MOODY'S
INVESTORS SERVICE

Credit Opinion: Commonwealth Edison Company

Global Credit Research - 15 Jun 2015

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	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 Shelf	(P)Baa2
Subordinate Shelf	(P)Baa3
Pref. Shelf	(P)Ba1
Commercial Paper	P-2
ComEd Financing III	
Outlook	Stable
BACKED Pref. Stock	Baa2

Contacts

Analyst	Phone
James Hempstead/New York City	212.553.4318
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Commonwealth Edison Company**

	3/31/2015(L)	12/31/2014	12/31/2013	12/31/2012	12/31/2011
CFO pre-WC + Interest / Interest	**5.7x**	**5.6x**	**2.6x**	**4.6x**	**5.2x**
CFO pre-WC / Debt	**20.7%**	**20.9%**	**15.2%**	**17.8%**	**25.1%**
CFO pre-WC - Dividends / Debt	**16.8%**	**16.8%**	**11.8%**	**16.2%**	**20.6%**
Debt / Capitalization	**38.8%**	**37.8%**	**36.4%**	**37.3%**	**37.8%**

[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

Improved regulatory environment provides supportive cost recovery framework

Sizeable capital expenditure program will be financed with a balanced mix of debt and equity

Good credit metrics for the rating category

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

Corporate Profile

Commonwealth Edison Company (CWE: Baa1 stable) 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 March 31, 2015, CWE had total assets of $25.7 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 framework. The rating also 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 that helps insulate CWE from the region's weak recovery. The rating incorporates a view that the longer-term exposure to IRS litigation will be resolved without any material negative impact on CWE.

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. EIMA was scheduled to sunset, ending CWE's performance based rate formula an investment commitment at December 31, 2017, but on April 3, 2015 the Governor signed legislation extending the EIMA sunset until December 31, 2019.

On December 11, 2014, the ICC issued its final order on the annual distribution formula rate, increasing the revenue requirement by $232 million, reflecting an increase of $160 million for the initial revenue requirement for 2014 and an increase of $72 million for the annual reconciliation for 2013. The rate increase was set using an allowed return on capital of 7.06% (inclusive of an allowed ROE of 9.25% for 2014 less a performance metrics penalty of 5 basis points for the 2013 reconciliation). CWE filed for a rehearing on specific issues, which was denied by the ICC.

On April 15, 2015 CWE filed its annual distribution rate update with the ICC. The request included a total decrease to the net revenue requirement of $50 million, reflecting an increase of $92 million for the initial revenue requirement for 2016 and a decrease of $142 million related to the annual reconciliation for 2014. The revenue requirement for 2016 provides for a weighted average debt and equity return on distribution rate base of 7.05% inclusive of an allowed return on common equity of 9.14%. CWE expects a decision by December 2015.

CWE 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 CWE's request to accelerate the deployment which allows for the installation of more than four million smart meters throughout CWE's service territory by 2018, three years in advance of the originally scheduled 2021 completion date. To date, over one million smart meters have been installed in the Chicago area by CWE.

-Material Capital Investment

CWE'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, CWE will invest approximately $2.6 billion over ten years to modernize and storm-harden its distribution system and to implement smart grid technology. In 2013 and 2014, capital expenditures increased to 1.4 billion and 1.7 billion, respectively, as compared to the three year average of $1.1 billion over the 2010-2012 period. We anticipate that capital spending will continue to escalate as the company accelerates its smart meter plan. For 2015, capital expenditures are expected to total approximately $2.4 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 Service 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 March 31, 2015, 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 $810 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, Exelon 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 CWE 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 18.0% over the 2012-2014 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 bounced back after a substantial decline 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 March 31, 2015, CWE recorded cash flow to interest coverage of 5.6x, cash flow to debt of 20.5%, and cash flow less dividends to debt of 16.7%, 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 March 31, 2015, we calculate that negative free cash reached roughly $710 million based on cash from operations of $1.5 billion, capital spending of $1.9 billion and the payment of $310 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 March 31, 2014, CWE had $283 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 March 31, 2015, CWE's ratio of net cash flow from operations to net interest expense was 7.23x. As of March 31, 2015, if CWE lost its investment grade credit rating, it could be required to provide $15 million of collateral.

CWE has no debt maturities until 2016 when $415 and $250 million in senior notes mature in August and September respectively.

Rating Outlook

CWE's stable rating outlook reflects an expectation that financial profile will continue to strengthen, particularly with the passage of EIMA. We see CWE's ratio of cash flow to debt remaining well positioned in the high-teen's range, and the ratio of retained cash flow the debt in the mid-teen's range. The rating incorporates the challenging regional economic conditions, and we see more stable and predictable revenues and cash flows resulting from the legislation associated with the FRP. CWE's stable outlook further incorporates our belief the company's dividend policy will continue to remain steady in light of the utility's increased capital spending requirements, with a targeted payout ratio near 70%.

What Could Change the Rating - Up

CWE's ratings could be upgraded if its financial profile improved, including a ratio of cash flow to debt above 20% and a ratio of retained cash flow to debt in the 15% - 18% range, both on a sustained basis. Although ratings could also be upgraded if the regulatory environment improved further, we think the FRP framework is an ideal standard from a timeliness perspective, and we find it challenging to point to additional mechanisms to improve recovery timeliness. As a result, the principal factor driving a rating upgrade is the financial profile.

What Could Change the Rating - Down

The rating could be downgraded if the financial profile declines, including a ratio of cah flow to debt in the 14% - 16% range and a ratio of retained cash flow to debt in the 10% - 12% range, both for a sustained period of time. The ratings could decline with a more contentious regulatory environment, defined by heightened litigation and delays in the recovery period of prudently incurred costs and investments. Although we view the risk as unlikely, 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.

Rating Factors

Commonwealth Edison Company

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 3/31/2015**		[3]**Moody's 12-18 Month Forward ViewAs of 6/15/2015**	
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	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and	Aa	Aa	Aa	Aa

Capital Costs				
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
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)	4.0x	Baa	4.5x - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	17.5%	Baa	15% - 20%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	14.6%	Baa	12% - 17%	Baa
d) Debt / Capitalization (3 Year Avg)	38.3%	Aa	35% - 40%	Aa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		A3		A3
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 3/31/2015(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.

MOODY'S
INVESTORS SERVICE

PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

MOODY'S
INVESTORS SERVICE

Credit Opinion: Exelon Corporation

Global Credit Research - 01 Sep 2015

United States

Ratings

Category	Moody's Rating
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
Exelon Generation Company, LLC	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Pref. Shelf	(P)Ba1
Commercial Paper	P-2
Commonwealth Edison Company	
Outlook	Positive
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2

Contacts

Analyst	Phone
James Hempstead/New York City	212.553.4318
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Exelon Corporation**

	6/30/2015(L)	12/31/2014	12/31/2013	12/31/2012	12/31/2011
(CFO Pre-W/C + Interest) / Interest	6.5x	6.1x	4.8x	6.0x	8.5x
(CFO Pre-W/C) / Net Debt	29.8%	27.4%	26.0%	25.6%	46.2%
RCF / Net Debt	29.8%	23.0%	23.1%	26.1%	37.5%
(CFO Pre-W/C) / Debt	23.8%	25.4%	24.2%	24.0%	43.3%
RCF / Debt	23.9%	21.4%	21.5%	24.4%	35.1%

[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

PHI acquisition denied by DC regulators, a credit negative because the decision was so unexpected

Lost increase in regulated rate base keeps higher risk profile in place, and demands a stronger financial profile to support volatility

Willingness to increase financial risk with heavy reliance on parent holding company debt is credit negative, and will constrain rating due to structural subordination notching considerations

ExGen performing well in a challenging market environment, thanks to its large, diversified nuclear generating fleet

Leverage will rise with the EDF put option and Like-Kind Exchange proceeding, creating a modest liquidity event, not a material credit event

Maintaining a strong suite of financial ratios will be key to credit profile

Corporate Profile

Exelon Corporation (Exelon: Baa2 stable) is a large US holding company that owns three regulated transmission and distribution utilities and a large unregulated power company. It's three regulated transmission and distribution (T&D) utilities include: PECO Energy Company (PECO: A2 stable), Baltimore Gas and Electric Company (BGE: A3 stable) and Commonwealth Edison Company (CWE: Baa1 stable). PECO is regulated by the Pennsylvania Public Utility Commission (PAPUC), BGE is regulated by the Maryland Public Service Commission (MPSC) and CWE is regulated by the Illinois Commerce Commission (ICC). All three utilities are also regulated by the Federal Energy Regulatory Commission (FERC).

Exelon also owns Exelon Generation Company, LLC (ExGen: Baa2 stable), one of the largest competitive electric generation companies globally as measured by owned and controlled megawatts (MW),with net capacity of approximately 32 GW's. ExGen is regulated by the Federal Energy Regulatory Commission (FERC) and by the Nuclear Regulatory Commission (NRC).

Recent Events

On 25 August 2015, the Public Service Commission of the District of Columbia (DC PSC) rejected the merger application between Exelon and Pepco Holdings, Inc. (PHI: Baa3 stable). The denial is credit negative for Exelon, because PHI helps shift Exelon's consolidated mix of regulated and unregulated business activities to approximately 60% regulated from roughly 50% today and diversifies its jurisdictional exposure to include New Jersey, Delaware and the District of Columbia. We viewed PHI's $8 billion additional regulated rate base to Exelon's $20 billion as a credit positive for the corporate family, but now we assign a 50%-50% probability that the transaction will eventually close.

SUMMARY RATING RATIONALE

Exelon's Baa2 senior unsecured rating reflects its stable and predictable regulated utility business, which could be benefitted by the addition of the PHI acquisition. But a termination of the PHI transaction, by itself, does not hurt the credit profile of Exelon. Exelon's Baa2 rating reflects its own T&D utility business, which includes BGE, CWE and PECO. Combined, these utilities produce roughly $11 billion in revenue and $3.0 billion in cash flow from operations (CFO: adjusted for changes in working capital), and good diversity across regions. Exelon's Baa2 rating is constrained by its more risky subsidiary, Exelon Generation Company LLC (ExGen: Baa2 stable), which owns a large fleet of unregulated nuclear generation assets and a retail energy marketing business. These unregulated businesses are volatile, because they are largely driven by volatile commodity prices, such as natural gas and electricity. Exelon generates a ratio of consolidated CFO to debt around 20% and a retained cash flow (CFO less common dividends) to debt around xx%.

DETAILED RATING CONSIDERATIONS

DC PSC decision is credit negative because it was a surprise, not because it was rejected

The DC PSC's denial of the merger agreement is credit negative for Exelon because the decision was unexpected. We incorporate a view that managing regulatory relationships is a core competency for Exelon, and PHI. If the merger is completed, we think PHI is benefitted by Exelon's larger size and greater resources, and financial relief from financing its shareholder dividends would be viewed positively. Exelon benefits from the $8 billion of incremental rate base, and a bigger regulated utility asset platform to squeeze operating efficiencies. For now, we still expect improved regulatory relationship across all of PHI's jurisdictions, including DC, Maryland, DE and NJ. Although many of the improved recovery mechanisms in Maryland, New Jersey, Delaware and the District of Columbia were first implemented prior to the merger, Exelon's larger asset platform is expected to help facilitate the execution of the various reliability improvement programs.

Willingness to increase financial risk with heavy reliance on parent holding company debt is credit negative, and will constrain rating due to structural subordination notching considerations

Exelon's decision to finance a large portion of PHI with parent holding company debt was viewed as a credit negative, because it adds complexity to the capital structure. Prior to the merger, Exelon was reducing its parent holding company debt, mostly by transferring or refinancing holding company debt at ExGen. Having a parent holding company with little to no debt is credit positive because it increases financial flexibility. The PHI acquisition included some financing of PHI's equity with parent holding company debt, plus, PHI was bringing its own existing holding company debt.

Large, diversified regulated utility portfolio is credit positive

We see Exelon's suite of regulated utilities producing approximately $3.5 billion in cash flow from operations (CFO, adjusted for changes in working capital), which represents approximately 25% - 30% of annual regulated revenues. We see this relationship between revenues and CFO staying in the mod-20% range over the next few years, but increasing over the near term given the broad suite of recovery mechanisms. With debt slowly rising to approximately $20 billion from $18.5 billion today, Exelon's regulated utilities should produce a ratio of CFO to debt around 20%. We see this ratio supporting an A3 rating category across the regulated business, which is 2 notches higher than Exelon's Baa2 rating. Exelon's suite of big T&D systems cover the general regions of Washington DC, Baltimore, Philadelphia and Chicago, and create a strong foundation to the consolidated credit profile.

ExGen performing well thanks to nuclear fleet

ExGen's CFO is more volatile than the regulated utilities. For example, CFO fell to $1.8 billion in 2014 from $3.9 billion in 2013, largely due to a negative working capital use associated with its hedging program. This volatility is a material credit negative, in part because we see an extended period of low natural gas prices. Low natural gas prices usually keep a lid on power prices, which limit's ExGen's CFO production.

Despite the challenging market fundamentals, we see incremental transparency in forward power prices with respect to capacity payments in the Pennsylvania-New Jersey-Maryland (PJM) market. Given the most recent PJM capacity price auction, we estimate close to $1.0 billion in annual capacity payments. By themselves, over the next few years, ExGen's capacity payments alone will represent about 7% - 10% of ExGen's debt. That said, the improved capacity prices were both directly and indirectly impacted by recent rule changes and amendments implemented by the PJM. These rules can change again, so longer-term capacity prices remain uncertain.

In addition to low natural gas prices and an improving capacity market, we also see higher power prices over the next few years due to the EPA's recently announced Clean Power Plan (CPP). In general, the CPP is favorable to nuclear powered electric generation, because nuclear generation does not produce any material carbon dioxide emissions.

EDF put option is a liquidity event for now

We see the debt at ExGen rising, in part due to its exposure to Electricity de France (EDF: A1 negative). EDF holds an option to "put" its interests in EGNF back to ExGen staring on 1 January 2016 and ending on 31 December 2022. EGNF includes minority ownership interests in xxx MWs of nuclear generation capacity, including Ginna, Fitzpatrick and Nine Mile Point in New York and Calvert Cliffs in Maryland. From a liquidity perspective, we think the value could range between $250 million and $2.0 billion, which, by itself, is not a material credit event. From a credit perspective, we see the EDF put as a known risk factor, and incorporate a view that ExGen has ample resources and has prepared for the possibility it might be absorbing the partnership. We also incorporate a view that EDF has ample long term liquidity resources, which makes the option more valuable (to EDF) due to the duration of the exercise period. Improving market conditions, in terms of the EPA's CPP and higher PJM capacity prices, will increase the value of the put option in favor of EDF.

Maintaining a strong suite of financial ratios will be key to credit profile

Over the past two years (2014 and 2013), Exelon generated a ratio of funds from operations to debt of approximately 25%. This is down materially from the 40% ratio generated in 2010 and 2011 and the 30% ratio generated in 2012. During this period Exelon acquired Constellation Energy, and its debt increased from the $17 billion range (in 2010 - 2011) to today's mid-$20 billion range. We think the probability of Exelon generating consolidated ratios of cash flow to debt in the 40% range is remote, largely due to our expectation that a sustained period of low natural gas prices will keep a lid on power prices for at least the next few years. We also see little evidence that load volumes will materially rise, despite any economic development activity, due to a more prolific deployment of energy efficiency programs in the greater mid-west and Mid-Atlantic regions. Still, on a long term run-rate, we see Exelon generating a ratio of cash flow to debt near the 20% range for a sustained period of time. Assuming Exelon's shareholder dividend policy remains in place, the ratio of retained cash flow to debt should stay near the xx% range.

Liquidity

As of June 30, 2015, Exelon's liquidity arrangements totaled $8.5 billion. Approximately $6.3 billion supports its unregulated business platform, including $500 million at Exelon and nearly $5.8 billion at ExGen, while the regulated businesses have access to $2.2 billion of liquidity – $600 million at PECO, $600million at BGE and $1 billion at CWE. The Exelon, PECO, BG&E and most of the ExGen facilities expire in May 2019. The CWE facility expires March 2019.

At June 30, Exelon and ExGen had about $1.5 billion in letters of credit and no commercial paper outstanding, leaving availability of $4.8 billion for the unregulated business. At CWE, commercial paper outstanding totaled $503 million and there were $2 million in letters of credit outstanding, leaving approximately $495 million of availability under its credit facility. At BGE, there was no commercial paper or letters of credit outstanding, respectively, leaving $600 million of availability under its credit facility. At PECO, there were no letters of credit outstanding and $1 million in outstanding commercial paper borrowings, leaving $599 million of availability under its credit facility.

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

As of the last reporting period (June 30, 2015), in the event that ExGen were downgraded below investment grade, ExGen could be required to post additional collateral of $2.2 billion. If PECO, BGE or CWE were downgraded to below investment grade, they would have been required to post $20 million $35 million, and $8 million, respectively, of additional collateral.

