



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.

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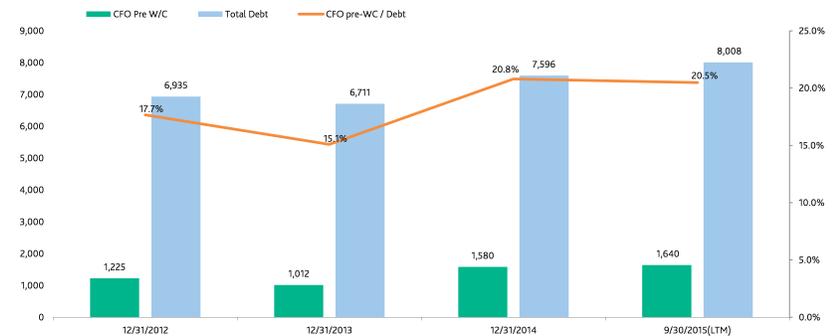
Commonwealth Edison Company

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

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 www.moody's.com for the most updated credit rating action information and rating history.

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 was 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]	
	Measure	Score	Measure	Score
Factor 1 : Regulatory Framework (25%)				
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

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REPORT NUMBER 1013211



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
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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 entity 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.

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			

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.	

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-			

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 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-			

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			

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.

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			

Financial Structure

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

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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

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Business Profile				Financial Profile			Issuer Default Rating
				Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB Stable
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc											CCC
cc											CC
c											C
d or rd											D or RD

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
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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.

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			

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.

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+			

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 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-			

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+			

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.

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+			

Financial Structure

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

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.

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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
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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. \(Subsidiary of Exelon Corp.\) \(March 2015\)](#)

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Key Rating Drivers

Strong Credit Metrics: Higher rates effective Jan. 1, 2014 and a formula rate plan (FRP) that allows for annual rate adjustments should allow Commonwealth Edison Co. (Comed) to sustain its currently sound financial position over the next few years. Fitch 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.

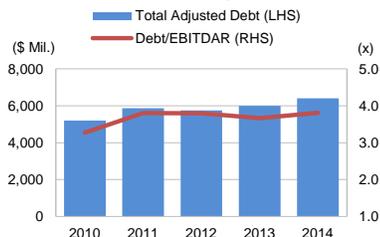
Long-term debt as of Dec. 31, 2014, aggregated \$6.2 billion, including \$206 million of subordinated debentures that qualify for 50% equity credit under Fitch's methodology. Approximately 94% of the outstanding long-term debt is first mortgage bonds. Annual debt maturities in each of the next five years 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

Total Debt and Leverage



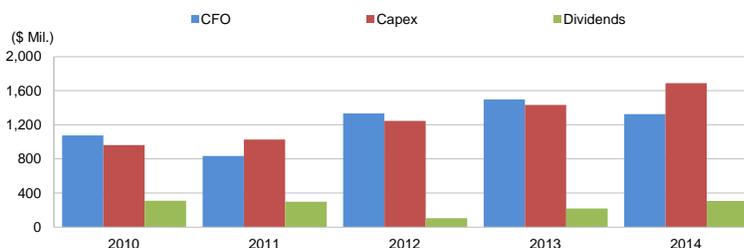
Source: Company data, Fitch.

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

	Commonwealth Edison Co.	Baltimore Gas and Electric Company	Ameren Illinois Company	PECO Energy Co.
(\$ Mil.)				
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

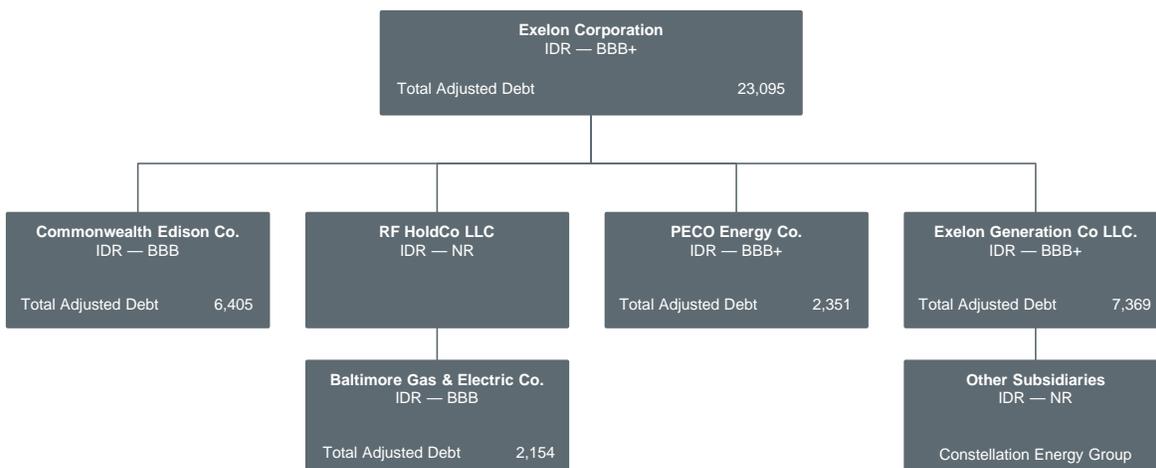
like-kind exchange position is successful, the company will be entitled to a refund of the 2014 tax payment.

