

EXELON CORP
Form 10-Q
July 31, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2014

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

	Name of Registrant; State of Incorporation;	
Commission	Address of Principal Executive Offices; and	IRS Employer
File Number	Telephone Number	Identification
1-16169	EXELON CORPORATION (a Pennsylvania corporation)	23-2990190
	10 South Dearborn Street	
	P.O. Box 805379	
	Chicago, Illinois 60680-5379	
	(312) 394-7398	
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company)	23-3064219
	300 Exelon Way	
	Kennett Square, Pennsylvania 19348-2473	
	(610) 765-5959	

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1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605-1028 (312) 394-4321	36-0938600
000-16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY (a Maryland corporation) 2 Center Plaza 110 West Fayette Street Baltimore, Maryland 21201-3708 (410) 234-5000	52-0280210

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company
Exelon Corporation	x			
Exelon Generation Company, LLC			x	
Commonwealth Edison Company			x	
PECO Energy Company			x	
Baltimore Gas and Electric Company			x	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of each registrant's common stock as of June 30, 2014 was:

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Exelon Corporation Common Stock, without par value	859,197,443
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,914
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000

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Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Exelon Corporation and Related Entities**

<i>Exelon</i>	Exelon Corporation
<i>Generation</i>	Exelon Generation Company, LLC
<i>ComEd</i>	Commonwealth Edison Company
<i>PECO</i>	PECO Energy Company
<i>BGE</i>	Baltimore Gas and Electric Company
<i>BSC</i>	Exelon Business Services Company, LLC
<i>Exelon Corporate</i>	Exelon in its corporate capacity as a holding company
<i>CENG</i>	Constellation Energy Nuclear Group, LLC
<i>Constellation</i>	Constellation Energy Group, Inc.
<i>Antelope Valley</i>	Antelope Valley Solar Ranch One
<i>Exelon Transmission Company</i>	Exelon Transmission Company, LLC
<i>Exelon Wind</i>	Exelon Wind, LLC and Exelon Generation Acquisition Company, LLC
<i>Ventures</i>	Exelon Ventures Company, LLC
<i>AmerGen</i>	AmerGen Energy Company, LLC
<i>BondCo</i>	RSB BondCo LLC
<i>PEC L.P.</i>	PECO Energy Capital, L.P.
<i>PECO Trust III</i>	PECO Capital Trust III
<i>PECO Trust IV</i>	PECO Energy Capital Trust IV
<i>PETT</i>	PECO Energy Transition Trust
<i>Registrants</i>	Exelon, Generation, ComEd, PECO and BGE, collectively

Other Terms and Abbreviations

<i>Note</i>	<i>of the Exelon 2013 Form 10-K</i>	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2013 Annual Report on Form 10-K
<i>1998 restructuring settlement</i>		PECO's 1998 settlement of its restructuring case mandated by the Competition Act
<i>Act 11</i>		Pennsylvania Act 11 of 2012
<i>Act 129</i>		Pennsylvania Act 129 of 2008
<i>AEC</i>		Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
<i>AEPS</i>		Pennsylvania Alternative Energy Portfolio Standards
<i>AEPS Act</i>		Pennsylvania Alternative Energy Portfolio Standards Act of 2004, as amended
<i>AESO</i>		Alberta Electric Systems Operator
<i>AFUDC</i>		Allowance for Funds Used During Construction
<i>ALJ</i>		Administrative Law Judge
<i>AMI</i>		Advanced Metering Infrastructure
<i>AMP</i>		Advanced Metering Program
<i>ARC</i>		Asset Retirement Cost
<i>ARO</i>		Asset Retirement Obligation
<i>ARP</i>		Title IV Acid Rain Program
<i>ARRA of 2009</i>		American Recovery and Reinvestment Act of 2009
<i>Block contracts</i>		Forward Purchase Energy Block Contracts
<i>CAIR</i>		Clean Air Interstate Rule
<i>CAISO</i>		California ISO
<i>CAMR</i>		Federal Clean Air Mercury Rule
<i>CERCLA</i>		Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
<i>CFL</i>		Compact Fluorescent Light

Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Other Terms and Abbreviations**

<i>Clean Air Act</i>	Clean Air Act of 1963, as amended
<i>Clean Water Act</i>	Federal Water Pollution Control Amendments of 1972, as amended
<i>Competition Act</i>	Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996
<i>CPI</i>	Consumer Price Index
<i>CPUC</i>	California Public Utilities Commission
<i>CSAPR</i>	Cross-State Air Pollution Rule
<i>CTC</i>	Competitive Transition Charge
<i>D.C. Circuit Court</i>	United States Court of Appeals for the District of Columbia Circuit
<i>DOE</i>	United States Department of Energy
<i>DOJ</i>	United States Department of Justice
<i>DSP</i>	Default Service Provider
<i>DSP Program</i>	Default Service Provider Program
<i>EDF</i>	Electricite de France SA
<i>EE&C</i>	Energy Efficiency and Conservation/Demand Response
<i>EGS</i>	Electric Generation Supplier
<i>EIMA</i>	Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036)
<i>EPA</i>	United States Environmental Protection Agency
<i>ERCOT</i>	Electric Reliability Council of Texas
<i>ERISA</i>	Employee Retirement Income Security Act of 1974, as amended
<i>EROA</i>	Expected Rate of Return on Assets
<i>ESPP</i>	Employee Stock Purchase Plan
<i>FASB</i>	Financial Accounting Standards Board
<i>FERC</i>	Federal Energy Regulatory Commission
<i>FRCC</i>	Florida Reliability Coordinating Council
<i>FTC</i>	Federal Trade Commission
<i>GAAP</i>	Generally Accepted Accounting Principles in the United States
<i>GHG</i>	Greenhouse Gas
<i>GRT</i>	Gross Receipts Tax
<i>GSA</i>	Generation Supply Adjustment
<i>GWh</i>	Gigawatt hour
<i>HAP</i>	Hazardous air pollutants
<i>Health Care Reform Acts</i>	Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010
<i>IBEW</i>	International Brotherhood of Electrical Workers
<i>ICC</i>	Illinois Commerce Commission
<i>ICE</i>	Intercontinental Exchange
<i>Illinois Act</i>	Illinois Electric Service Customer Choice and Rate Relief Law of 1997
<i>Illinois EPA</i>	Illinois Environmental Protection Agency
<i>Illinois Settlement Legislation</i>	Legislation enacted in 2007 affecting electric utilities in Illinois
<i>IPA</i>	Illinois Power Agency
<i>IRC</i>	Internal Revenue Code
<i>IRS</i>	Internal Revenue Service
<i>ISO</i>	Independent System Operator
<i>ISO-NE</i>	ISO New England Inc.
<i>ISO-NY</i>	ISO New York
<i>kV</i>	Kilovolt
<i>kW</i>	Kilowatt

Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Other Terms and Abbreviations**