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 also has characterized as a tax shelter, and disallowed ConEd's deductions stemming from its participation in this investment. CWE 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.

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 its litigation efforts. 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. 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 payable as of December 31, 2014 may be as much as $810 million, of which approximately $310 million would be attributable to CWE and the remainder to Exelon.

Separating the utilities' and holdco debt from the ExGen operation is a component to our credit assessment given Exelon's revised corporate finance policies, and we expect to refine our analysis as additional facts regarding the use of holding company debt are provided.

Rating Outlook

The stable rating outlook for Exelon considers the stability and predictability of its large T&D utility businesses, an adequate liquidity profile and conservatively levered unregulated generation business. We think Exelon is poised to generate consolidated cash flows in the $6.0 - $7.0 billion range, which results in a ratio of cash flow to debt around 20% - an important threshold for maintaining a stable rating outlook. The stable outlook incorporates a view that ExGen's nuclear reactors will continue to operate to their authorized NRC operating license expirations and that the regulated utilities will continue to received

What Could Change the Rating - Up

A rating upgrade at Exelon would require another material shift in corporate finance policies, where the ratio of cash flow to debt were to rise to the high 20% range; where the percentage of parent holding company debt fell below the 10% range and where the unregulated business in relation to the consolidated enterprise declined to the 20% range for a sustained period of time. Ratings could also be upgraded if the company exited its more risky businesses at ExGen, given the A3 / Baa1 positioning of its T&D utilities and little holding company debt (today).

What Could Change the Rating - Down

The rating could be downgraded if Exelon's financial performance declined, where the ratio of cash flow to debt fell below the 20% range on a sustained basis, or if there were material shifts in the corporate finance policies, especially with respect to the utilization of parent holding company debt (where the ratio of holding company debt to total consolidated debt approached the 20% - 25% range) or if there were any material shifts in shareholder reward programs. A shift in strategic focus could also trigger a rating downgrade, especially where the shift resulted in a material increase in the consolidated business risk profile, presumably associated a business within ExGen. Ratings could be also be pressured if the regulated utilities were faced with a highly contentious regulatory environment, a scenario we view as having a low probability at this time; if ExGen faced a major operating challenge with several of its reactors at the same time; if there were unfavorably market intervention where ExGen's margins were negatively impacted, or if there were sizeable, unexpected swings in liquidity demands.

Other Considerations

If the acquisition of PHI is completed, we would likely move Exelon into our Global Regulated Electric and Gas Utilities rating methodology (published in December 2013) and out from the Unregulated Utilities and Power Companies rating methodology (published in November 2014). Absent the PHI transaction, we would likely keep Exelon under the Unregulated Utilities and Power Company rating methodology, but for analytical purposes, will continue to view Exelon under both methodologies, given the strategic focus on regulated assets.

Rating Factors

Exelon Corporation

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	**Current LTM 6/30/2015**		[3]**Moody's 12-18 Month Forward ViewAs of 9/1/2015**	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	Aa	Aa	Aa	Aa
Factor 2 : Business Profile (40%)				
a) Market Diversification	A	A	A	A
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	Baa	Baa	Baa	Baa
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa
e) Business Mix Impact on Cash Flow Predictability	A	A	A	A
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				

a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	5.8x	Baa	5.7x - 6.2x	Baa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	26.9%	Baa	23% - 28%	Baa
c) RCF / Net Debt (3 Year Avg)	24.4%	Baa	18% - 23%	Baa
b) (CFO Pre-W/C) / Debt (3 Year Avg)		NA		
c) RCF / Debt (3 Year Avg)		NA		
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 6/30/2015(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.

REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

MOODY'S
INVESTORS SERVICE

ISSUER IN-DEPTH
29 SEPTEMBER 2015

Rate this Research

RATINGS

Exelon Corporation	
Issuer Rating	Baa2
Outlook	Stable
Commonwealth Edison Company	
Issuer Rating	Baa1
Outlook	Stable
Exelon Generation Company LLC	
Issuer Rating	Baa2
Outlook	Stable

Moody's

KEY METRICS:

Exelon Corporation

	2014	2013	2012
(CFO Pre-W/ C+Interest)/ Interest	6.3x	6.4x	7.6x
(CFO Pre-W/C)/ Net Debt	31.1%	33.3%	39.2%
RCF/DNet Debt	28.3%	33.4%	40.5%

Moody's

ANALYST CONTACTS

Tiago Ferreira 212-553-1722
Associate Analyst
tiago.ferreira@moodys.com

Peter Giannuzzi 212-553-2917
Associate Analyst
peter.giannuzzi@moodys.com

Ryan Wobbrock 212-553-7104
AVP-Analyst
ryan.wobbrock@moodys.com

Jim Hempstead 212-553-4318
Associate Managing Director
james.hempstead@moodys.com

William L. Hess 212-553-3837
MD-Utilities
william.hess@moodys.com

Exelon Corporation

Frequently Asked Questions

Exelon Corporation's (Exelon: Baa2 stable) proposed acquisition of Pepco Holdings (PHI or Potomac: Baa3 developing) should have been completed by now, but an unexpected rejection by the Public Service Commission of the District of Columbia (DC PSC) puts the deal back on the drawing board. The rebuff is credit negative for both companies because they misjudged the regulatory relationship, and failed to persuade the DC PSC to see the merger's benefits in the official record. Going forward, our key milestone is the merger agreement, which is scheduled to expire at the end of October 2015.

We changed the rating outlook for PHI to developing from stable to reflect our revised view that the merger now has a 50% - 50% chance of being completed. If the merger goes through, PHI's credit profile will benefit from Exelon's larger scale and access to resources, and issues around PHI's level of parent holding company debt will be resolved. If the acquisition is terminated, PHI's credit profile will be negatively affected because the company will likely be forced to revisit its capital expenditure commitments and shareholder rewards programs.

The rejection has no material credit impact for Potomac Electric Power Company (Pepco: Baa1 stable), which serves DC, or PHI's other utility subsidiaries: Atlantic City Electric Company (ACE: Baa2 stable) and Delmarva Power & Light Company (Delmarva: Baa1 stable).

Commonwealth Edison Company's (CWE: Baa1 positive) positive rating outlook reflects the formulaic rate making structure in Illinois. We see an extended period of stability, where CWE will produce a ratio of cash flow from operations (CFO: excluding working capital changes) to debt in the high-teen's range and retained cash flow (RCF) to debt, which accounts for CWE's upstream dividend payments, in the mid-teen's range.

In the meantime, Exelon is still looking to rebalance its regulated and unregulated business mix more towards regulated. PHI would bring an additional $8 billion in rate base on top of Exelon's $20 billion and more jurisdictional diversification.

For Exelon, life without PHI means a higher business risk profile. Exelon Generation Company (ExGen: Baa2 stable), the more risky merchant generation subsidiary, will need to pledge a higher percentage of its annual cash flow to Exelon in an upstream dividend. But low natural gas prices will keep a lid on power prices, and hurt ExGen's margins. Capacity prices have improved a little, but the benefit is not material for ExGen as the vast majority of its business resides in the sale of electricity generated from its nuclear reactors.

If the PHI acquisition is completed, how would this affect Exelon's business risk profile?

It would reduce business risk. With the acquisition, Exelon's business would be split roughly 60% regulated T&D utilities and 40% unregulated merchant generation business. In the table below, we show selected financials for year-end 2014 (assuming the transaction is completed), with some adjustments to reflect holding company debt.

Excluding ExGen, we see Exelon's T&D utilities producing a ratio of debt (utility plus parent holding company) to EBITDA (utility only) of around 5x with a ratio of cash flow from operations (CFO, utility only) to debt (utility plus parent holding company) of around 15%. If we hold the T&D utility performance steady, ExGen's EBITDA and CFO would need to increase by roughly $1.2 billion and $2.0 billion, respectively to help the overall consolidated business split move back to 50% - 50%.

Exhibit 1

Exelon would benefit from PHI's T&D utilities, even with the incremental holding company debt

Year-end 2014, with adjustments ($ millions)

Name	Assets	EBITDA	Debt	Revenue	CFO	CAPEX
Atlantic City Electric Company	$ 3,310	$ 308	$ 1,407	$ 1,213	$ 269	$ 235
Baltimore Gas and Electric Company	$ 8,133	$ 854	$ 2,536	$ 3,165	$ 746	$ 618
Commonwealth Edison Company	$ 25,452	$ 1,759	$ 7,566	$ 4,564	$ 1,355	$ 1,702
Delmarva Power & Light Company	$ 3,961	$ 358	$ 1,448	$ 1,293	$ 278	$ 362
PECO Energy Company	$ 9,999	$ 847	$ 2,729	$ 3,094	$ 732	$ 673
Potomac Electric Power Company	$ 6,652	$ 621	$ 2,492	$ 2,101	$ 393	$ 574
Total Utility	$ 57,508	$ 4,746	$ 18,177	$ 15,430	$ 3,773	$ 4,164
Parent Holding Company			$ 6,200			
Total Utility & Holdco Debt	$ 57,508	$ 4,746	$ 24,377	$ 15,430	$ 3,773	$ 4,164
Exelon Generation Company, LLC	$ 45,649	$ 3,507	$ 10,093	$ 17,393	$ 1,812	$ 2,982
Exelon Consoldiated	$ 103,157	$ 8,253	$ 34,470	$ 32,823	$ 5,585	$ 7,146
% Regulated	56%	58%	53%	47%	68%	58%
% Unregulated	44%	42%	29%	53%	32%	42%

Sources: Moody's; Company filings.

What impact would the merger have on PHI's credit profile?

It would be credit positive for PHI. The benefits to PHI's credit profile are derived from both a top down and a bottom up direction. In other words, PHI would benefit as an intermediate subsidiary holding company of the much bigger and financially stronger Exelon (the top down perspective) and PHI's T&D utilities would benefit from having a bigger and stronger parent holding company. For PHI's T&D subsidiaries, we think Exelon brings a bigger balance sheet to assist with capital deployment and operational efficiencies which will help close the gap between earned and authorized returns (the bottom up perspective).

From a cash flow perspective, PHI would no longer need to finance its shareholder dividend obligations with debt, which is a material credit negative. As the parent holding company's debt matures over the next few years, we see the debt transitioning to Exelon's parent holding company.

We think PHI would likely remain a rated entity within the Exelon family - at least for the next few years. This brings a certain level of financial reporting and accounting audits. But PHI's $185 million 7.45% senior note does not mature until 2032, and we think this security would remain outstanding in light of current market conditions. All else being equal, PHI's rating could be upgraded over the next 12-18 months, as approximately $440 million of debt matures, or is refinanced directly at the Exelon holding company entity.

Why did you change the rating outlook for Commonwealth Edison to positive on August 31st?

Because the formulaic rate making structure in Illinois is working. CWE's positive rating outlook reflects an expectation that its financial profile will be stable and predictable, thanks to the passage of Energy Infrastructure Modernization Act (EIMA).

Thanks to EIMA, we see CWE's ratio of cash flow to debt remaining well positioned in the high-teen's range, and the ratio of retained cash flow to debt in the mid-teen's range. That said, the formulaic rate structure does not fully insulate CWE from political intervention or heightened regulatory contentiousness. The formulaic structure has a sun-set provision (in 2019), consumers remain sensitive to absorbing steadily rising electric rates and the state is facing several of its own financial challenges.

The positive outlook incorporates Illinois' challenging regional economic conditions, but we see stable and predictable revenues and cash flows and incorporate a view that the company's dividend policy will continue to remain steady in light of increased capital spending requirements, with a targeted payout ratio near 70%.

CWE's ratings could be upgraded if its financial profile improved, including a ratio of cash flow to debt above 20% and a ratio of retained cash flow to debt in the high-teen's range, both on a sustained basis. Although ratings could also be upgraded if the regulatory environment improved further, we think the formulaic framework is an ideal standard from a timeliness perspective, and we find it challenging to point to additional mechanisms to improve recovery timeliness. As a result, the principal factor driving a rating upgrade is the financial profile.

Will falling cash flows at PECO hurt its credit profile?

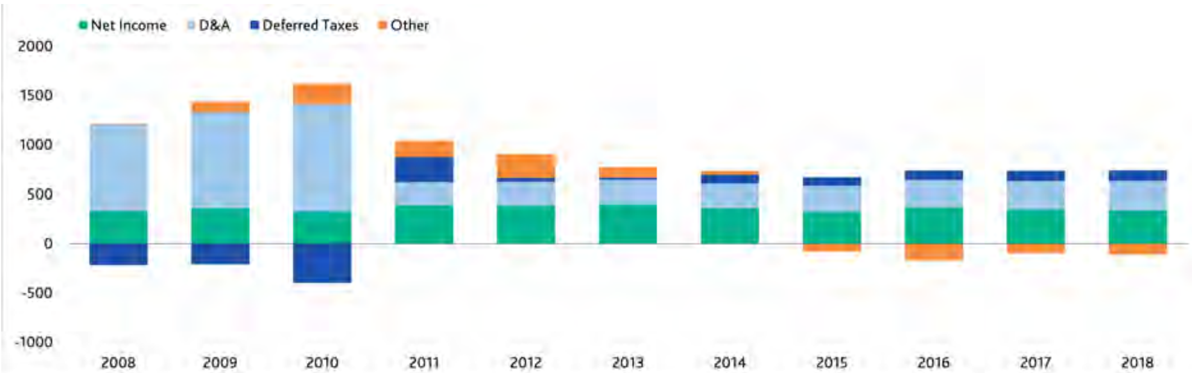
Yes. PECO's A2 rating incorporates a view that PECO can maintain a ratio of CFO to debt in the mid-20% range. However, it could become challenging to maintain ratios in this range, given the capital investment plan.

Over the longer-term horizon, we see PECO's financial profile weakening a little. This includes a ratio of cash flow to debt falling closer to the 20% range from the historical 30% range generated over the 3-year average, 2012 - 14. More specifically, we expect PECO's cash flow generation to remain steady, near the $600 million - $650 million range, but its debt moving closer to $3.0 billion.

We expect certain other A2-rated T&D utilities with a broad suite of timely recovery mechanisms to experience a similar decline in financial ratios over the next few years, including Public Service Electric & Gas Company (PSE&G: A2 stable). But unlike PECO, which has made big upstream dividends to its parent, PSE&G has made no upstream dividend payments since 2011. But we think that is going to change for PSE&G soon, which will help put downward pressure on financial ratios.

Exhibit 2

PECO's projected cash flows have declined, thanks to the 2010 roll-off of securitization debt and other federal corporate tax programs
Illustrative projections



Sources: Moody's; company filings (historical data)

Can the supportive Pennsylvania regulatory environment mitigate PECO's weaker projected financial profile?

Yes. We see the Pennsylvania regulatory environment as being very supportive of long-term credit quality, and we incorporate a view that PECO's current rate case in Pennsylvania will be resolved without any material negative consequences for its credit profile.

Although not a formulaic recovery structure, Pennsylvania provides a strong suite of timely recovery mechanisms, including a forward looking test year structure and capital investment riders (ie DISC), which are positive from a credit perspective. PECO's suite of recovery mechanisms encourages the utility to stay away from frequent rate proceedings, unlike many other utility regulatory frameworks across the US.

Exhibit 3

PECO compares favorably to other PA-based regulated utilities

	PECO Energy Company	PPL Electric Utilities Corp	Pennsylvania Electric Company	Pennsylvania Power Company	Metropolitan Edison Company	UGI Utilities, Inc.
Grid Indicated Rating	A2	A3	Baa1	A3	Baa1	A2
Actual Rating Assigned	A2	Baa1	Baa2	Baa1	Baa1	A2
1a: Legislative and Judicial Underpinnings of the Regulatory Framework (12.5%)	A	A	A	A	A	A
1b: Consistency and Predictability of Regulation (12.5%)	A	A	A	A	A	A
2a: Timeliness of Recovery of Operating and Capital Costs (12.5%)	Baa	Baa	A	A	A	A
2b: Sufficiency of Rates of Returns (12.5%)	Baa	A	Baa	Baa	Ba	A
3a: Market Position (10%)	Baa	Baa	Baa	Ba	Baa	Baa
3b Generation and Fuel Diversity	N/A	N/A	N/A	N/A	N/A	N/A
4a: CFO pre-WC + Interest / Interest (3yr avg) (7.5%)	6.7x	5.2x	3.4x	5.3x	4.5x	5.9x
4b: CFO pre-WC / Debt (3yr avg) (15%)	27%	20%	13%	25%	19%	27%
4c: CFO pre-WC - Dividends / Debt (3yr avg) (10%)	15%	15%	11%	19%	15%	19%
4d: Debt / Capitalization (3yr avg) (7.5%)	33%	40%	47%	39%	42%	40%
Financial Metrics						
Earned ROE (3 yr avg)	11.9%	8.3%	4.6%	13.5%	2.8%	13.2%
Allowed ROE	Black Box	10.4%	Black Box	Black Box	Black Box	Black box
Revenues	3,094	2,044	813	203	798	1,087
EBITDA	847	744	265	37	218	316

Net Income	364	256	76	13	68	124
CFO	732	642	234	32	168	207
Capex	(673)	(957)	(143)	(36)	(128)	(170)
Dividends	324	158	0	10	50	77
Total Assets	9,999	7,785	3,548	495	2,935	2,382
Total Equity	2,729	2,817	1,402	189	1,043	853
Total Debt	3,193	2,717	1,022	116	794	840

Sources: Moody's; Company filings.

