO Holdings Inc. The outlook on the ratings is stable. However, Standard & Poor's believes that higher natural gas production from shale natural gas plays and a delay in environmental rules related to plant retirements can significantly hurt the company's financial performance. We believe these headwinds have increased and Exelon faces a potential earnings decline from 2014. Should the commodity pricing environment weaken, the company might have to address its declining earnings profile with a commensurate reduction in capital spending and debt. On a stand-alone basis, we expect Exelon and Exelon Generation Co. LLC (ExGen) to sustain consolidated funds from operations (FFO) to debt of at least 23% and 27%, respectively, to maintain current ratings. If the merger successfully closes, we expect the pro forma company to maintain adjusted FFO to debt in a band of about 21% to 23% and debt to EBITDA of about 3.4x to 3.5x.

Downside scenario

On a stand-alone basis, we could lower Exelon's ratings if adjusted FFO to debt declines below 22%. This could happen if Exelon has increasing competition in its markets in Pennsylvania and Illinois, which would threaten customer retention in its retail business. Gross margins could also come under pressure by a further decline in power prices brought about by declining natural gas prices, or lower market heat rates due to increasing energy efficiency.

Downside for the pro forma company could arise not only from a decline in commodity prices that could affect Exelon's cash flows, but also from a prolonged regulatory approval process that eventually results in substantially higher rebates and concessions to consummate the deal. We could lower the pro forma company's ratings if its adjusted FFO-to-debt ratios decline below 18% to 19%.

Upside scenario

An upgrade for Exelon's stand-alone ratings --currently not under consideration--could result if natural gas prices stabilize and power prices respond favorably to coal plant retirements, resulting in an improvement in consolidated FFO-to-debt levels of more than 28% on a sustained basis. This could stem from an improved economy and higher electricity prices, as well as from a robust increase in the rate base of Exelon's regulated utility subsidiaries. The pro forma company would need adjusted FFO-to-debt levels over 24% and debt to EBITDA below 3.2x for us to consider an upgrade. We think this is possible but unlikely before 2016.

Standard & Poor's Base-Case Scenario

Assumptions	Key Metrics
• Gross margins grow in the low- to mid-single digits • Capital spending of about $1.5 billion annually	Under our base case scenario, we expect that Commonwealth Edison's financial risk profile will remain toward the lower end of the "significant" category.

Business Risk: Strong

We assess Commonwealth Edison's business risk profile as "strong", accounting for the company's regulated electric transmission and distribution operations, which have low operating risk, no commodity exposure, and which operate under an improving regulatory framework. Under the Energy Infrastructure Modernization Act (EIMA), Commonwealth Edison's rates are determined using a formula rate plan, which enables rates to adjust outside the context of a full rate case filing, while still requiring periodic rate case filings to true up amounts in rate base. At the same time, the EIMA can also pressure the level of the company's earned return if Commonwealth Edison's operational standards are below regulatory expectations. While the initial set of rate cases under the EIMA brought about mixed results, it appears that the regulatory environment is evolving in a somewhat favorable manner facilitated with the passage of Senate Bill 9, which clarified certain elements of the EIMA.

Financial Risk: Significant

We view Commonwealth Edison's financial risk profile as being in the "significant" category using the medial volatility financial ratio benchmarks, reflecting our base case scenario that the company will maintain credit protection measures that remain consistently at the lower end of the category. For the year ended Dec. 31, 2013, FFO to debt was 13.1% and debt to EBITDA was 4x, and we expect both measures to improve modestly over the next few years, while still supporting a "significant" financial risk profile assessment.

Liquidity: Strong

We view Commonwealth Edison's liquidity on a consolidated basis with that of parent Exelon Corp., given Commonwealth Edison's group status as a core subsidiary.