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

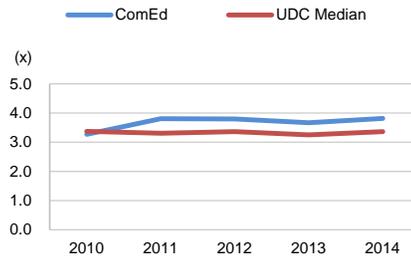
Organizational and Debt Structure — Commonwealth Edison Co. (\$ Mil., As of Dec. 31, 2014)



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

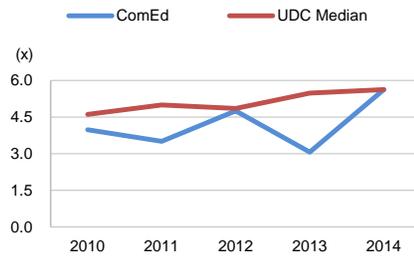
Key Metrics

Total Adjusted Debt/Op. EBITDAR



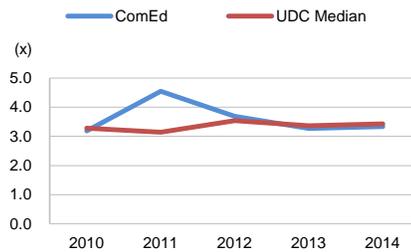
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



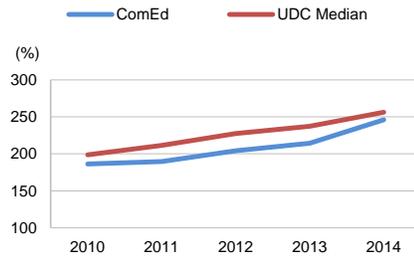
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO-Adjusted Leverage



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

Capex/Depreciation



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



Company Profile

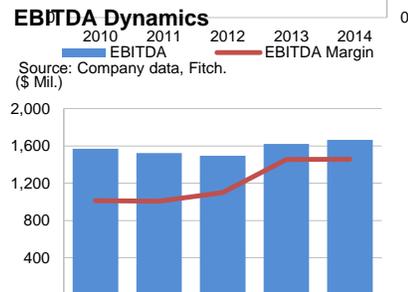
Comed, a wholly owned subsidiary of EXC, is a regulated electric distribution and transmission utility serving approximately 3.8 million customers in northern Illinois, including the city of Chicago. The company supplies electricity to customers as the provider of last resort (POLR), but bears no commodity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

Business Trends

Revenue Dynamics



EBITDA Dynamics



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.

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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
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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

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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.

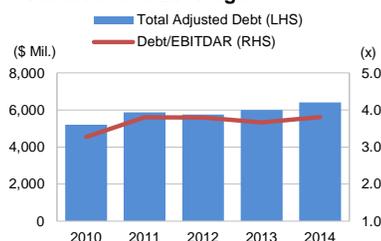
Long-term debt as of Dec. 31, 2014, aggregated \$6.2 billion, including \$206 million of subordinated debentures that qualify for 50% equity credit under Fitch's methodology. Approximately 94% of the outstanding long-term debt is first mortgage bonds. Annual debt maturities in each of the next five years 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

Total Debt and Leverage



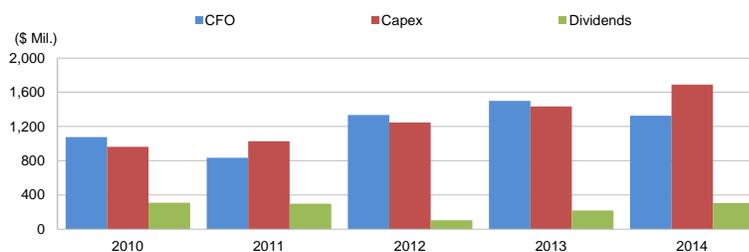
Source: Company data, Fitch.

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	
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 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

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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.

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like-kind exchange position is successful, the company will be entitled to a refund of the 2014 tax payment.