Why isn't Atlantic City Electric rated higher?

Because it has the weakest track record in NJ. That said, ACE is on an improving trend, thanks to a more transparent and supportive regulatory environment. We think ACE will close the gap between its earned and authorized returns, and we are looking for evidence that supports a track record related to maintaining strong financial ratios.

We think this process will occur more quickly under Exelon management, because Exelon has a bigger balance sheet and more resources to deploy to extract operating efficiencies. But there is no reason why PHI couldn't eventually get there on their own.

Despite the historical production of CFO to debt in the high-teen's range, for now we still see ACE as slightly lower than its Baa1 peers, including: Commonwealth Edison (Baa1 positive), Delmarva Power & Light (Baa1 stable) and Potomac Electric (Baa1 stable).

Exhibit 4
Comparison of ACE with its NJ-based utility peers

	Atlantic City Electric Company	Jersey Central Power & Light Company	Public Service Electric & Gas Company	South Jersey Natural Gas Company	New Jersey Natural Gas Company	Orange & Rockland Utilities
Grid Indicated Rating	Baa2	Baa2	A2	A2	A2	A3
Actual Rating Assigned	Baa2	Baa2	A2	A2	Aa2	A3
1a: Legislative and Judicial Underpinnings of the Regulatory Framework (12.5%)	A	A	A	A	A	A
1b: Consistency and Predictability of Regulation (12.5%)	A	Baa	Aa	Aa	Aa	A
2a: Timeliness of Recovery of Operating and Capital Costs (12.5%)	Baa	Baa	Baa	A	A	Aa
2b: Sufficiency of Rates of Returns (12.5%)	Ba	Ba	Baa	A	A	A
3a: Market Position (10%)	Ba	Baa	A	Ba	Baa	Ba
3b Generation and Fuel Diversity	N/A	N/A	N/A	N/A	N/A	N/A
4a: CFO pre-WC + Interest / Interest (3yr avg) (7.5%)	4.4x	3.8x	5.8x	6.9x	8.3x	5.4x
4b: CFO pre-WC / Debt (3yr avg) (15%)	18%	15%	25%	21%	21%	20%
4c: CFO pre-WC - Dividends / Debt (3yr avg) (10%)	15%	11%	25%	20%	13%	16%
4d: Debt / Capitalization (3yr avg) (7.5%)	45%	43%	38%	40%	37%	47%
Financial Metrics						
Earned ROE (3 yr avg)	5.4%	4.2%	10.6%	10.3%	10.7%	13.8%
Allowed ROE	9.8%	9.8%	10.3%	9.8%	10.3%	9.4%
Revenues	1,213	1,894	6,766	502	819	892
EBITDA	308	524	2,290	170	173	220
Net Income	46	148	655	62	74	73
CFO	269	359	1,789	99	169	238
Capex	(235)	(244)	(2,120)	(196)	(152)	(153)
Dividends	26	0	0	18	53	40
Total Assets	3,310	7,259	22,255	2,182	2,150	2,754

Total Equity	1,407	2,742	6,824	728	645	1,027
Total Debt	886	2,413	6,760	672	719	625

Sources: Moody's; Company filings

Given the exposure to ExGen, can Exelon transition to the Regulated Electric and Gas Utility rating methodology?

Yes. Exelon would be better reflected in the regulated electric and gas utility rating methodology, as compared to its historical treatment under the unregulated utilities and power companies rating methodology, if its business mix permanently shifts towards regulated utilities. We see Exelon trying to head in that direction. In the table below, we illustrate some of Exelon's peers, and how those companies are scored under the regulated utility rating methodology.

Exhibit 5

Illustrative - Exelon could compare favorably to its large, diversified peers

	Exelon Corporation	Duke Energy Corporation	Southern Company	NextEra Energy, Inc.	Sempra Energy	Dominion Resources Inc.	Entergy Corportaion	FirstEnergy Corp.
Actual Rating	Baa2	A3	Baa1	Baa1	Baa1	Baa2	Baa3	Baa3
Rating Methodology Grid Indicated Rating	Baa2	Baa1	A3	Baa1	Baa2	Baa3	Baa3	Ba1
Rating Outlook	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable
Illustrative % regulated	60%	85%	90%	50%	75%	80%	80%	75%
Rate Base ($ billions)	20	24	44	22	11	19	18	15
# State Regulatory Jurisdictions	3	5	4	1	2	3	4	5
Holdco debt / Consolidated debt		30%	5%	40%	37%	47%	20%	25%
Rating Methodology Scores:								
1a: Legislative and Judicial Underpinnings of the Regulatory Framework (12.5%)		A	A	A	A	Aa	A	A
1b: Consistency and Predictability of Regulation (12.5%)		Aa	Aa	Aa	A	Aa	Baa	Baa
2a: Timeliness of Recovery of Operating and Capital Costs (12.5%)		A	A	Baa	Aa	A	Baa	Baa
2b: Sufficiency of Rates of Returns (12.5%)		Baa	Baa	Baa	A	Baa	Baa	Baa
3a: Market Position (10%)		Aa	A	Aa	A	Baa	Baa	A
3b Generation and Fuel Diversity		A	A	A	Baa	A	A	Baa
4a: CFO pre-WC + Interest / Interest (3yr avg) (7.5%)	6.2x	5.1x	6.9x	5.0x	4.9x	4.4x	5.8x	3.3x
4b: CFO pre-WC / Debt (3yr avg) (15%)	23%	17%	23%	18%	17%	15%	22%	11%
4c: CFO pre-WC - Dividends / Debt (3yr avg) (10%)	19%	11%	16%	14%	13%	9%	18%	8%
4d: Debt / Capitalization (3yr avg) (7.5%)	42%	43%	45%	50%	52%	56%	48%	56%
Financial Metrics								
Debt / EBITDA	4.0	4.2	4.3	3.7	4.9	5.9	4.0	6.6
CFO / Debt	24%	17%	23%	20%	14%	13%	24%	10%
RCF / Debt	19%	13%	13%	17%	11%	9%	19%	7%
Dividend Payout	53%	121%	106%	59%	66%	121%	58%	63%
Equity / Assets	26%	34%	28%	28%	28%	23%	21%	23%

Sources: Moody's; Company filings.

Peer Group:

» FirstEnergy Solutions
» PSEG Power
» Entergy
» NRG Energy
» Calpine

Moody's Related Research

» T&D Utilities Put Exelon's Credit Profile on Solid ground, February 2014 (163050)
» Exelon Generation Company: Well Capitalized to Manage Challenging Market Conditions Facing the Nuclear Fleet , September 2014 (174584)
» Illinois Bill Would Extend Life of Exelon Generation's Nuclear Reactors, a Credit Positive, March 2015 (179631)
» Regulated Electric and Gas Utilities, December 2013 (157160)
» Unregulated Utilities and Unregulated Power Companies, October 2014 (172784)

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

MOODY'S
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Affirms Exelon and Pepco Holdings; changes Pepco Holdings' rating outlook to developing from stable

Global Credit Research - 31 Aug 2015

Approximately $37 billion of debt and debt securities affected

New York, August 31, 2015 -- Moody's Investors Service today affirmed the ratings for Exelon Corporation (Exelon) and Pepco Holdings Inc. (PHI), including PHI's Prime-3 commercial paper rating. In addition, Moody's changed the rating outlook for PHI to Developing from Stable and changed the rating outlook for Commonwealth Edison Company to Positive from Stable.

RATINGS RATIONALE

Ratings affirmed include the Baa2 senior unsecured rating for Exelon, Exelon Generation Company LLC (ExGen) and Atlantic City Electric Company (ACE); the Baa1 unsecured rating for Commonwealth Edison Company (CWE), Delmarva Power & Light Company (DPL) and Potomac Electric Power Company (Pepco); the A3 rating for Baltimore Gas & Electric (BGE); and the A2 rating for PECO Energy Company (PECO). Moody's also affirmed the Prime-1 commercial paper rating for PECO, the Prime-2 commercial paper rating for Exelon, ExGen, CWE, BGE, ACE, DPL and Pepco. The rating outlooks for Exelon, ACE, BGE, DPL, PECO and Pepco remain stable.

"The rejection of the Exelon/Pepco merger application is credit negative for both companies," said Jim Hempstead, Associate Managing Director "because the outcome was a surprise, not because the regulators denied the merger application."

Nevertheless, we think Exelon and PHI will continue to pursue the merger, and will ask the DC PSC for reconsideration of the transaction which was originally announced in April 2014. For now, we are ascribing a 50% - 50% probability that the transaction is ultimately completed. We observe other utility change in control proceedings taking between 18-24 months to complete.

For Exelon, the rejection is credit negative because PHI would have brought an incremental $8.0 billion in regulated rate base to its existing $20.0 billion, and would have tipped the consolidated scale to where roughly 60% of the business (in terms of assets, debt and EBITDA) was related to lower-risk regulated transmission and distribution (T&D) utilities. PHI was looking at Exelon's bigger size and greater access to resources to help execute and finance an elevated capital investment program across all its jurisdictions.

PHI's Baa3 rating reflects the company's low business risk profile, anchored by a portfolio of regulated T&D utilities. The credit profile of these utilities aggregate at the Baa1-category, thanks to their roughly $8 billion in regulated rate base. The Baa3 rating also reflects the reduction to prior unregulated business activities, a credit positive, and the shareholder dividend being financed by debt (issued at the parent holding company), a material credit negative.

PHI's rating outlook was changed to Developing from stable to reflect the equal likelihood for both positive and negative credit implications associated with the next steps of the merger proceeding. If the acquisition of PHI by Exelon appears to be heading to a successful completion, the likelihood of positive rating actions for PHI will rise. Similarly, if the acquisition appears to be heading for a permanent termination, the likelihood of negative rating actions for PHI will rise.

"A merger termination is worse for PHI than Exelon, and a termination will pressure PHI's Baa3 rating because PHI will face a series of painful decisions, including deferred capital investment plans, right-sizing its common dividend and securing continued access to external liquidity sources." Hempstead added.

PHI's Baa3 rating could be upgraded if the proposed acquisition by Exelon is ultimately successful, primarily reflecting its role as an intermediate subsidiary holding company of Exelon. As a result, we'd expect that PHI wouldn't be used as a financing vehicle anymore, and its $700 million of existing parent holding debt would decline to less than $200 million by 2018.

Exelon's Baa2 senior unsecured rating and stable outlook reflect its stable and predictable regulated utility businesses. The Baa2 reflects our expectation that Exelon's T&D utilities (BGE, CWE and PECO) generate a ratio of cash flow from operations (CFO: adjusted for changes in working capital) to debt in the low-20% range, which is consistent with low risk T&D utilities in the A-ratings category.

Exelon's Baa2 rating is constrained by its more risky subsidiary, Exelon Generation Company LLC (ExGen: Baa2 stable), which owns a large fleet of unregulated nuclear generation assets and a retail energy marketing business. These unregulated businesses are less predictable, because they are largely driven by volatile commodity prices, such as natural gas and electricity. Still, we expect ExGen to generate approximately $3.5 billion in CFO, which compares favorably to its roughly $10-$12 billion in debt. If the PHI merger is terminated, Exelon's business mix would stay skewed to the unregulated ExGen, and Exelon would remain under the Global Unregulated Utilities and Power Companies rating methodology.

Exelon's rating could be upgraded if the ratio of CFO to debt were to rise above 20% for a sustained period of time, or if Exelon exited its more risky businesses at ExGen. Exelon's rating could be downgraded if the financial performance declined, where the ratio of CFO to debt fell to the mid-teen's range for a sustained period of time, or if the level of parent holding company debt were to increase (to above the 25% range or higher) or if there were any material shifts in shareholder reward programs. A shift in strategic focus could also trigger a rating downgrade, especially where the shift resulted in a material increase in the consolidated business risk profile, presumably somewhat more toward the unregulated business segment within ExGen.

Ratings could be pressured if the regulated utilities were faced with a highly contentious regulatory environment, a scenario we view as having a low probability at this time, or if ExGen faced a major operating challenge with several of its reactors at the same time.

The positive rating outlook for CWE reflects the improved regulatory environment in Illinois, which we are beginning to see as sustained, especially as that relates to the formulaic rate-making structures. CWE's financial profile should remain steady, and the utility is expected to produce a ratio of CFO to debt in the high-teen's range (18% - 19% range). For the twelve months ended June 30, 2015, CWE produced a ratio of approximately 20%. CWE's rating could be upgraded over the next 12 to 18 months if its steady financial performance and supportive regulatory framework remains intact.

The principal methodology used in rating Exelon Corporation and Exelon Generation Company, LLC was Unregulated Utilities and Unregulated Power Companies published in October 2014. The principal methodology used in rating Atlantic City Electric Company, Baltimore Gas and Electric Company, BGE Capital Trust II, ComEd Financing III, Commonwealth Edison Company, Constellation Energy Group, Inc., Delmarva Power & Light Company, Exelon Capital Trust I, Exelon Capital Trust II, Exelon Capital Trust III, Peco Energy Capital Trust III, PECO Energy Capital Trust IV, PECO Energy Company, Pepco Holdings, Inc. and Potomac Electric Power Company was Regulated Electric and Gas Utilities published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Outlook Actions:

..Issuer: Atlantic City Electric Company

....Outlook, Remains Stable

..Issuer: Baltimore Gas and Electric Company

....Outlook, Remains Stable

..Issuer: BGE Capital Trust II

....Outlook, Remains Stable

..Issuer: ComEd Financing III

....Outlook, Remains Stable

..Issuer: Commonwealth Edison Company

....Outlook, Changed To Positive From Stable

..Issuer: Delmarva Power & Light Company

....Outlook, Remains Stable

..Issuer: Exelon Capital Trust I

....Outlook, Remains Stable

..Issuer: Exelon Capital Trust II

....Outlook, Remains Stable

..Issuer: Exelon Capital Trust III

....Outlook, Remains Stable

..Issuer: Exelon Corporation

....Outlook, Remains Stable

..Issuer: Exelon Generation Company, LLC

....Outlook, Remains Stable

..Issuer: Peco Energy Capital Trust III

....Outlook, Remains Stable

..Issuer: PECO Energy Capital Trust IV

....Outlook, Remains Stable

..Issuer: PECO Energy Company

....Outlook, Remains Stable

..Issuer: Pepco Holdings, Inc.

....Outlook, Changed To Developing From Stable

..Issuer: Potomac Electric Power Company

....Outlook, Remains Stable

Affirmations:

..Issuer: Anne Arundel (County of) MD

....Senior Unsecured Revenue Bonds, Affirmed A3/VMIG 2

..Issuer: Atlantic City Electric Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed Baa2

....Senior Secured Shelf, Affirmed (P)A3

....Pref. Stock Preferred Stock, Affirmed Ba1

....Senior Secured First Mortgage Bonds, Affirmed A3

..Issuer: Baltimore Gas and Electric Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed A3

....Senior Secured Shelf, Affirmed (P)A1

....Senior Unsecured Shelf, Affirmed (P)A3

....Pref. Shelf, Affirmed (P)Baa2

....Preference Stock Preference Stock, Affirmed Baa2

....Senior Unsecured Bank Credit Facility, Affirmed A3

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

..Issuer: BGE Capital Trust II

....Pref. Stock Preferred Stock, Affirmed Baa1

..Issuer: ComEd Financing III

....Pref. Stock Preferred Stock, Affirmed Baa2

..Issuer: Commonwealth Edison Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed Baa1

....Senior Secured Shelf, Affirmed (P)A2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Regular Bond/Debenture, Affirmed A2

....Senior Unsecured Bank Credit Facility, Affirmed Baa1

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Constellation Energy Group, Inc.