The short-term rating on Exelon and affiliates is 'A-2'. Standard & Poor's views liquidity across the Exelon group of companies as "strong" in light of the debt maturities we expect and available credit facilities. Exelon has sufficient alternative liquidity sources to cover current liquidity needs, including ongoing capital requirements, moderate capital spending, and upcoming debt maturities. Ironically, declining power prices are favorable from a liquidity perspective because cash is being posted to ExGen on its forward hedges. The next large maturity is in 2015 for Exelon ($800 million).

As of Dec 31, 2013, Exelon, ExGen, Commonwealth Edison (ComEd), PECO Energy Co. (PECO), and Baltimore Gas &

Electric Co. (BG&E) had revolving credit facilities of $500 million, $5.3 billion, $1 billion, $600 million, and $600 million, respectively. These facilities expire in August 2018 (except ComEd's, which expires in March 2019). ExGen has an additional $400 million bilateral facility through January 2015. The facilities were largely available as of Dec. 31, 2013, except for $184 million and $135 million of commercial paper outstanding at ComEd and BGE, respectively.

Exelon has a $7.2 billion bridge facility to provide flexibility for timing of permanent financing related to the acquisition of PHI. We expect 50% of the acquisition funds to be financed by debt and expect this financing to be at the Exelon Corp. level. We also expect Exelon to maintain balanced funding across the maturity spectrum (i.e., three to 30-year tenors). Furthermore, we expect the equity component to be funded through a mix of common equity and mandatory units, and through $1 billion in unregulated asset sales.

There are no change-of-control provisions in PHI's or its subsidiaries public debt. We have assumed that change-in-control provisions in the bank facilities of PHI are resolved without issues by closing (either through waivers or refinancing). Eventually, management expects to be able to reduce or resize PHI's liquidity and support through Exelon Corp.'s facility.

Principal Liquidity Sources	Principal Liquidity Uses
• Assumed 2014 FFO of about $5.75 billion to $6 billion • Available revolving credit facility • $7.2 billion acquisition bridge loan that will be replaced by permanent financing	• $6.9 billion of cash payment for acquiring all of PHI's shares • Working capital • Dividend payments of about $1 billion annually • Capital spending and maintenance and environmental costs of about $5 billion to $5.5 billion, annually through 2015

Other Modifiers

Our assessment of the modifiers does not affect the anchor score.

Group Influence

Under our group rating methodology, we consider Commonwealth Edison to be a core subsidiary of Exelon reflecting our view that Commonwealth Edison is highly unlikely to be sold and has a strong long-term commitment from senior management. There are no meaningful insulation measures in place that protect Commonwealth Edison from its parent and therefore, we align the issuer credit rating on Commonwealth Edison with that of the parent Exelon at 'BBB'.

Ratings Score Snapshot

Corporate Credit Rating

BBB/Stable/A-2

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Financial policy:** Neutral (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

- **Group credit profile:** bbb
- **Entity status within group:** Core (no impact)

Recovery Analysis

- We assign recovery ratings to first-mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a corporate credit rating on a utility depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property," published Feb. 14, 2013).
- The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.
- Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a corporate credit rating on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories depending on the calculated ratio.
- FMBs at Commonwealth Edison benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the corporate credit rating.

Related Criteria And Research

Related Criteria

- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan. 2, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
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- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For ‘1+’ And ‘1’ Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- Criteria - Corporates - General: Methodology: Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Corporates - Utilities: Notching Of U.S. Investment-Grade Investor-Owned Utility Unsecured Debt Now Better Reflects Anticipated Absolute Recovery, Nov. 10, 2008
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b- b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	

STANDARD & POOR'S RATINGS SERVICES
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Summary:
Commonwealth Edison Co.