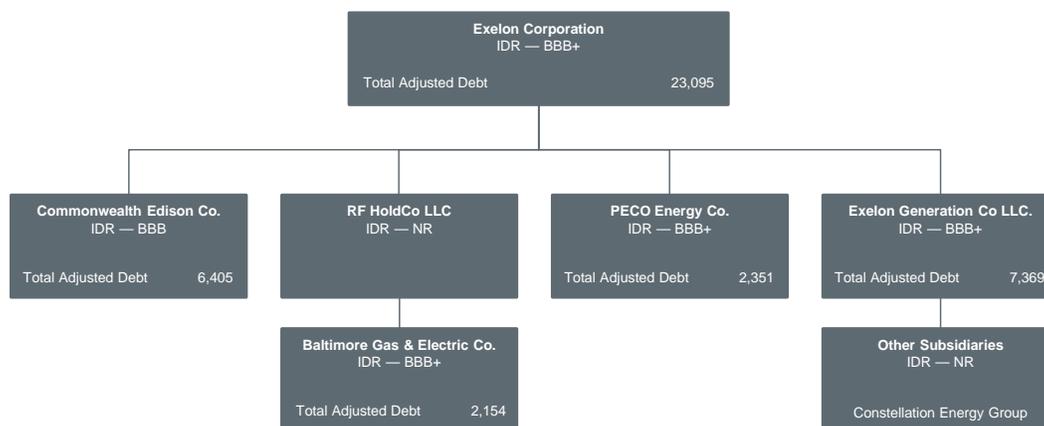
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Organizational Structure

Organizational and Debt Structure — Commonwealth Edison Co.

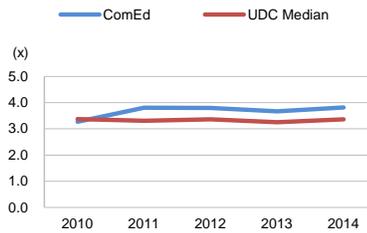
(\$ Mil., As of Dec. 31, 2014)



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

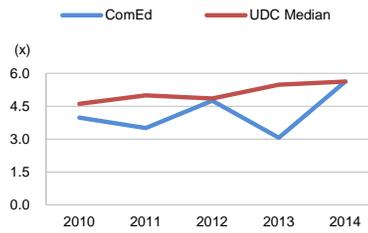
Key Metrics

Total Adjusted Debt/Op. EBITDAR



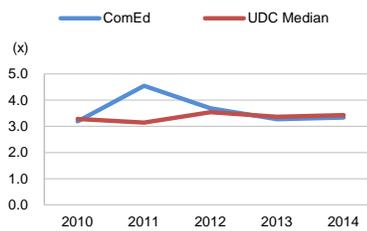
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



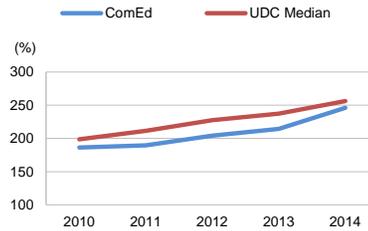
UDC – Utility distribution company.
Source: Company data, Fitch.

FFO-Adjusted Leverage



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

Capex/Depreciation



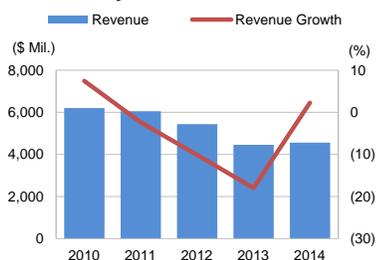
UDC – Utility distribution company.
Source: Company data, Fitch.

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.

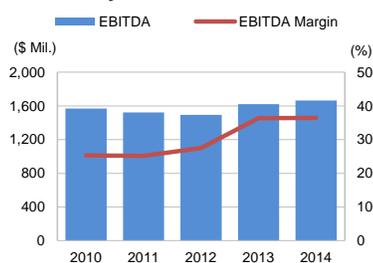
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

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.

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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
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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. \(Subsidiary of
Exelon Corp.\) \(April 2015\)](#)

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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.

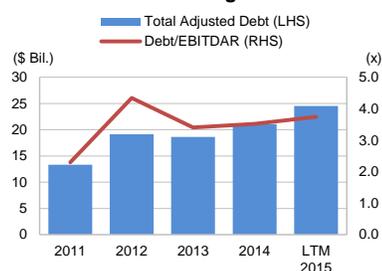
Available cash at June 30, 2015 was \$6.0 billion, including \$5.5 billion held at the parent, largely due to having completed the debt and hybrid portions of its planned merger financing. In addition, EXC executed a forward sale agreement in July 2015 that raised an additional \$1.87 billion of common 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

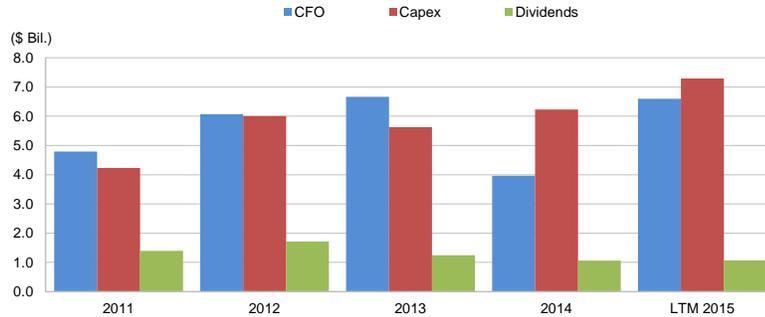
[Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage \(August 2015\)](#)

[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.