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Delaware Economic Development Authority

....Senior Secured Revenue Bonds, Affirmed A2/VMIG 2

....Senior Unsecured Revenue Bonds, Affirmed Baa1/VMIG 2

..Issuer: Delmarva Power & Light Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed Baa1

....Senior Secured Shelf, Affirmed (P)A2

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Exelon Capital Trust I

....Pref. Stock Shelf, Affirmed (P)Baa3

..Issuer: Exelon Capital Trust II

....Pref. Stock Shelf, Affirmed (P)Baa3

..Issuer: Exelon Capital Trust III

....Pref. Stock Shelf, Affirmed (P)Baa3

..Issuer: Exelon Corporation

.... Issuer Rating, Affirmed Baa2

....Preferred Shelf, Affirmed (P)Ba1

....Subordinate Shelf, Affirmed (P)Baa3

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Senior Unsecured Bank Credit Facility, Affirmed Baa2

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Exelon Generation Company, LLC

.... Issuer Rating, Affirmed Baa2

....Pref. Shelf, Affirmed (P)Ba1

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Senior Unsecured Bank Credit Facility, Affirmed Baa2

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Maryland Economic Development Corporation

....Revenue Bonds, Affirmed Baa2

....Senior Unsecured Revenue Bonds, Affirmed A2

..Issuer: Montgomery County Industrial Dev Auth, PA

....Revenue Bonds, Affirmed Baa2

..Issuer: Peco Energy Capital Trust III

....Pref. Stock Preferred Stock, Affirmed A3

..Issuer: PECO Energy Capital Trust IV

....Pref. Stock Preferred Stock, Affirmed A3

....Pref. Stock Shelf, Affirmed (P)A3

..Issuer: PECO Energy Company

.... Commercial Paper, Affirmed P-1

.... Issuer Rating, Affirmed A2

....Senior Secured Shelf, Affirmed (P)Aa3

....Preferred Shelf, Affirmed (P)Baa1

....Pref. Stock Preferred Stock, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed Aa3

....Senior Unsecured Bank Credit Facility, Affirmed A2

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

....Senior Unsecured Revenue Bonds, Affirmed Baa2

..Issuer: Pepco Holdings, Inc.

.... Issuer Rating, Affirmed Baa3

....Senior Unsecured Commercial Paper, Affirmed P-3

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa3

..Issuer: Potomac Electric Power Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

..Issuer: Salem (County of) NJ, Pollution Ctrl Fin Auth

....Revenue Bonds, Affirmed Baa2

....Senior Secured Revenue Bonds, Affirmed A2

..Issuer: York County Industrial Development Auth., PA

....Revenue Bonds, Affirmed Baa2

REGULATORY DISCLOSURES

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

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The following information supplements Disclosure 10 ("Information Relating to Conflicts of Interest as required by Paragraph (a)(1)(ii)(J) of SEC Rule 17g-7") in the regulatory disclosures made at the ratings tab on the issuer/entity page on www.moodys.com for each credit rating as indicated:

Moody's also was paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody's to determine the following credit ratings: 10277594, 10286740, 35394567, 806758856, 808385255, 823964159, 824081051, 824553183, 824553184, 824553185, 824553186, 824553187 assigned to Exelon Corporation and 10345402, 35394666, 820554020, 821154511, 821154512, 822264218, 822264220, 823172368, 823172369, 823964164, 824081058, 824280070 assigned to Exelon Generation

Company, LLC.

Moody's was not paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody's to determine the following credit ratings: 10037826, 10089499, 10090771, 10096867, 10119766, 35000573, 806659534, 809874478, 809874499, 823043029, 823205506, 823364872, 823460818, 823964184, 824081053 assigned to Baltimore Gas and Electric Company; 806724704 assigned to BGE Capital Trust II; 10378512 assigned to ComEd Financing III; 10038172, 10197341, 10371086, 35001045, 809241147, 809295265, 809730182, 809964548, 820121571, 820336487, 820517050, 820737892, 820843780, 822177982, 822703357, 822703363, 823228242, 823544392, 823743749, 823743754, 823964172, 824043474, 824217817, 824373765 assigned to Commonwealth Edison Company; 10328859, 822385740 assigned to Constellation Energy Group, Inc.; 806758867 assigned to Exelon Capital Trust I; 806758869 assigned to Exelon Capital Trust II; 806758871 assigned to Exelon Capital Trust III; 10186070 assigned to Peco Energy Capital Trust III; 806603432, 806648039 assigned to PECO Energy Capital Trust IV; 10039513, 10057120, 10057121, 10057122, 10057123, 35002481, 807510527, 809806892, 820111314, 820218276, 820810608, 823219314, 823578116, 823578118, 823964177, 824081056, 824116903 assigned to PECO Energy Company; 10037777, 10042852, 10042853, 10042854, 10042855, 10042856, 10042857, 35000539, 806809269, 807501920, 820642468, 822505677, 823570225, 824081240 assigned to Atlantic City Electric Company; 10038300, 10151577, 10151579, 10151733, 10151734, 10151735, 10152019, 10152020, 10180357, 35001177, 823175871, 823570224, 823642019, 824473377 assigned to Delmarva Power & Light Company; 10334782, 10344317, 35395270, 820295163, 822256634 assigned to Pepco Holdings, Inc. and 35002522, 807460436, 808375623, 820145656, 820642449, 821424931, 823130030, 823349572, 823648822, 823839874, 824383429 assigned to Potomac Electric Power Company.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

James Hempstead
Associate Managing Director
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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

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

MOODY'S
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
3 February 2016

Update

Rate this Research

RATINGS

COMMONWEALTH EDISON COMPANY

Domicile	Chicago, ILLINOIS, United States
Long Term Rating	Baa1
Type	LT Issuer Rating
Date	31 Aug 2015
Outlook	Positive
Date	31 Aug 2015

Please see the ratings section at the end of this report for more information.

Contacts

Jim Hempstead 212-553-4318
Associate Managing Director
james.hempstead@moodys.com

Ryan Wobbrock 212-553-7104
AVP-Analyst
ryan.wobbrock@moodys.com

Tiago Ferreira 212-553-1722
Associate Analyst
tiago.ferreira@moodys.com

Peter Giannuzzi 212-553-2917
Associate Analyst
peter.giannuzzi@moodys.com

Gidon Eydelnant 212-553-1775
Associate Analyst
gidon.eydelnant@moodys.com

William L. Hess 212-553-3837
MD-Utilities
william.hess@moodys.com

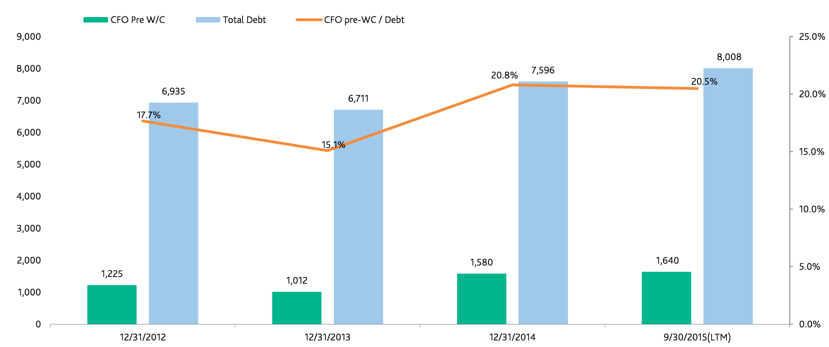
Commonwealth Edison Company

Regulated T&D utility subsidiary of Exelon

Summary Rating Rationale

Commonwealth Edison Company's (CWE) Baa1 senior unsecured rating reflects an improving regulatory environment, which has become more predictable with the introduction of a formulaic rate base tariff framework (FRP). The rating also considers CWE's good financial credit metrics, which include ratios of cash flow to debt in the high-teen's range or better and a reasonable approach to liquidity management. The Baa1 rating is constrained by CWE's sizeable capital spending program, and its service territory's generally weak economic recovery. The Baa1 rating incorporates a view that CWE's exposure to IRS litigation will be resolved without any material negative impact on CWE, because it will be insulated from the impact by its parent Exelon Corporation (Exelon: Baa2 stable).

Exhibit 1



Source: Moody's Investors Service

Credit Strengths

» Improved regulatory environment provides supportive cost recovery framework

» Good credit metrics for the rating category

Credit Challenges

» Sizeable capital expenditure program will be financed with a balanced mix of debt and equity

» Dispute with IRS remains an overhang but Exelon to hold CWE harmless

Rating Outlook

CWE's positive rating outlook reflects an expectation that the financial profile will continue to strengthen, particularly with the passage of the Energy Infrastructure Modernization Act (EIMA) in 2011. Over the next few years, we see CWE's ratio of cash flow from operations pre working capital (CFO pre-W/C) to debt remaining well positioned in the high-teen's range, and the ratio of CFO pre-W/C minus dividends to debt in the mid-teen's range. The rating outlook also incorporates the challenging regional economic conditions, and we see more stable and predictable revenues and cash flows resulting from the legislation associated with the formula rate plan (FRP) and look for a supportive conclusion to an expected 2016 filing. CWE's positive outlook further incorporates our belief the company's dividend policy will continue to remain steady in light of the utility's increased capital spending requirements, with a targeted payout ratio near 70%.

Factors that Could Lead to an Upgrade

» If its financial profile improved, including a ratio of CFO pre-W/C to debt above 20% and a ratio of CFO pre-W/C minus dividends to debt in the 15% - 18% range, both on a sustained basis

» If the regulatory environment improved further; however, we think the FRP framework is an ideal standard from a timeliness perspective and find it challenging to point to additional mechanisms to improve recovery timeliness

Factors that Could Lead to a Downgrade

» If the financial profile declines, including a ratio of CFO pre-W/C to debt in the low to mid-teen's range range and a ratio of CFO pre-W/C minus dividends to debt in the 10% - 12% range, both for a sustained period of time

» If a more contentious regulatory environment were to develop, defined by heightened litigation and delays in the recovery period of prudently incurred costs and investments

» If the outcome of the continuing Internal Revenue Service (IRS) challenge concerning certain sale/leaseback transactions affecting Exelon and CWE leads to payments for the utility

Key Indicators

Exhibit 2

KEY INDICATORS [1]

Commonwealth Edison Company

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	9/30/2015(LTM)
CFO pre-WC + Interest / Interest	5.2x	4.6x	2.6x	5.6x	5.5x
CFO pre-WC / Debt	25.1%	17.8%	15.2%	20.9%	20.5%
CFO pre-WC – Dividends / Debt	20.6%	16.2%	11.8%	16.8%	16.7%
Debt / Capitalization	37.8%	37.3%	36.4%	37.8%	38.4%

[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™

Detailed Rating Considerations

» Regulatory environment has improved with credit supportive legislation

CWE operates in an improved regulatory environment for electric utilities in Illinois under the Illinois Commerce Commission (ICC), thanks to its formulaic rate making structure, a material credit positive. Since 2011, CWE's distribution rates have been established through a performance-based FRP pursuant to EIMA, which provides a structure for substantial capital investment by utilities over a ten-year period to modernize Illinois' electric utility infrastructure. After initial bumps in the road, which are common when new formulaic rate structures are first introduced, 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 22 May 2013, the Illinois General Assembly overrode the former Governor's veto of SB9, which resulted in the legislation becoming effective immediately. EIMA was scheduled to sunset, ending CWE's current performance based rate investment commitment at 31 December 2017, but on 3 April 2015, current the Governor signed legislation extending the EIMA sunset until 31 December 2019.

On 15 April 2015, CWE filed its annual distribution rate update with the ICC. The request included a total decrease to the net revenue requirement of $50 million, reflecting an increase of $92 million for the initial revenue requirement for 2016 and a decrease of $142 million related to the annual reconciliation for 2014. On 9 December 2015 the ICC ordered a $66.7 million electric distribution reduction for CWE. This reduction includes a $85 million filing year increase premised upon a 9.14% return on equity and a 7.05% return on an $8.3 billion rate base, and an $82.9 million upward reconciliation adjustment calculated using a 9.09% return on equity and a 7.02% return on a $7.081 billion rate base. Because the adopted reconciliation adjustment for 2014 ($82.9 million) was below the adjustment approved for 2013 ($234.5 million), the downward reconciliation adjustment ordered by the ICC iwas effectively $151.6 million, bringing the required revenue requirement reduction to $65.5 million.

» Material Capital Investment

CWE's increasing capital expenditure program is mainly attributable to the infrastructure modernization related to EIMA. Pursuant to EIMA, CWE will invest approximately $2.6 billion over ten years to modernize and storm-harden its distribution system and to implement smart grid technology. In 2013 and 2014, capital expenditures increased to $1.4 billion and $1.7 billion, respectively, as compared to the three year average of $1.1 billion over the 2010-2012 period.

We anticipate that capital spending will continue to escalate as the company accelerates its smart meter plan. CWE 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 CWE's request to accelerate the deployment which allows for the installation of more than four million smart meters throughout CWE's service territory by 2018, three years in advance of the originally scheduled 2021 completion date. To date, over one million smart meters have been installed in the Chicago area by CWE.

For 2016-2018, capital expenditures are expected to total approximately $6.5 billion, with $2.2 billion invested for the twelve months ended 30 September 2015.

» Overhang with IRS case

CWE has a $1.2 billion deferred gain on the 1999 sale of its fossil generating facilities, which was deferred 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.

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.

In the first quarter of 2014, Exelon 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 resulted in a 2014 tax payment of approximately $285 million by Exelon, including approximately $155 million by CWE representing the remaining gain deferred pursuant to the like-kind exchange transaction.

As of 30 September 2015, in the event of a fully successful IRS challenge to Exelon's like-kind exchange position, the potential tax and after-tax interest amounts, exclusive of penalties, that could become currently payable may be as much as $820 million, of which approximately $300 million would be attributable to CWE and the remainder to Exelon. That said, we expect CWE will be fully insulated from any amounts attributable to CWE, and covered by Exelon.

» 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 CFO pre-W/C to debt has averaged around 18.0% over the 2012-2014 period, which is viewed as strong for the Baa rating. For the twelve months ended 30 September 2015, CWE produced a ratio of CFO pre-W/C to debt of 20.5%. Some of this financial performance can be attributed to the utilization of bonus depreciation, which is not a sustainable source of cash flow.

Liquidity Analysis

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 twelve months ending 30 September 2015, we calculate that negative free cash reached roughly $805 million based on cash from operations of $1.7 billion, capital spending of $2.2 billion and the payment of $305 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 30 September 2015, CWE had $604 million of commercial paper and $2 million of letters of credit outstanding 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 30 September 2015, CWE's ratio of net cash flow from operations to net interest expense was 7.40 times. As of 30 September 2015, if CWE lost its investment grade credit rating, it could be required to provide $17 million of collateral.

Profile

Commonwealth Edison Company (CWE: Baa1 positive) 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 30 September 2015, CWE had total assets of $26.1 billion.

Recent Developments

On 25 August 2015, the Public Service Commission of the District of Columbia (DCPSC) rejected the merger application between Exelon and PHI. On 6 October 2015, Exelon and PHI reached a settlement with the Office of the Mayor of the District of Columbia, the District's People's Counsel, the US Attorney of the District of Columbia and other stakeholders regarding the proposed merger. Along with the settlement, the merger agreement, which was originally set to expire on 29 October 2015, gets a 150-day extension until early March 2016. The settlement is credit positive for both Exelon and PHI because it puts the proposed merger back on track, with an aim to close in early March 2016. For now, we still assign a 50%-50% probability that the transaction will close. PHI's developing outlook will most likely be resolved when the transaction is completed, or when the merger agreement expires.

Rating Methodology and Scorecard Factors

Exhibit 3

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2015		Moody's 12-18 Month Forward View As of date published [3]	
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	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
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 - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	17.3%	Baa	15% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	13.8%	Baa	11% - 16%	Baa
d) Debt / Capitalization (3 Year Avg)	37.9%	A	35% - 40%	A
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A2
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		A3		A2
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 9/30/2015(L)
[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.
Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
COMMONWEALTH EDISON COMPANY	
Outlook	Positive
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	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

Source: Moody's Investors Service

REPORT NUMBER 1013211

MOODY'S
INVESTORS SERVICE

FitchRatings

Exelon Corp.