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Secondary Contact:
Gabe Grosberg, New York (1) 212-438-6043; gabe.grosberg@standardandpoors.com

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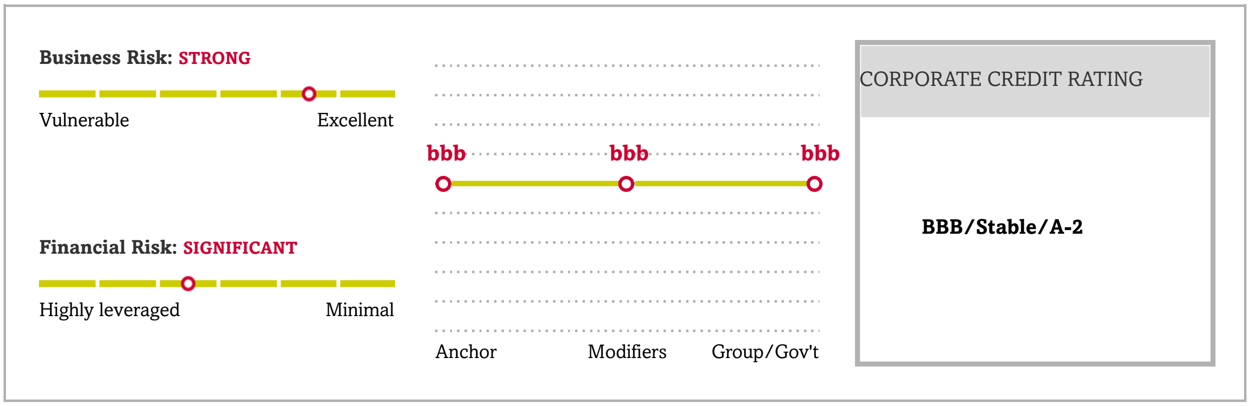
Summary:

Commonwealth Edison Co.



Business Risk: Strong

- Operations under a somewhat improving and evolving regulatory environment
- Low operating risk electric transmission and distribution operations
- Large customer base with no geographic diversity and modest customer growth

Financial Risk: Significant

- Credit protection measures largely adequate to support the "significant" financial risk profile
- Planned high capital spending leading to negative discretionary cash flow

Outlook: Stable

Standard & Poor's Ratings Services' rating outlook on Commonwealth Edison Co. reflects our rating outlook on its parent, Exelon Corp. The stable rating outlook on Exelon accounts for the company's plans to merge with PEPCO Holdings Inc. However, we believe that higher natural gas production from shale natural gas plays and a delay in environmental rules related to plant retirements can significantly hurt the company's financial performance. We believe these headwinds have increased and Exelon faces a potential earnings decline from 2014. Should the commodity pricing environment weaken, the company might have to address its declining earnings profile with a commensurate reduction in capital spending and debt. On a stand-alone basis, we expect Exelon and Exelon Generation Co. LLC (ExGen) to sustain consolidated funds from operations (FFO) to debt of at least 23% and 27%, respectively, to maintain current ratings. If the merger successfully closes, we expect the pro forma company to maintain adjusted FFO to debt in a band of about 21% to 23% and debt to EBITDA of about 3.4x to 3.5x.

Downside scenario

On a stand-alone basis, we could lower Exelon's ratings if adjusted FFO to debt declines below 22%. This could happen if Exelon has increasing competition in its markets in Pennsylvania and Illinois, which would threaten customer retention in its retail business. Gross margins could also come under pressure by a further decline in power prices brought about by declining natural gas prices, or lower market heat rates due to increasing energy efficiency.

Downside for the pro forma company could arise not only from a decline in commodity prices that could affect Exelon's cash flows, but also from a prolonged regulatory approval process that eventually results in substantially higher rebates and concessions to consummate the deal. We could lower the pro forma company's ratings if its adjusted FFO-to-debt ratios decline below 18% to 19%.

Upside scenario

An upgrade for Exelon's stand-alone ratings--currently not under consideration--could result if natural gas prices stabilize and power prices respond favorably to coal plant retirements, resulting in an improvement in consolidated FFO-to-debt levels of more than 28% on a sustained basis. This could stem from an improved economy and higher electricity prices, as well as from a robust increase in the rate base of Exelon's regulated utility subsidiaries. The pro forma company would need adjusted FFO-to-debt levels over 24% and debt to EBITDA below 3.2x for us to consider an upgrade. We think this is possible but unlikely before 2016.