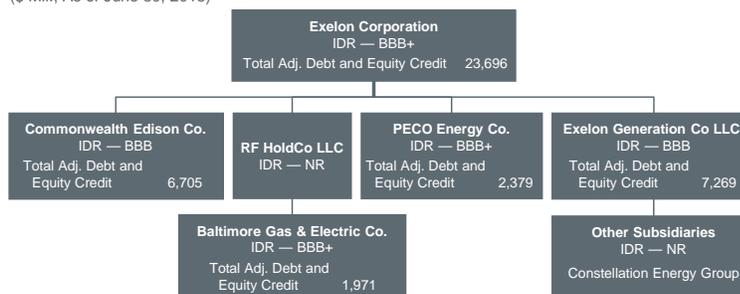
Shifting Capex

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)



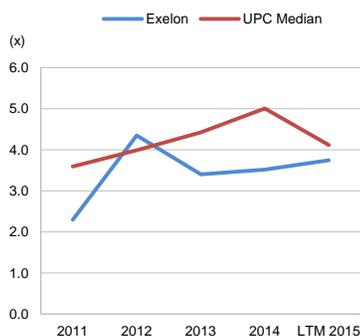
IDR – Issuer Default Rating, NR – Not rated.
Source: Company reports, Fitch analysis.

Key Metrics

Definitions

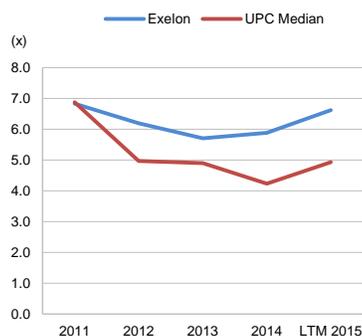
- Total Adjusted Debt/Op. EBITDAR: Total balance sheet adjusted for equity credit and off-balance sheet debt divided by operating EBITDAR.
- FFO Fixed-Charge Coverage: FFO plus gross interest minus interest received plus preferred dividends plus rental payments divided by gross interest plus preferred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



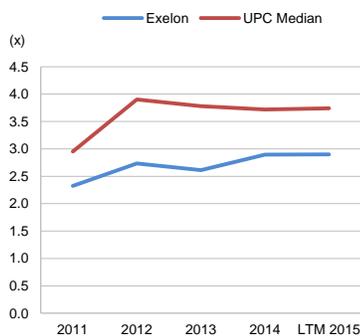
UPC – Utility parent company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



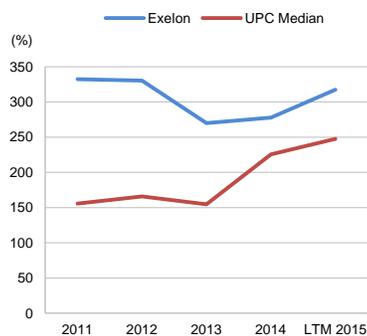
UPC – Utility parent company.
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



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

Capex/Depreciation



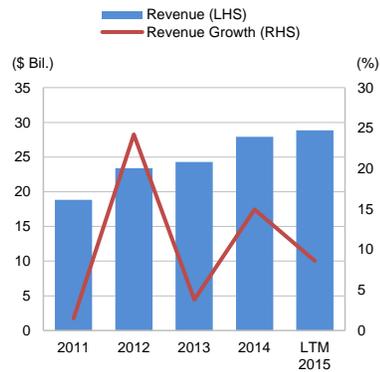
UPC – Utility parent company.
Source: Company data, Fitch.

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.

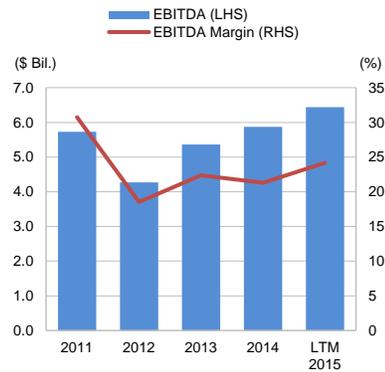
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

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.					

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