Corporates Ratings Navigator
US Utilities

Corporates Ratings Navigator

Publish Date: 6-Mar-15

Sector Details:

Sector:	US Utilities
Region:	Developed Markets - Americas
Country:	United States of America
Country IDR:	AAA Stable
Country IDR Action:	Affirmed
Country Action Date:	19-Sep-14
Country Ceiling:	AAA

Ratings History

Date	IDR		Action
30-Apr-14	BBB+	RWN	Rating Watch On
7-Apr-14	BBB+	Negative	Affirmed
7-Feb-14	BBB+	Negative	Affirmed
8-Feb-13	BBB+	Stable	Affirmed
12-Mar-12	BBB+	Stable	Affirmed
28-Apr-11	BBB+	Stable	Affirmed

Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Colors =Relative Importance

- Higher Importance
- Average Importance
- Lower Importance

Bar Arrows = Rating Factor Outlook

⇧ Positive	⇩ Negative
⇳ Evolving	☐ Stable

Analysts

1st	Robert HORNICK
	+1 212-908-0523
	robert.hornick@fitchratings.com
2nd	Shalini Mahajan
	+1 212-908-0351
	shalini.mahajan@fitchratings.com

Relevant Criteria & References

Introducing Ratings Navigators for Corporates
Corporate Rating Methodology
US Utilities: Ratings Navigator Companion

Direct Peer Group

Company Name	IDR		Action	Action Date
Public Service Enterprise Group Incorporated	BBB+	Stable	Affirmed	01-Oct-2014
Dominion Resources, Inc.	BBB+	Stable	Affirmed	23-Oct-2014
NextEra Energy, Inc.	A-	Stable	Affirmed	04-Dec-2014

Drivers & Sensitivities

Negative Rating Watch	The RWN reflects EXC's pending acquisition of Pepco Holdings, Inc. The proposed acquisition results in an increase in consolidated leverage compared to EXC's current and projected stand-alone financial condition.
Business Risk	The Pepco acquisition moderately lessens business risk. The pro forma earnings contribution from regulated businesses increases to approximately 60%–65% of pro forma earnings from about 55%–60% on a stand-alone basis.
Competitive Generation Business	The operating environment for EXC'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.
Hedging	EXC seeks to minimize the commodity risk by hedging a portion of its portfolio on a three-year rolling basis ranging from approximately 90%–98% in the prompt year to 70%–90% in year two and 50%–70% in year three.
Financial Measures	Fitch expects consolidated leverage and coverage measures of the combined entitity to be solidly within the 'BBB' category with debt/EBITDAR expected to be less than 4.0x and FFO fixed-charge coverage 5.5x–6.0x.
Positive Rating Sensitivities	Positive rating action is not likely at the present rating level.
Negative Rating Sensitivities	Continued weakness in forward power and natural prices over the next year is likely to result in a one-notch downgrade.

FitchRatings

Exelon Corp.

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Regulation

a-	Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation with limited political interference.
bbb+	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.
bbb	Trend in Authorized ROEs	bbb	Average authorized ROE.
bbb-	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bb+	Mechanisms Supportive of Creditworthiness		n.a.

Market and Franchise

a-	Market Structure	bbb	Established market structure but some level of uncertainty in price-setting mechanisms.
bbb+	Consumption Growth Trend		Customer and usage growth in line with industry averages
bbb	Customer Mix	a	Favorable customer mix.
bbb-	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bb+	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a	Diversity of Assets	a	High-quality and/or large-scale diversified assets.
a-	Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb+	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb-			

Commodity Exposure

bbb+	Ability to Pass Through Changes in Fuel	bb	Inability to pass through all changes in commodity costs.
bbb	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb-	Hedging Strategy	bb	Medium-term hedging strategy for supply and sales.
bb+			
bb			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb			
bbb-			
bb+			

Financial Structure

aa-	Lease Adjusted FFO Gross Leverage	bbb	5.0x
a+	Total Adjusted Debt/Operating EBITDAR	a	3.25x
a			
a-			
bbb+			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity		One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+	FFO Fixed Charge Cover	a	5.0x
bbb			
bbb-			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Navigator Version: RN 1.38.4.0

FitchRatings

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

FitchRatings

Commonwealth Edison Co.

Corporates Ratings Navigator
US Utilities

Corporates Ratings Navigator

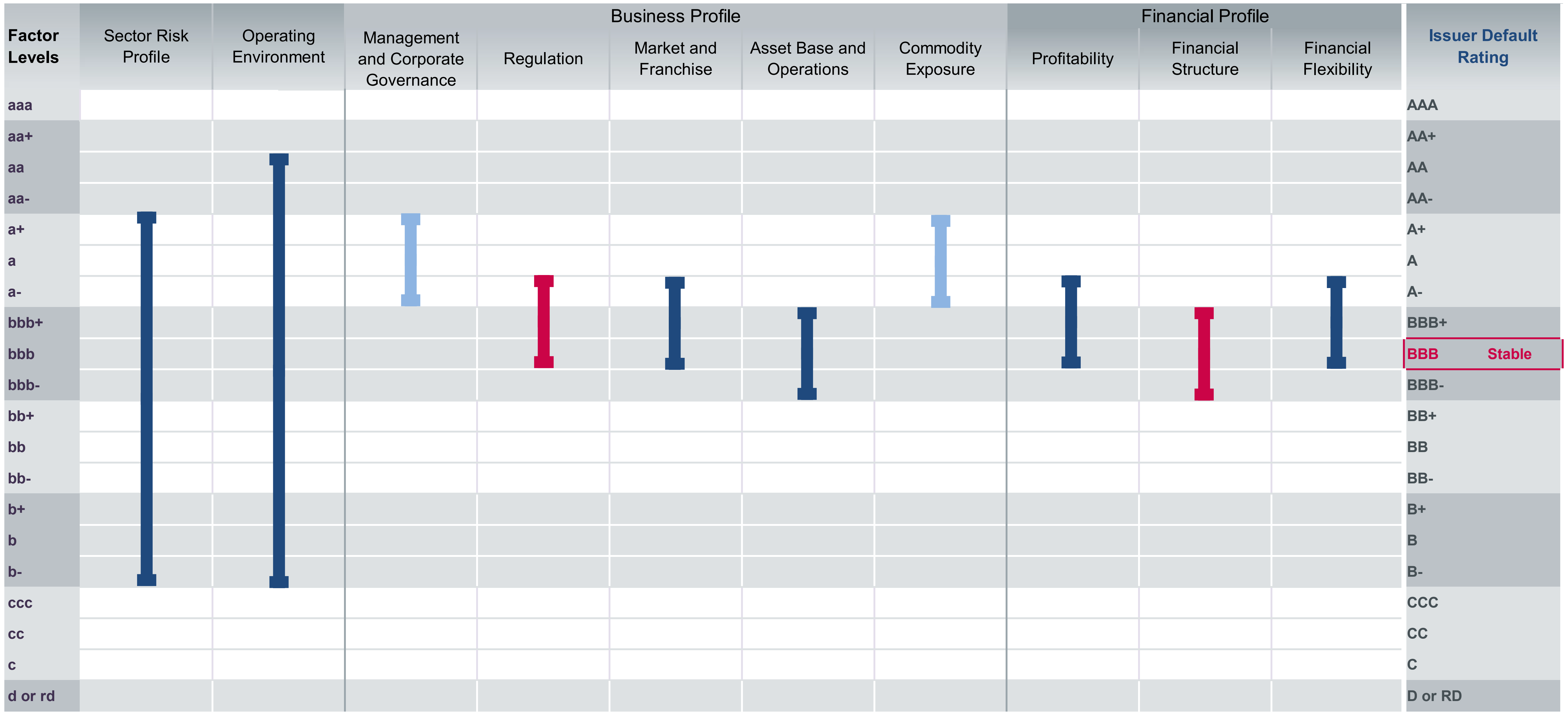
Publish Date:	6-Mar-15

Sector Details:

Sector:	US Utilities
Region:	Developed Markets - Americas
Country:	United States of America
Country IDR:	AAA Stable
Country IDR Action:	Affirmed
Country Action Date:	19-Sep-14
Country Ceiling:	AAA

Ratings History

Date	IDR		Action
1-Oct-14	BBB	Stable	Affirmed
7-Apr-14	BBB	Stable	Affirmed
7-Feb-14	BBB	Stable	Upgrade
8-Feb-13	BBB-	Positive	Affirmed
12-Mar-12	BBB-	Stable	Affirmed
28-Apr-11	BBB-	Stable	Affirmed



Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Colors =Relative Importance

- Higher Importance
- Average Importance
- Lower Importance

Bar Arrows = Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ☐ Stable

Analysts

1st	Robert HORNICK
	+1 212-908-0523
	robert.hornick@fitchratings.com
2nd	Shalini Mahajan
	+1 212-908-0351
	shalini.mahajan@fitchratings.com

Relevant Criteria & References

Introducing Ratings Navigators for Corporates

Corporate Rating Methodology

US Utilities: Ratings Navigator Companion

Direct Peer Group

Company Name	IDR		Action	Action Date
PECO Energy Co.	BBB+	Stable	Affirmed	01-Oct-2014
Baltimore Gas and Electric Company	BBB	Positive	Affirmed	01-Oct-2014
Ameren Illinois Company	BBB	Stable	Affirmed	01-Oct-2014

Drivers & Sensitivities

Strong Credit Metrics	Fitch estimates debt/EBITDAR and FFO leverage will average about 3.7x and 4.0x, respectively, over the next several years, which is consistent with the current ratings.
Regulatory Predictability	A formula rate plan (FRP) provides regulatory predictability in Illinois. The FRP includes annual rate adjustments and a true-up mechanism that reduces regulatory lag, and recognizes forward-looking capital additions.
Rising Capex	Capex is rising meaningfully due to planned FERC-regulated transmission investment electric distribution system upgrades. A significant portion of the investments are subject to timely recovery through performance-based rates.
Rate Increase	In December 2014, Comed was authorized a $232.8 million rate increase, or about 86% of the amount supported by the company. The increase, the fourth under the FRP, was based on a 9.25% ROE and should strengthen credit measures in 2015.
Positive Rating Sensitivities	Achieving adjusted debt/EBITDAR below 3.65x and FFO fixed-charge coverage above 4.65x on a sustained basis could lead to higher ratings.
Negative Rating Sensitivities	Lack of rate support for infrastructure investments or changes in the commodity cost recovery provisions could lead to lower ratings.

FitchRatings

Commonwealth Edison Co.

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+		Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa		Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
		Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-				
ccc				

Management and Corporate Governance

aa-		Management Strategy	a	Coherent strategy and good track record in implementation.
a+		Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
a		Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
a-		Financial Transparency	a	High quality and timely financial reporting.
bbb+				

Regulation

a		Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.
a-		Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
bbb+		Trend in Authorized ROEs	bb	Significantly below-average authorized ROE.
bbb		Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb-		Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Market and Franchise

a		Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-		Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+		Customer Mix	a	Favorable customer mix.
bbb		Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-		Supply Demand Dynamics		n.a.

Asset Base and Operations

a-		Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+		Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb		Exposure to Environmental Regulations	a	No exposure to environmental regulations.
bbb-		Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+				

Commodity Exposure

aa-		Ability to Pass Through Changes in Fuel	a	Complete pass-through of commodity costs.
a+		Underlying Supply Mix		n.a.
a		Hedging Strategy	a	Highly captive supply and customer base.
a-				
bbb+				

Profitability

a		Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
a-		Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
bbb+				
bbb				
bbb-				

Financial Structure

a-		Lease Adjusted FFO Gross Leverage	a	3.5x
bbb+		Total Adjusted Debt/Operating EBITDAR	bbb	3.75x
bbb				
bbb-				
bb+				

Financial Flexibility

a		Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-		Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+		FFO Fixed Charge Cover	a	5.0x
bbb				
bbb-				

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Navigator Version: RN 1.37.5.0

FitchRatings

Corporates Ratings Navigator
US Utilities

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

FitchRatings

Corporates

Utilities, Power and Gas / U.S.A.

Commonwealth Edison Co.

Subsidiary of Exelon Corp.
Full Rating Report

Ratings

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

Rating Outlook

Long-Term IDR	Stable

Financial Data

Commonwealth Edison Co.

($ Mil.)	2014	2013
Adjusted Revenue	4,564	4,464
Operating EBITDAR	1,680	1,638
Cash Flow from Operations	1,326	1,499
Total Adjusted Debt	6,405	6,003
Total Capitalization	14,375	13,593
Capex/ Depreciation (%)	2.5	2.1
FFO Fixed-Charge Coverage (x)	5.6	3.1
FFO-Adjusted Leverage (x)	3.3	3.3
Total Adj. Debt/EBITDAR (x)	3.8	3.7

Related Research

Baltimore Gas and Electric Company (Subsidiary of Exelon Corp.) (March 2015)

PECO Energy Co. (Subsidiary of Exelon Corp.) (March 2015)

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

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

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 Ratings estimates debt/EBITDAR and FFO leverage will approximate 3.60x and 3.75x, respectively, and FFO fixed-charge coverage will be 5.0x over the next two years, which is strong within the current rating level.

Regulatory Predictability: The FRP implemented in October 2011 provides increased regulatory predictability in Illinois. The FRP, which is filed annually, 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: In response to Comed's latest FRP filing in December 2014, the Illinois Commerce Commission (ICC) approved a $232 million increase in distribution rates, or approximately 86% of the company's rate request. An additional $23 million is recoverable through other rider mechanisms. Although the legislatively set return on equity (ROE) of 9.2% — including a 5-bps penalty — is 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. Comed retains the provider of last resort obligation for customers that do not choose an alternative energy provider, but recovers its energy supply costs from customers through a monthly fuel-adjustment mechanism.

Rising Capex: Capex is forecast to rise to $6.0 billion over the three-year period 2015–2017, a significant increase over the $4.4 billion invested in the prior three years. The higher outlays are primarily driven by the EIMA, which requires investments in system reliability and smart grid deployment and 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 continues to linger. However, the issue is not likely to be resolved for several years and is not factored into the current ratings. Comed's potential tax exposure, excluding penalties, is $310 million as of Dec. 31, 2014, which although significant, should be manageable within the current rating.

Rating Sensitivities

Positive Rating Action: Reducing debt/EBITDAR below 3.6x while sustaining the improvement in other credit metrics could lead to higher ratings in the near term.

Negative Rating Action: While not expected, FFO-adjusted leverage above 5.0x and/or FFO fixed-charge coverage below 4.5x on a sustained basis 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 also provides for direct borrowings. The credit facility extends to March 28, 2019, and allows for an additional one-year extension. There were $304 million of commercial paper borrowings and $2 million of outstanding letters as of Dec. 31, 2014, leaving available borrowing capacity of $694 million. Available cash was $66 million.

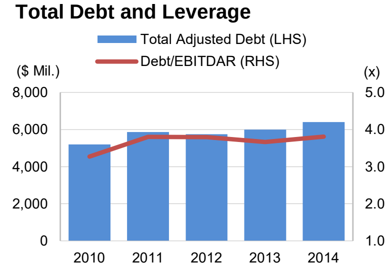
Long-term debt as of Dec. 31, 2014, aggregated $6.2 billion, including $206 million of subordinated debentures that qualify for 50% equity credit under Fitch's methodology. Approximately 94% of the outstanding long-term debt is first mortgage bonds. Annual debt maturities in each of the next five years 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, 2014)	
2015	260
2016	665
2017	425
2018	840
2019	300
Thereafter	3,693
Cash and Cash Equivalents	66
Undrawn Committed Facilities	694

Source: Company data, Fitch.

Total Debt and Leverage

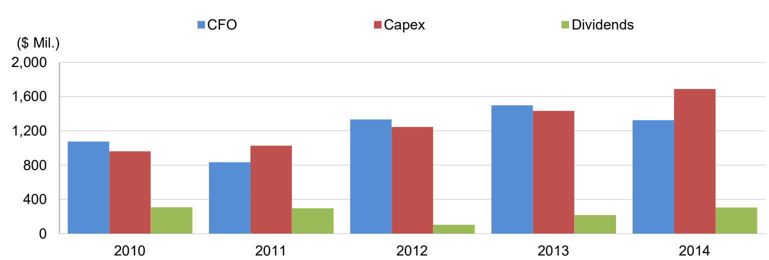


Source: Company data, Fitch.

Cash Flow Analysis

With capex expected to remain elevated over the next several years, including a peak of $2.2 billion in 2015, Fitch expects Comed to remain FCF negative, even before dividends requiring ongoing capital market access and equity support from parent Exelon Corp. (EXC) Forecast expenditures are about 38% greater than the capex over the prior three years. Fitch expects internal cash generation after dividends to provide 50%–60% of capex.

CFO and Cash Use



Source: Company data, Fitch.

Related Criteria

Recovery Ratings and Notching Criteria for Utilities (March 2015)

Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage (May 2014)

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

Parent and Subsidiary Rating Linkage Fitch's Approach to Rating Entities within a Corporate Group Structure (August 2013)

Peer and Sector Analysis

Peer Group

Issuer	Country
BBB	
Baltimore Gas and Electric Company	U.S.
Ameren Illinois Company	U.S.
BBB+	
PECO Energy Co.	U.S.