Standard & Poor's Base-Case Scenario

Assumptions	Key Metrics
• Gross margins grow in the low- to mid-single digits • Capital spending of about $1.8 to $1.9 billion annually	Under our base case scenario, we expect that Commonwealth Edison's financial risk profile will remain toward the lower end of the "significant" category.

Business Risk: Strong

We assess Commonwealth Edison's business risk profile as "strong", accounting for the company's regulated electric transmission and distribution operations, which have low operating risk, no commodity exposure and operate under a historically challenging albeit improving regulatory framework. Under the Energy Infrastructure Modernization Act (EIMA), Commonwealth Edison's rates are determined using a formula rate plan, which enables rates to adjust outside the context of a full rate case filing, while still requiring periodic rate case filings to true up amounts in rate base. The annual formula rate plan filings facilitate Commonwealth Edison's ability to recover mandated infrastructure investments and ensure that the company's costs are reconciled to actual revenues for the prior period. Over time, we expect that the formula rate plan framework will support Commonwealth Edison's credit profile, potentially leading to incrementally more stable returns, while still recognizing the lag inherent in the framework, which could challenge the company to earn its allowed return. The initial set of formula rate plan filings under the EIMA brought about mixed results; however, the passage of Senate Bill 9 clarified certain elements of the EIMA and resulted in a more transparent rate-setting process. The formula rate plan framework will terminate in 2017 unless the state enacts legislation for the continued use of the plan.

Financial Risk: Significant

We view Commonwealth Edison's financial risk profile as being in the "significant" category using the medial volatility financial ratio benchmarks, reflecting our base case scenario that the company will maintain credit protection measures that remain consistently at the mid to lower end of the financial ratio benchmark range. For the year ended Dec. 31, 2013, FFO to debt was 13.1% and debt to EBITDA was 4x, and we expect both measures to improve modestly over the next few years, while still supporting a "significant" financial risk profile assessment.

Liquidity: Strong

We view Commonwealth Edison's liquidity on a consolidated basis with that of parent Exelon Corp., given Commonwealth Edison's group status as a core subsidiary.

The short-term rating on Exelon and affiliates is 'A-2'. Standard & Poor's views liquidity across the Exelon group of companies as "strong" in light of the debt maturities we expect and available credit facilities. Exelon has sufficient alternative liquidity sources to cover current liquidity needs, including ongoing capital requirements, moderate capital spending, and upcoming debt maturities. Ironically, declining power prices are favorable from a liquidity perspective because cash is being posted to ExGen on its forward hedges. The next large maturity is in 2015 for Exelon ($800 million).

As of Dec 31, 2013, Exelon, ExGen, Commonwealth Edison (ComEd), PECO Energy Co. (PECO), and Baltimore Gas & Electric Co. (BG&E) had revolving credit facilities of $500 million, $5.3 billion, $1 billion, $600 million, and $600 million, respectively. These facilities expire in August 2018 (except ComEd's, which expires in March 2019). ExGen has an additional $400 million bilateral facility through January 2015. The facilities were largely available as of Dec. 31, 2013, except for $184 million and $135 million of commercial paper outstanding at ComEd and BGE, respectively.

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There are no change-of-control provisions in PHI's or its subsidiaries public debt. We have assumed that change-in-control provisions in the bank facilities of PHI are resolved without issues by closing (either through waivers or refinancing). Eventually, management expects to be able to reduce or resize PHI's liquidity and support through Exelon Corp.'s facility.

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Other Modifiers

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Group Influence

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Ratings Score Snapshot

Corporate Credit Rating

BBB/Stable/A-2

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
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- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

- **Group credit profile:** bbb
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Recovery Analysis

- We assign recovery ratings to first-mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a corporate credit rating on a utility depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for ‘1+’ and ‘1’ Recovery Ratings on Senior Bonds Secured by Utility Real Property," published Feb. 14, 2013).
- The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.
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- FMBs at Commonwealth Edison benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the corporate credit rating.

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Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b- b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	