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
Oct. 1, 2014	BBB	Stable
April 7, 2014	BBB	Stable
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–	Stable
Jan. 9, 2006	BBB+	Negative
Dec. 6, 2005	BBB+	Negative
Dec. 20, 2004	BBB+	Stable
May 2, 2001	BBB+	Stable
Oct. 20, 2000	BBB+	Stable
Dec. 17, 1999	BBB+	Stable
July 26, 1999	BBB	Stable
Jan. 8, 1997	BBB–	Stable
Dec. 22, 2000	A	RWE

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

Peer Group Analysis

($ Mil.)	Commonwealth Edison Co.	Baltimore Gas and Electric Company	Ameren Illinois Company	PECO Energy Co.
As of	12/31/14	12/31/14	12/31/14	12/31/14
IDR	BBB	BBB	BBB	BBB+
Rating Outlook	Stable	Positive	Stable	Stable
Fundamental Ratios (x)				
Operating EBITDAR/ (Gross Interest Expense + Rents)	4.9	5.9	5.3	6.1
FFO Fixed-Charge Coverage	5.6	5.8	4.2	6.4
Total Adjusted Debt/Operating EBITDAR	3.8	2.9	3.1	2.9
FFO/Total Adjusted Debt (%)	30.0	36.8	25.4	37.0
FFO-Adjusted Leverage	3.3	2.7	3.9	2.7
Common Dividend Payout (%)	75.2	0.0	0.0	90.9
Internal Cash/Capex (%)	60.3	106.0	52.9	59.3
Capex/Depreciation (%)	245.9	206.0	317.5	280.1
Return on Equity (%)	5.3	8.0	8.1	11.4
Financial Information				
Revenue	4,564	3,077	2,498	3,094
Revenue Growth (%)	2.2	3.3	8.1	(0.2)
EBITDA	1,665	722	713	808
Operating EBITDA Margin (%)	36.5	25.6	28.5	26.1
FCF	(670)	37	(393)	(269)
Total Adjusted Debt with Equity Credit	6,405	2,154	2,319	2,351
Cash and Cash equivalents	66	64	1	30
Funds Flow From Operations	1,580	656	448	735
Capex	(1,689)	(620)	(835)	(661)

IDR – Issuer Default Rating.
Source: Company data, Fitch.

Key Rating Issues

Recent Rate Decision

The ICC issued an order in Comed's fourth FRP filing in December 2014. The ICC approved a $232 million increase in distribution rates, which equates to approximately 86% of Comed's rate request. The increase included approximately $160 million for the filing year and a $72 million reconciliation adjustment to capture the shortfall in 2013 revenue based on actual costs. Including the $23 million recoverable through rate riders, Comed will recover about 95% of its $269 million rate request. The formula-based ROE was 9.25% — excluding a 5-bps penalty — compared with 8.72% in the prior rate decision. The ROE penalty was attributable to a shortfall in certain performance metrics.

EIMA

Comed's distribution rates have been established through a performance-based FRP since 2011, as created 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. The EIMA 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.

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 2012–2014 was to exceed 2.5%. Otherwise, the FRP will terminate Dec. 31, 2017, unless extended by the legislature.

Rising Capex

Forecast capex of $6.0 billion over the next three years is substantially higher than the amounts expended over the prior three years and well above previous estimates. The forecast includes a peak of $2.1 billion in 2015, $2.0 billion in 2016 and $1.9 billion in 2017. Investments in the electric distribution system, including modernization required by the EIMA, account for 63% of expenditures, electric transmission accounts for 23% and smart grid accounts for the remaining 14%. Included in the transmission capex is approximately $280 million to be invested in the Grand Prairie Gateway Transmission Line project. The FERC-regulated project will earn a cash return on construction work in progress. Comed will be able to recover 100% of invested capital in the event the project is canceled. Comed expects to start construction in the second quarter of 2015 and complete the project in the second quarter of 2017.

Like-Kind Exchange

Comed's exposure to the IRS's disallowance of the tax benefits associated with a like-kind exchange transaction 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 $310 million — after EXC's agreement to hold Comed harmless for any incremental interest amounts — as of Dec. 31, 2014.

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-fueled 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 asserted the transaction is substantially similar to a sale-in lease-out (SILO) transaction, which it does not respect as an ownership interest in property, and does not qualify for the like-kind exchange. Management has been unable to reach a settlement with the IRS.

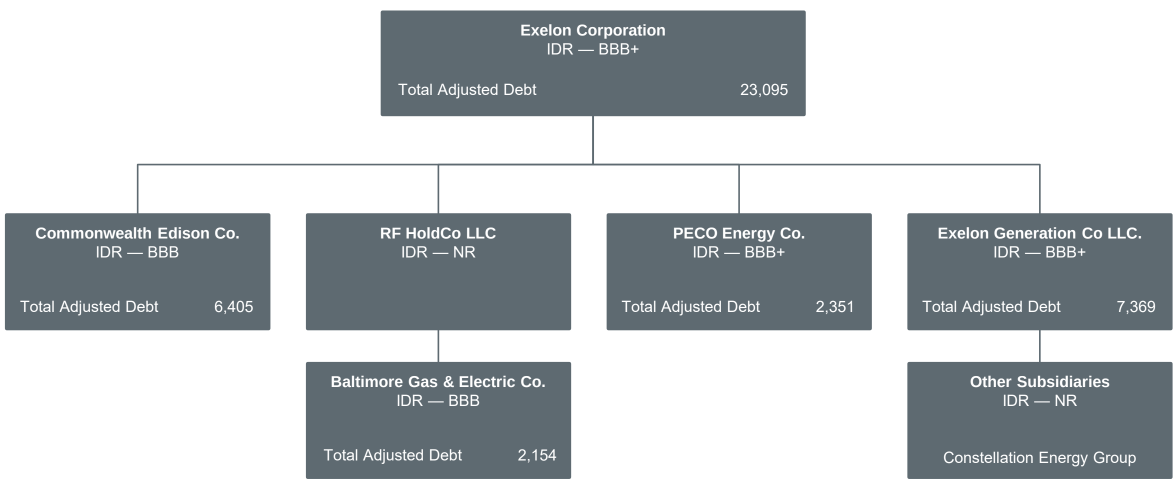
EXC entered into an agreement in February 2014 to terminate its investment in one of the three municipal-owned generating properties in exchange for receipt of an early termination payment of $335 million. The termination resulted in a tax payment of $285 million by EXC in 2014, including $155 million attributable by Comed. In the event the IRS's challenge of EXC's like-kind exchange position is successful, the company will be entitled to a refund of the 2014 tax payment.

Load Trends

Sales growth continues to be modest but improving. Weather-normalized electric load increased 0.2% in 2014, compared with a 0.2% decline the previous year. A modest 0.4% increase is expected in 2015. The outlook is driven by a slowly improving economy, partially offset by energy efficiency. The 2015 outlook includes moderately higher residential and commercial sales and a modest decline in industrial sales.

Organizational Structure

Organizational and Debt Structure — Commonwealth Edison Co.
($ Mil., As of Dec. 31, 2014)



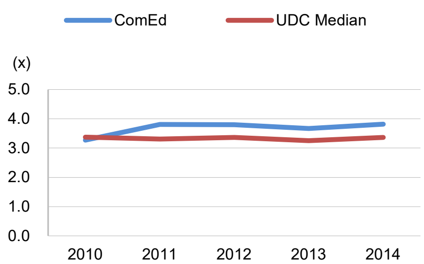
IDR – Issuer Default Ratings. NR – Not rated.
Source: Company reports, Fitch analysis.

FitchRatings

Corporates

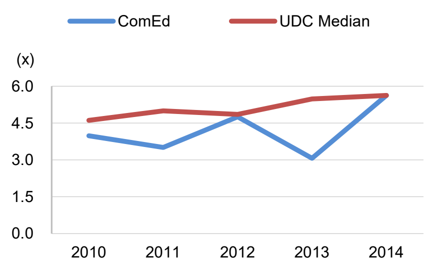
Key Metrics

Total Adjusted Debt/Op. EBITDAR



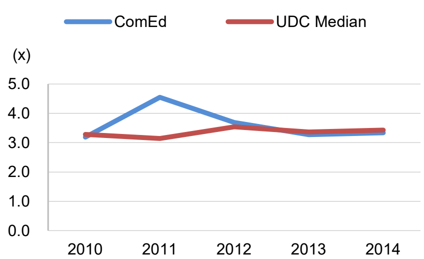
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



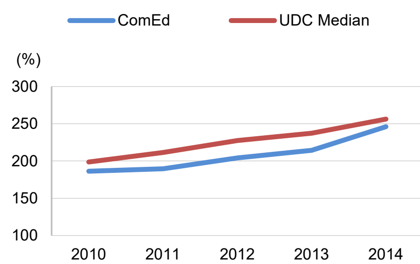
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO-Adjusted Leverage



UDC – Utility distribution company.
Source: Company data, Fitch.

Capex/Depreciation

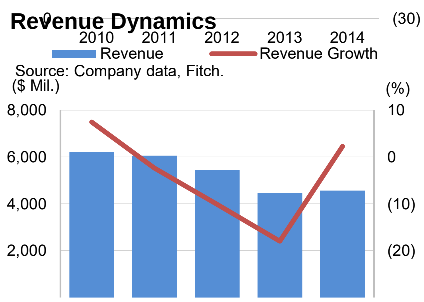


UDC – Utility distribution company.
Source: Company data, Fitch.

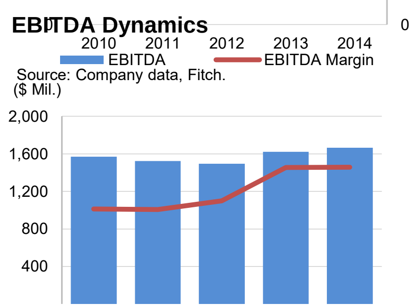
Company Profile

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



Source: Company data, Fitch.



Source: Company data, Fitch.

FitchRatings **Corporates**

Financial Summary — Commonwealth Edison Co.

($ Mil., As of Dec. 31, 2014)	2011	2012	2013	2014
Fundamental Ratios				
Operating EBITDAR/(Gross Interest Expense + Rents) (x)	4.2	4.6	2.7	4.9
FFO Fixed-Charge Coverage (x)	3.5	4.8	3.1	5.6
Total Adjusted Debt/Operating EBITDAR (x)	3.8	3.8	3.7	3.8
FFO/Total Adjusted Debt (%)	22.0	27.1	30.6	30.0
FFO Adjusted Leverage (x)	4.6	3.7	3.3	3.3
Common Dividend Payout (%)	72.1	27.7	41.5	75.2
Internal Cash/Capex (%)	52.1	98.6	89.3	60.3
Capex/Depreciation (%)	189.7	204.3	214.2	245.9
Return on Equity (%)	6.0	5.3	7.1	5.3
Profitability				
Revenues	6,056	5,443	4,464	4,564
Revenue Growth (%)	(2.4)	(10.1)	(18.0)	2.2
Net Revenues	3,021	3,136	3,290	3,387
Operating and Maintenance Expense	1,201	1,345	1,368	1,429
Operating EBITDA	1,524	1,496	1,623	1,665
Operating EBITDAR	1,542	1,514	1,638	1,680
Depreciation and Amortization Expense	542	610	669	687
Operating EBIT	982	886	954	978
Gross Interest Expense	349	310	583	326
Net Income for Common	416	379	530	408
Operating Maintenance Expense % of Net Revenues	39.8	42.9	41.6	42.2
Operating EBIT % of Net Revenues	32.5	28.3	29.0	28.9
Cash Flow				
Cash Flow from Operations	836	1,334	1,499	1,326
Change in Working Capital	(86)	103	263	(254)
Funds from Operations	922	1,231	1,236	1,580
Dividends	(300)	(105)	(220)	(307)
Capex	(1,028)	(1,246)	(1,433)	(1,689)
FCF	(492)	(17)	(154)	(670)
Net Other Investment Cash Flow	15	6	39	30
Net Change in Debt	662	(100)	282	403
Net Equity Proceeds	—	—	—	273
Capital Structure				
Short-Term Debt	—	—	184	304
Total Long-Term Debt	5,768	5,670	5,778	6,061
Total Debt with Equity Credit	**5,768**	**5,670**	**5,962**	**6,365**
Total Adjusted Debt with Equity Credit	5,865	5,753	6,003	6,405
Total Hybrid Equity and Minority Interest	103	103	103	103
Total Common Shareholder's Equity	7,037	7,323	7,528	7,907
Total Capital	**12,908**	**13,096**	**13,593**	**14,375**
Total Debt/Total Capital (%)	44.7	43.3	43.9	44.3
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.8	0.8	0.8	0.7
Common Equity/Total Capital (%)	54.5	55.9	55.4	55.0

IDR – Issuer Default Rating.
Source: Company data, Fitch.

FitchRatings **Corporates**

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

FitchRatings

Corporates

Utilities, Power and Gas / U.S.A.

Commonwealth Edison Co.

Subsidiary of Exelon Corp.
Full Rating Report

Ratings

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

Rating Outlook

Long-Term IDR	Positive

Financial Data

Commonwealth Edison Co.

($ Mil.)	2014	2013
Adjusted Revenue	4,564	4,464
Operating EBITDAR	1,680	1,638
Cash Flow from Operations	1,326	1,499
Total Adjusted Debt	6,405	6,003
Total Capitalization	14,375	13,593
Capex/ Depreciation (%)	2.5	2.1
FFO Fixed-Charge Coverage (x)	5.6	3.1
FFO-Adjusted Leverage (x)	3.3	3.3
Total Adj. Debt/EBITDAR (x)	3.8	3.7

Related Research

Baltimore Gas and Electric Company (Subsidiary of Exelon Corp.) (May 2015)

PECO Energy Co. (Subsidiary of Exelon Corp.) (March 2015)

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

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

Key Rating Drivers

Positive Rating Outlook: The Positive Rating Outlook recognizes the uptrend in financial performance in recent years, Fitch Ratings' expectation for ongoing improvement in 2015 and the regulatory predictability provided by Illinois' formula rate plan (FRP).

Strong Credit Metrics: Higher rates effective Jan. 1, 2014, and an 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 approximate 3.60x and 3.75x, respectively, and FFO fixed-charge coverage will be 5.0x over the next two years, which is strong within the current rating level.

Regulatory Predictability: The FRP implemented in October 2011 provides increased regulatory predictability in Illinois. The FRP, which is filed annually, 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: In response to Comed's latest FRP filing in December 2014, the Illinois Commerce Commission (ICC) approved a $232 million increase in distribution rates, or approximately 86% of the company's rate request. An additional $23 million is recoverable through other rider mechanisms. Although the legislatively set return on equity (ROE) of 9.2% — including a 5-bps penalty — is 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. Comed retains the obligation to supply electricity to customers that do not choose an alternative energy provider, but recovers its energy supply costs through a monthly fuel-adjustment mechanism.

Rising Capex: Capex is forecast to rise to $6.0 billion over the three-year period 2015–2017, a significant increase over the $4.4 billion invested in the prior three years. The higher outlays are primarily driven by the EIMA, which requires investments in system reliability and smart grid deployment and 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 continues to linger. However, the issue is not likely to be resolved for several years and is not factored into the current ratings. Comed's potential tax exposure, excluding penalties, is $310 million as of Dec. 31, 2014, which although significant, should be manageable within the current rating.

Rating Sensitivities

Positive Rating Action: Reducing debt/EBITDAR below 3.6x while sustaining the improvement in other credit metrics could lead to higher ratings in the near term.

Negative Rating Action: While not expected, FFO-adjusted leverage above 5.0x and/or FFO fixed-charge coverage below 4.5x on a sustained basis 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 also provides for direct borrowings. The credit facility extends to March 28, 2019, and allows for an additional one-year extension. There were $304 million of commercial paper borrowings and $2 million of outstanding letters as of Dec. 31, 2014, leaving available borrowing capacity of $694 million. Available cash was $66 million.

Long-term debt as of Dec. 31, 2014, aggregated $6.2 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.

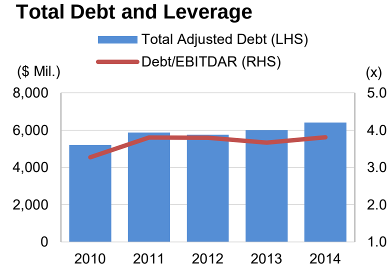
Debt Maturities and Liquidity

($ Mil., As of Dec. 31, 2014)

2015	260
2016	665
2017	425
2018	840
2019	300
Thereafter	3,693
Cash and Cash Equivalents	66
Undrawn Committed Facilities	694

Source: Company data, Fitch.

Total Debt and Leverage

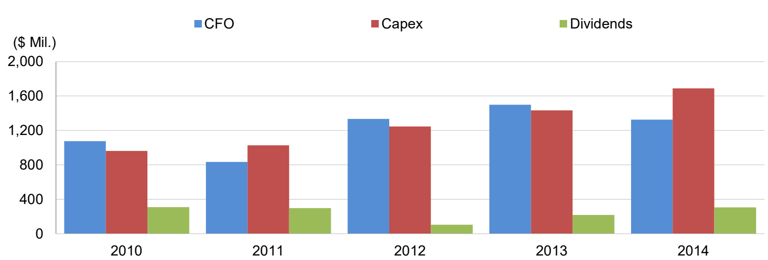


Source: Company data, Fitch.

Cash Flow Analysis

With capex expected to remain elevated over the next several years, including a peak of $2.2 billion in 2015, Fitch expects Comed to remain FCF negative, even before dividends requiring ongoing capital market access and equity support from parent Exelon Corp. (EXC) Forecast expenditures are about 38% greater than the capex over the prior three years. Fitch expects internal cash generation after dividends to provide 50%–60% of capex.

CFO and Cash Use



Source: Company data, Fitch.

Related Criteria

Recovery Ratings and Notching Criteria for Utilities (March 2015)

Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage (May 2014)

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

Parent and Subsidiary Rating Linkage Fitch's Approach to Rating Entities within a Corporate Group Structure (August 2013)

FitchRatings **Corporates**

Peer Group

Issuer	Country
BBB	
Ameren Illinois Company	U.S.
BBB+	
Baltimore Gas and Electric Company	U.S.
PECO Energy Co.	U.S.

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
Oct. 1, 2014	BBB	Stable
April 7, 2014	BBB	Stable
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–	Stable
Jan. 9, 2006	BBB+	Negative
Dec. 6, 2005	BBB+	Negative
Dec. 20, 2004	BBB+	Stable
May 2, 2001	BBB+	Stable
Oct. 20, 2000	BBB+	Stable
Dec. 17, 1999	BBB+	Stable
July 26, 1999	BBB	Stable
Jan. 8, 1997	BBB–	Stable
Dec. 22, 2000	A	RWE

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

Peer and Sector Analysis

Peer Group Analysis

($ Mil.)	Commonwealth Edison Co.	Baltimore Gas and Electric Company	Ameren Illinois Company	PECO Energy Co.
As of	12/31/14	12/31/14	12/31/14	12/31/14
IDR	BBB	BBB+	BBB	BBB+
Rating Outlook	Positive	Stable	Stable	Stable
Fundamental Ratios (x)				
Operating EBITDAR/ (Gross Interest Expense + Rents)	4.9	5.9	5.3	6.1
FFO Fixed-Charge Coverage	5.6	5.8	4.2	6.4
Total Adjusted Debt/Operating EBITDAR	3.8	2.9	3.1	2.9
FFO/Total Adjusted Debt (%)	30.0	36.8	25.4	37.0
FFO-Adjusted Leverage	3.3	2.7	3.9	2.7
Common Dividend Payout (%)	75.2	0.0	0.0	90.9
Internal Cash/Capex (%)	60.3	106.0	52.9	59.3
Capex/Depreciation (%)	245.9	206.0	317.5	280.1
Return on Equity (%)	5.3	8.0	8.1	11.4
Financial Information				
Revenue	4,564	3,077	2,498	3,094
Revenue Growth (%)	2.2	3.3	8.1	(0.2)
EBITDA	1,665	722	713	808
Operating EBITDA Margin (%)	36.5	25.6	28.5	26.1
FCF	(670)	37	(393)	(269)
Total Adjusted Debt with Equity Credit	6,405	2,154	2,319	2,351
Cash and Cash equivalents	66	64	1	30
Funds Flow From Operations	1,580	656	448	735
Capex	(1,689)	(620)	(835)	(661)

IDR – Issuer Default Rating.
Source: Company data, Fitch.

Key Rating Issues

Recent Rate Decision

The ICC issued an order in Comed's fourth FRP filing in December 2014. The ICC approved a $232 million increase in distribution rates, which equates to approximately 86% of Comed's rate request. The increase included approximately $160 million for the filing year and a $72 million reconciliation adjustment to capture the shortfall in 2013 revenue based on actual costs. Including the $23 million recoverable through rate riders, Comed will recover about 95% of its $269 million rate request. The formula-based ROE was 9.25% — excluding a 5-bps penalty — compared with 8.72% in the prior rate decision. The ROE penalty was attributable to a shortfall in certain performance metrics.

EIMA

Comed's distribution rates have been established through a performance-based FRP since 2011, as created 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. The EIMA 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.

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 2012–2014 was to exceed 2.5%. Otherwise, the FRP will terminate Dec. 31, 2017, unless extended by the legislature.

Rising Capex

Forecast capex of $6.0 billion over the next three years is substantially higher than the amounts expended over the prior three years and well above previous estimates. The forecast includes a peak of $2.1 billion in 2015, $2.0 billion in 2016 and $1.9 billion in 2017. Investments in the electric distribution system, including modernization required by the EIMA, account for 63% of expenditures, electric transmission accounts for 23% and smart grid accounts for the remaining 14%. Included in the transmission capex is approximately $280 million to be invested in the Grand Prairie Gateway Transmission Line project. The FERC-regulated project will earn a cash return on construction work in progress. Comed will be able to recover 100% of invested capital in the event the project is canceled. Comed expects to start construction in the second quarter of 2015 and complete the project in the second quarter of 2017.

Like-Kind Exchange

Comed's exposure to the IRS's disallowance of the tax benefits associated with a like-kind exchange transaction 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 $310 million — after EXC's agreement to hold Comed harmless for any incremental interest amounts — as of Dec. 31, 2014.

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-fueled 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 asserted the transaction is substantially similar to a sale-in lease-out (SILO) transaction, which it does not respect as an ownership interest in property, and does not qualify for the like-kind exchange. Management has been unable to reach a settlement with the IRS.

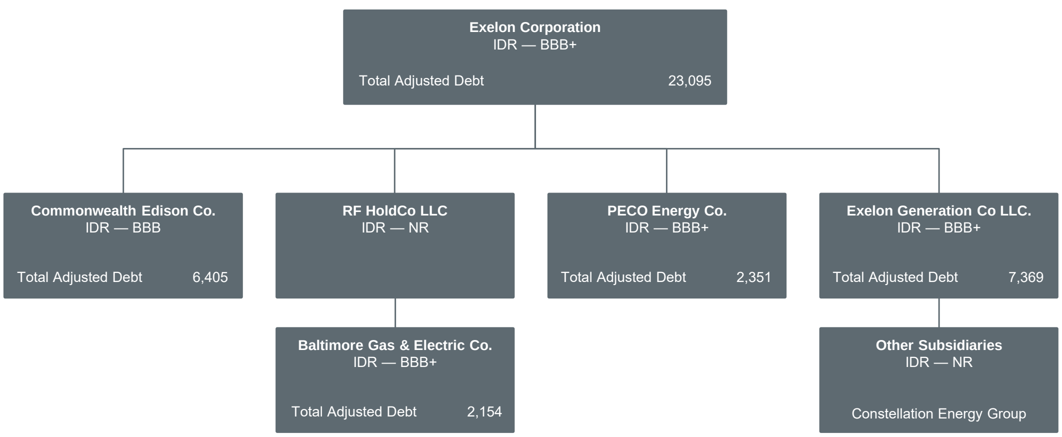
EXC entered into an agreement in February 2014 to terminate its investment in one of the three municipal-owned generating properties in exchange for receipt of an early termination payment of $335 million. The termination resulted in a tax payment of $285 million by EXC in 2014, including $155 million attributable by Comed. In the event the IRS's challenge of EXC's like-kind exchange position is successful, the company will be entitled to a refund of the 2014 tax payment.

Load Trends

Sales growth continues to be modest but improving. Weather-normalized electric load increased 0.2% in 2014, compared with a 0.2% decline the previous year. A modest 0.4% increase is expected in 2015. The outlook is driven by a slowly improving economy, partially offset by energy efficiency. The 2015 outlook includes moderately higher residential and commercial sales and a modest decline in industrial sales.

Organizational Structure

Organizational and Debt Structure — Commonwealth Edison Co.
($ Mil., As of Dec. 31, 2014)

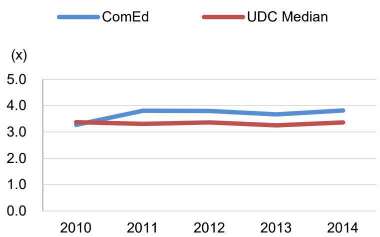


IDR – Issuer Default Ratings. NR – Not rated.
Source: Company reports, Fitch analysis.

FitchRatings Corporates

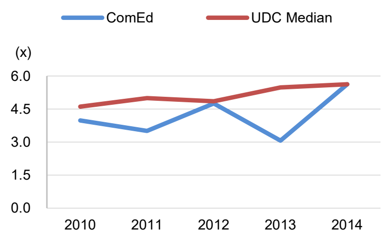
Key Metrics

Total Adjusted Debt/Op. EBITDAR



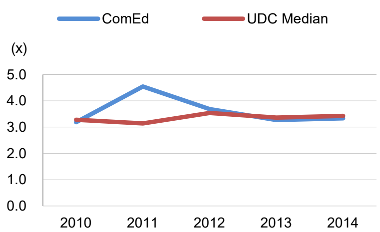
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



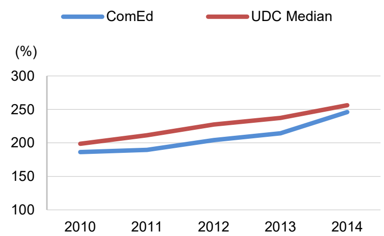
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO-Adjusted Leverage



UDC – Utility distribution company.
Source: Company data, Fitch.

Capex/Depreciation



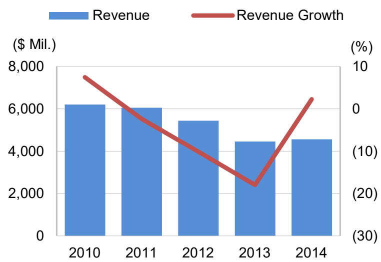
UDC – Utility distribution company.
Source: Company data, Fitch.

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.

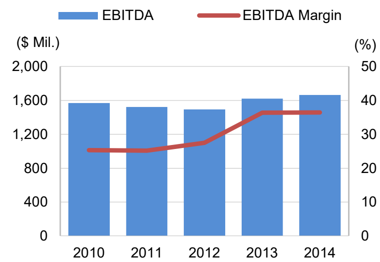
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

FitchRatings **Corporates**

Financial Summary — Commonwealth Edison Co.

($ Mil., As of Dec. 31, 2014)	2011	2012	2013	2014
Fundamental Ratios				
Operating EBITDAR/(Gross Interest Expense + Rents) (x)	4.2	4.6	2.7	4.9
FFO Fixed-Charge Coverage (x)	3.5	4.8	3.1	5.6
Total Adjusted Debt/Operating EBITDAR (x)	3.8	3.8	3.7	3.8
FFO/Total Adjusted Debt (%)	22.0	27.1	30.6	30.0
FFO Adjusted Leverage (x)	4.6	3.7	3.3	3.3
Common Dividend Payout (%)	72.1	27.7	41.5	75.2
Internal Cash/Capex (%)	52.1	98.6	89.3	60.3
Capex/Depreciation (%)	189.7	204.3	214.2	245.9
Return on Equity (%)	6.0	5.3	7.1	5.3
Profitability				
Revenues	6,056	5,443	4,464	4,564
Revenue Growth (%)	(2.4)	(10.1)	(18.0)	2.2
Net Revenues	3,021	3,136	3,290	3,387
Operating and Maintenance Expense	1,201	1,345	1,368	1,429
Operating EBITDA	1,524	1,496	1,623	1,665
Operating EBITDAR	1,542	1,514	1,638	1,680
Depreciation and Amortization Expense	542	610	669	687
Operating EBIT	982	886	954	978
Gross Interest Expense	349	310	583	326
Net Income for Common	416	379	530	408
Operating Maintenance Expense % of Net Revenues	39.8	42.9	41.6	42.2
Operating EBIT % of Net Revenues	32.5	28.3	29.0	28.9
Cash Flow				
Cash Flow from Operations	836	1,334	1,499	1,326
Change in Working Capital	(86)	103	263	(254)
Funds from Operations	922	1,231	1,236	1,580
Dividends	(300)	(105)	(220)	(307)
Capex	(1,028)	(1,246)	(1,433)	(1,689)
FCF	(492)	(17)	(154)	(670)
Net Other Investment Cash Flow	15	6	39	30
Net Change in Debt	662	(100)	282	403
Net Equity Proceeds	—	—	—	273
Capital Structure				
Short-Term Debt	—	—	184	304
Total Long-Term Debt	5,768	5,670	5,778	6,061
Total Debt with Equity Credit	**5,768**	**5,670**	**5,962**	**6,365**
Total Adjusted Debt with Equity Credit	5,865	5,753	6,003	6,405
Total Hybrid Equity and Minority Interest	103	103	103	103
Total Common Shareholder's Equity	7,037	7,323	7,528	7,907
Total Capital	**12,908**	**13,096**	**13,593**	**14,375**
Total Debt/Total Capital (%)	44.7	43.3	43.9	44.3
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.8	0.8	0.8	0.7
Common Equity/Total Capital (%)	54.5	55.9	55.4	55.0

IDR – Issuer Default Rating.
Source: Company data, Fitch.

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

FitchRatings

Corporates

Utilities, Power & Gas / U.S.A.

Exelon Corp.

Full Rating Report

Ratings

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

IDR – Issuer Default Rating.

Rating Outlook

Long-Term IDR	RWN

RWN – Rating Watch Negative.

Financial Data

Exelon Corp.

($ Mil.)	LTM 2Q15	2014
Adjusted Revenue	28,872	27,932
Operating EBITDAR	6,553	5,984
CFFO	6,596	3,966
Total Adjusted Debt	24,519	21,056
Total Capitalization	48,993	44,594
Capex/ Depreciation (%)	3.2	2.8
FFO Fixed-Charge Coverage (x)	6.6	5.9
FFO-Adjusted Leverage (x)	2.9	2.9
Total Adjusted Debt/EBITDAR (x)	3.7	3.5

Related Research

Exelon Generation Co. LLC (Subsidiary of Exelon Corp.) (September 2015)

Baltimore Gas and Electric Company (Subsidiary of Exelon Corp.) (May 2015)

Commonwealth Edison Co. (Subsidiary of Exelon Corp.) (May 2015)

PECO Energy Co. (Subsidiary of Exelon Corp.) (April 2015)

Analysts

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

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

Key Rating Drivers

Rating Watch Negative: The Rating Watch Negative (RWN) reflects the rise in leverage from Exelon Corp.'s (EXC) pending acquisition of Pepco Holdings, Inc. (PHI, BBB), which is only partly offset by the increase in regulated earnings. The higher leverage is driven by the acquisition financing and consolidation of the more levered PHI. Fitch Ratings expects to resolve the RWN once the merger is finalized and all conditions are known. EXC's Rating Outlook was Negative prior to the merger plan due to the challenging operating environment of its competitive generation business.

Utility Earnings Contribution: EXC's ratings benefit from the predictable and growing earnings and cash flow contributions of its three regulated utilities. The utilities accounted for approximately 53% of 2014 adjusted operating income, growing to an estimated 60% by 2019, excluding the pending PHI acquisition. The utilities have sound and/or improving credit profiles, limited commodity price risk and relatively predictable earnings, balancing the more volatile cash flow of the commodity-sensitive competitive generation business.

Competitive Generation Business: The operating environment for EXC's competitive generation business is challenging, with sluggish demand and low natural gas and power prices likely to persist for several years. Partly offsetting the low energy prices is the recent rise in forward capacity prices in the PJM Interconnection LLC (PJM), where the majority of EXC's merchant generating assets are located. The business is well capitalized and employs a three-year hedging strategy that moderates commodity exposure and the associated volatility.

Growing Utility Investments: The majority of capital investment is allocated to EXC's three utility subsidiaries, which should provide a more stable earnings base. The share of utility investments increases in each of the next three years, reaching nearly 60% of consolidated capex by 2017. The majority of the regulated investments are at Commonwealth Edison Co. (ComEd), its largest utility, which operates with a constructive formula rate plan that provides timely recovery of invested capital.

Financial Position: Credit protection measures are sound, albeit weaker than historical levels, due in large measure to the declining contribution of EXC's competitive generation business and additional debt financing. The acquisition of the more levered PHI will further weaken credit protection measures, with pro forma debt to EBITDAR in excess of 4.0x.

Rating Sensitivities

Positive Rating Action: Positive rating action is not likely at the present rating level given the meaningful earnings and cash flow contribution of EXC's competitive generation business and the additional merger-related leverage. However, ratings could be maintained if post-acquisition debt to EBITDAR remains below 3.7x and FFO-adjusted leverage remains below 4.75x.

Negative Rating Action: Ratings could be lowered if post-acquisition debt to EBITDAR exceeds 3.7x and FFO-adjusted leverage exceeds 4.75x on a sustained basis. Ratings could also be lowered if the ratings of EXC's merchant generation business, Exelon Generation Co., LLC (Exgen), fall below 'BBB'.

Financial Overview

Liquidity and Debt Structure

Cash flow from operations, commercial paper borrowings and committed bank credit facilities provide ample liquidity. EXC and each of its operating subsidiaries maintain separate credit facilities and commercial paper programs. Syndicated credit facilities aggregate $8.0 billion — excluding minority and community banks — and bilateral agreements an additional $500 million. The syndicated facilities include $500 million at EXC, $5.3 billion at Exgen, $1.0 billion at ComEd and $600 million each at PECO Energy Co. (PECO) and Baltimore Gas and Electric Co. (BGE). The syndicated facilities support commercial paper programs of equal size and have five-year terms.

EXC also operates a corporate money pool with subsidiaries Exgen and PECO. EXC can lend to the money pool, but cannot borrow from it. ComEd and BGE are excluded from the money pool due to ring-fencing measures.

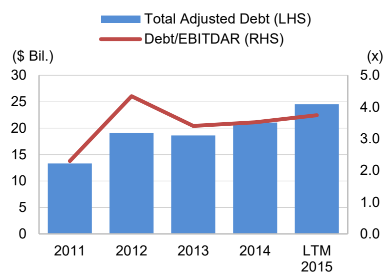
Available cash at June 30, 2015 was $6.0 billion, including $5.5 billion held at the parent, largely due to having completed the debt and hybrid portions of its planned merger financing. In addition, EXC executed a forward sale agreement in July 2015 that raised an additional $1.87 billion of common equity to complete the acquisition financing plan. There were no borrowings under the credit facilities as of June 30, 2015, but ComEd had commercial paper outstanding of $503 million. Debt maturities shown in the *Debt Maturities and Liquidity* table below are expected to be manageable, but will require capital market access.

Debt Maturities and Liquidity

($ Mil., As of June 30, 2015)	
2015	129
2016	1,251
2017	3,000
2018	1,415
Thereafter	18,989
Cash and Cash Equivalents	6,014
Undrawn Committed Facilities	6,519

Source: Company data, Fitch.

Total Debt and Leverage



Source: Company data, Fitch.

Cash Flow Analysis

Cash flows from EXC's three utilities are relatively predictable and should grow over the next few years, based on the level of planned investment. Nonetheless, each of the utilities is expected to be FCF negative over the next several years.

Fitch expects the competitive generation business to be FCF positive after 2015, reflecting lower capex and expectations the utilities will shoulder more of the common dividend requirements. However, the ratable hedging strategy Fitch considers to reduce business risk can also produce large swings in collateral postings and cash requirements. Credit concerns are largely mitigated by access to $5.8 billion of credit facilities.

Related Criteria

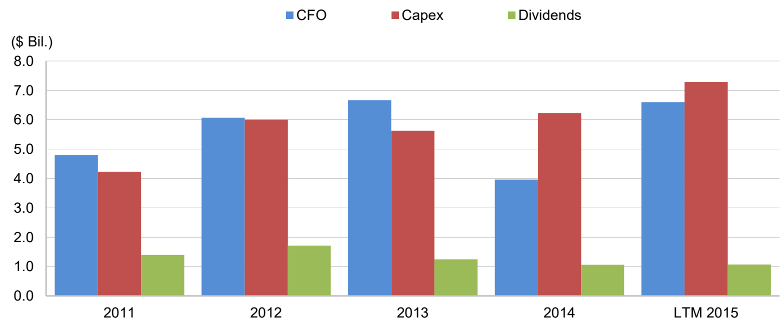
Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage (August 2015)

Parent and Subsidiary Rating Linkage (August 2015)

Recovery Ratings and Notching Criteria for Utilities (March 2015)

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

CFO and Cash Use



Source: Company data, Fitch.

Peer and Sector Analysis

Peer Group

Issuer	Country
BB+	
FirstEnergy Corp.	U.S.
BBB+	
Public Service Enterprise Group Incorporated	U.S.

Source: Fitch.

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
April 29, 2015	BBB+	RWN
April 30, 2014	BBB+	RWN
April 7, 2014	BBB+	Negative
Feb. 7, 2014	BBB+	Negative
Feb. 8, 2013	BBB+	Stable
March 12, 2012	BBB+	Stable
April 28, 2011	BBB+	Stable
Jan. 24, 2011	BBB+	Stable
Jan. 25, 2010	BBB+	Stable
July 21, 2009	BBB+	Stable
Oct. 20, 2008	BBB+	RWN
May 30, 2008	BBB+	Stable
Aug. 29, 2007	BBB+	Stable
Jan. 18, 2007	BBB+	Stable
Nov. 17, 2006	BBB+	Stable
Dec. 6, 2005	BBB+	Stable
Dec. 20, 2004	BBB+	Stable
May 2, 2001	BBB+	Stable
Oct. 20, 2000	BBB	Stable

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

Peer Group Analysis

($ Mil.)	Exelon Corp.	FirstEnergy Corp.	Public Service Enterprise Group Incorporated
LTM As of	6/30/15	6/30/15	6/30/15
IDR	BBB+	BB+	BBB+
Rating Outlook	RWN	Stable	Stable
Fundamental Ratios (x)			
Operating EBITDAR/(Gross Interest Expense + Rents)	5.13	2.77	10.34
FFO Fixed-Charge Coverage (x)	6.62	3.41	9.55
Total Adjusted Debt/Operating EBITDAR	3.74	6.61	2.25
FFO/Total Adjusted Debt (%)	34.5	18.6	41.2
FFO-Adjusted Leverage (x)	2.90	5.37	2.43
Common Dividend Payout (%)	45.6	138.8	41.5
Internal Cash/Capex (%)	75.8	71.4	87.8
Capex/Depreciation (%)	317.3	258.4	326.2
ROE (%)	10.1	3.5	15.1
Financial Information			
Revenue	28,872	14,611	10,587
Revenue Growth (%)	8.6	(4.0)	5.1
EBITDA	6,443	3,299	4,166
Operating EBITDA Margin (%)	24.2	27.0	38.2
FCF	(1,768)	(965)	(407)
Total Adjusted Debt with Equity Credit	24,519	23,112	9,398
Cash and Cash Equivalents	6,014	94	597
FFO	7,171	3,045	3,464
Capex	(7,295)	(3,369)	(3,334)

IDR – Issuer Default Rating. RWN – Rating Watch Negative.
Source: Company data, Fitch.

Key Rating Issues

D.C. Merger Settlement Agreement

Fitch believes a settlement agreement among EXC and a number of parties increases the likelihood of the PHI acquisition being completed. The agreement appears to address the concerns noted by the D.C. Public Service Commission (PSC) when it initially denied the merger application in August 2015, and has been supported by a number of key parties, including the Office of the People's Counsel and the D.C. government. The settlement agreement increases the customer fund to $72.80 million from the $33.75 initially offered and addresses a number of other concerns, including service quality, work force diversity, employment levels, renewable energy, corporate presence and PHI independence.

The customer credits include an immediate $14 million residential bill credit and an additional $25.6 million to be used to offset future residential customer rate increases. EXC agreed to defer recovery of any rate increases beyond the $25.6 million residential rate credit to after March 31, 2019. The agreement also provides that either EXC or PHI may terminate the settlement if PSC does not issue a final order within 150 days of the settlement filing date of Oct. 6, 2015, or does not set a procedural schedule within 45 days of the settlement.

Market Reforms

The recently completed 2018/2019 PJM base residual capacity auction was strongly favorable for Exgen. The auction was the first to include the newly adopted capacity performance (CP) product. Based on the resource clearing prices of $215.00/MW-day for CP resources in the ComEd local deliverability area and $164.77/MW-day in the rest of the regional transmission organization (RTO), Fitch estimates capacity revenue and EBITDA will increase by approximately $375 million in the 2018/2019 delivery year.

The estimate assumes approximately 8,900 MW of CP resources cleared the auction in the ComEd zone and roughly 4,500 MW of CP resources cleared in the rest of the RTO. By comparison, capacity prices in the initial 2017/2018 capacity auction were $120.00/MW-day in both the ComEd zone and in the rest of the RTO. The base capacity clearing price also increased substantially to $200.21/MW-day in the ComEd zone and to $149.98/MW-day in the rest of the RTO.

Capacity prices were also higher in two subsequent transition auctions for the 2016/2017 and 2017/2018 delivery years. All of Exgen's nuclear plants in the PJM region cleared the 2017/2018 auction. The company consequently announced it will defer a decision about the future operations of its Quad Cities and Byron nuclear plants for one year. This is particularly significant because it aligns the timing of a decision on plant closures with an expected decision on a pending energy bill in Illinois that would support the continued operation of the nuclear plants.

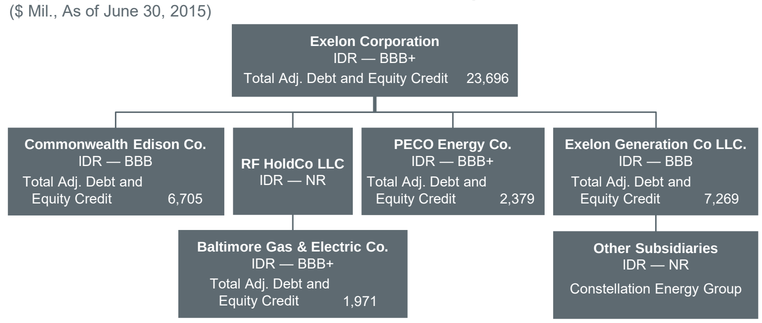
The CP product is intended to reward generators capable of sustained operations during peak load periods and extreme weather events. With their base load dispatch profile and high capacity factors, nuclear units are likely beneficiaries of the incentive payments. The capacity plan is not without risk because there are substantial penalties for nonperformance.

Shifting Capex

Over the next five years, 55% of consolidated capex — before the PHI acquisition — is targeted for EXC's three regulated utilities. The utility investments increase to 57% of consolidated capex after 2015. The spending plan reflects the opportunity to invest in transmission and distribution infrastructure in EXC's three state jurisdictions, particularly Illinois, and declining investment in the competitive generation business. As a result of the investment plan, utility EBITDA is expected to grow to approximately 60% of consolidated EBITDA in 2019, compared with approximately 54% in 2015. Including PHI, utility EBITDA will increase to an estimated 65%–67% of consolidated EBITDA in 2019.

Organizational Structure

Organizational and Debt Structure — Exelon Corporation
($ Mil., As of June 30, 2015)



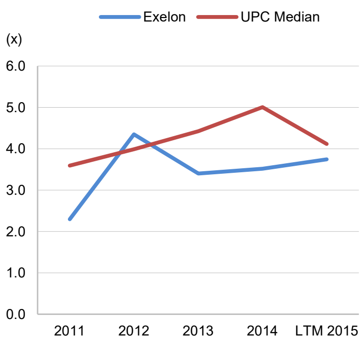
IDR – Issuer Default Rating. NR – Not rated.
Source: Company reports, Fitch analysis.

Key Metrics

Definitions

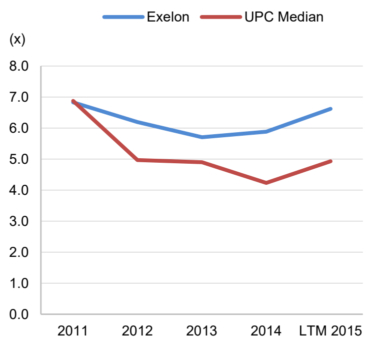
- Total Adjusted Debt/Op. EBITDAR: Total balance sheet adjusted for equity credit and off-balance sheet debt divided by operating EBITDAR.
- FFO Fixed-Charge Coverage: FFO plus gross interest minus interest received plus preferred dividends plus rental payments divided by gross interest plus preferred dividends plus rental payments.
- FFO-Adjusted 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.

Total Adjusted Debt/Operating EBITDAR



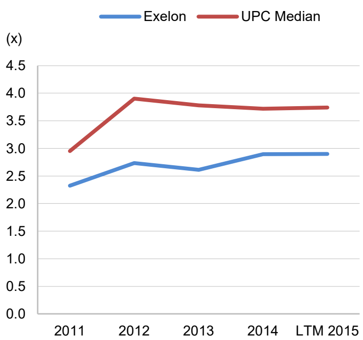
UPC – Utility parent company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



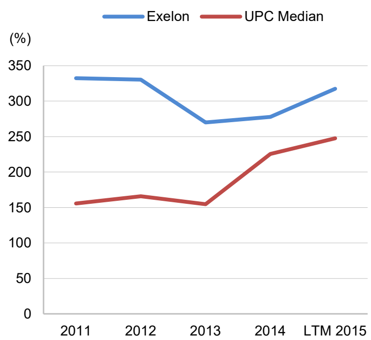
UPC – Utility parent company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



UPC – Utility parent company.
Source: Company data, Fitch.

Capex/Depreciation



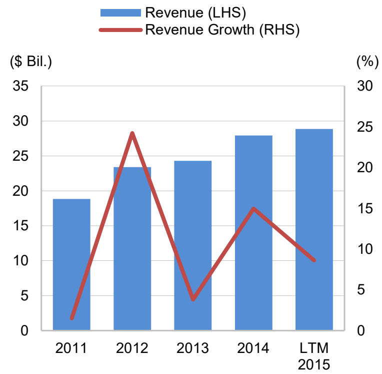
UPC – Utility parent company.
Source: Company data, Fitch.

Company Profile

EXC is an energy holding company engaged through its primary subsidiaries in wholesale power generation, retail energy marketing, and regulated electric and natural gas delivery operations. The regulated subsidiaries operate in Illinois, Pennsylvania and Maryland. The competitive generation subsidiary, Exgen, is the largest merchant power generator and the single largest owner of nuclear generation in the U.S. The three utility subsidiaries serve a combined 6.6 million electric customers and 1.2 million gas customers.

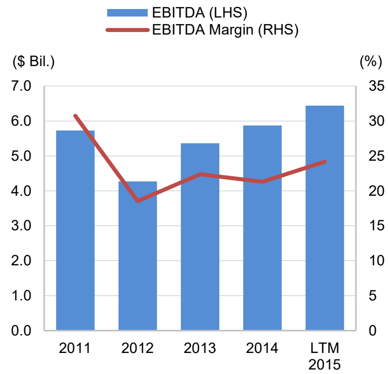
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

FitchRatings

Corporates

Financial Summary — Exelon Corp.

($ Mil., As of June 30, 2015; IDR: BBB+/Rating Watch Negative)	2011	2012	2013	2014	LTM 6/30/15
Fundamental Ratios					
Operating EBITDAR/(Gross Interest Expense + Rents) (x)	6.9	3.9	4.4	4.8	5.1
FFO Fixed-Charge Coverage (x)	6.8	6.2	5.7	5.9	6.6
Total Adjusted Debt/Operating EBITDAR (x)	2.3	4.3	3.4	3.5	3.7
FFO/Total Adjusted Debt (%)	43.0	36.6	38.3	34.5	34.5
FFO-Adjusted Leverage (x)	2.3	2.7	2.6	2.9	2.9
Common Dividend Payout (%)	55.8	147.9	59.2	65.6	45.6
Internal Cash/Capex (%)	80.3	72.4	96.3	53.3	75.8
Capex/Depreciation (%)	332.2	330.4	269.8	277.7	317.3
ROE (%)	—	6.5	9.6	7.2	10.1
Profitability					
Revenues	18,841	23,407	24,299	27,932	28,872
Revenue Growth (%)	1.5	24.2	3.8	15.0	8.6
Net Revenues	11,713	13,250	13,575	14,929	15,702
Operating and Maintenance Expense	5,196	7,961	7,113	7,901	8,088
Operating EBITDA	5,732	4,270	5,367	5,874	6,443
Operating EBITDAR	5,813	4,399	5,479	5,984	6,553
Depreciation and Amortization Expense	1,275	1,818	2,086	2,244	2,299
Operating EBIT	4,457	2,452	3,281	3,630	4,144
Gross Interest Expense	760	1,001	1,140	1,126	1,168
Net Income for Common	2,495	1,160	2,110	1,623	2,342
Operating Maintenance Expense % of Net Revenues	44.4	60.1	52.4	52.9	51.5
Operating EBIT % of Net Revenues	38.1	18.5	24.2	24.3	26.4
Cash Flow					
Cash Flow from Operations	4,793	6,068	6,667	3,966	6,596
Change in Working Capital	(110)	202	775	(2,072)	(581)
Funds from Operations	4,903	5,866	5,892	5,617	7,171
Dividends	(1,393)	(1,716)	(1,249)	(1,065)	(1,069)
Capex	(4,235)	(6,007)	(5,628)	(6,232)	(7,295)
FCF	**(835)**	**(1,655)**	**(210)**	**(3,331)**	**(1,768)**
Net Other Investment Cash Flow	19	1,081	202	300	(179)
Net Change in Debt	571	685	798	2,040	5,131
Net Equity Proceeds	38	72	(46)	35	33
Capital Structure					
Short-Term Debt	388	210	341	460	543
Total Long-Term Debt	12,471	18,266	17,671	19,773	23,153
Total Debt with Equity Credit	**12,859**	**18,476**	**18,012**	**20,233**	**23,696**
Total Adjusted Debt with Equity Credit	13,349	19,117	18,648	21,056	24,519
Total Hybrid Equity and Minority Interest	242	796	436	1,753	1,791
Total Common Shareholders' Equity	14,385	21,431	22,732	22,608	23,506
Total Capital	**27,486**	**40,703**	**41,180**	**44,594**	**48,993**
Total Debt/Total Capital (%)	46.8	45.4	43.7	45.4	48.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.9	2.0	1.1	3.9	3.7
Common Equity/Total Capital (%)	52.3	52.7	55.2	50.7	48.0

IDR – Issuer Default Rating.
Source: Company data, Fitch.

FitchRatings

Corporates

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