<i>kWh</i>	Kilowatt-hour
<i>LIBOR</i>	London Interbank Offered Rate
<i>LILO</i>	Lease-In, Lease-Out
<i>LLRW</i>	Low-Level Radioactive Waste
<i>LTIP</i>	Long-Term Incentive Plan
<i>MATS</i>	U.S. EPA Mercury and Air Toxics Rule
<i>MBR</i>	Market Based Rates Incentive
<i>MDE</i>	Maryland Department of the Environment
<i>MDPSC</i>	Maryland Public Service Commission
<i>MGP</i>	Manufactured Gas Plant
<i>MISO</i>	Midcontinent Independent System Operator, Inc.
<i>mmcf</i>	Million Cubic Feet
<i>Moody's</i>	Moody's Investor Service
<i>MOPR</i>	Minimum Offer Price Rule
<i>MRV</i>	Market-Related Value
<i>MW</i>	Megawatt
<i>MWh</i>	Megawatt hour
<i>NAAQS</i>	National Ambient Air Quality Standards
<i>n.m.</i>	not meaningful
<i>NAV</i>	Net Asset Value
<i>NDT</i>	Nuclear Decommissioning Trust
<i>NEIL</i>	Nuclear Electric Insurance Limited
<i>NERC</i>	North American Electric Reliability Corporation
<i>NGS</i>	Natural Gas Supplier
<i>NJDEP</i>	New Jersey Department of Environmental Protection
<i>Non-Regulatory Agreements Units</i>	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
<i>NOV</i>	Notice of Violation
<i>NPDES</i>	National Pollutant Discharge Elimination System
<i>NRC</i>	Nuclear Regulatory Commission
<i>NSPS</i>	New Source Performance Standards
<i>NWPA</i>	Nuclear Waste Policy Act of 1982
<i>NYMEX</i>	New York Mercantile Exchange
<i>OCI</i>	Other Comprehensive Income
<i>OIESO</i>	Ontario Independent Electricity System Operator
<i>OPEB</i>	Other Postretirement Employee Benefits
<i>PA DEP</i>	Pennsylvania Department of Environmental Protection
<i>PAPUC</i>	Pennsylvania Public Utility Commission
<i>PGC</i>	Purchased Gas Cost Clause
<i>PHI</i>	Pepco Holdings, Inc.
<i>PJM</i>	PJM Interconnection, LLC
<i>POLR</i>	Provider of Last Resort
<i>POR</i>	Purchase of Receivables
<i>PPA</i>	Power Purchase Agreement
<i>Price-Anderson Act</i>	Price-Anderson Nuclear Industries Indemnity Act of 1957
<i>PRP</i>	Potentially Responsible Parties
<i>PSEG</i>	Public Service Enterprise Group Incorporated
<i>PURTA</i>	Pennsylvania Public Realty Tax Act

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<i>PV</i>	Photovoltaic
<i>RCRA</i>	Resource Conservation and Recovery Act of 1976, as amended
<i>REC</i>	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
<i>Regulatory Agreement Units</i>	Nuclear generating units whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
<i>RES</i>	Retail Electric Suppliers
<i>RFP</i>	Request for Proposal
<i>Rider</i>	Reconcilable Surcharge Recovery Mechanism
<i>RGGI</i>	Regional Greenhouse Gas Initiative
<i>RMC</i>	Risk Management Committee
<i>RPM</i>	PJM Reliability Pricing Model
<i>RPS</i>	Renewable Energy Portfolio Standards
<i>RTEP</i>	Regional Transmission Expansion Plan
<i>RTO</i>	Regional Transmission Organization
<i>S&P</i>	Standard & Poor's Ratings Services
<i>SEC</i>	United States Securities and Exchange Commission
<i>Senate Bill 1</i>	Maryland Senate Bill 1
<i>SERC</i>	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
<i>SERP</i>	Supplemental Employee Retirement Plan
<i>SGIG</i>	Smart Grid Investment Grant
<i>SGIP</i>	Smart Grid Initiative Program
<i>SILO</i>	Sale-In, Lease-Out
<i>SMPIP</i>	Smart Meter Procurement and Installation Plan
<i>SNF</i>	Spent Nuclear Fuel
<i>SOS</i>	Standard Offer Service
<i>SPP</i>	Southwest Power Pool
<i>Tax Relief Act of 2010</i>	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
<i>Upstream</i>	Natural gas exploration and production activities
<i>VIE</i>	Variable Interest Entity
<i>WECC</i>	Western Electric Coordinating Council

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FILING FORMAT

This combined Form 10-Q is being filed separately by the Registrants. Information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf. No Registrant makes any representation as to information relating to any other Registrant.

FORWARD-LOOKING STATEMENTS

This Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2013 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; (2) this Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

The public may read and copy any reports or other information that the Registrants file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services, the website maintained by the SEC at www.sec.gov and the Registrants' websites at www.exeloncorp.com. Information contained on the Registrants' websites shall not be deemed incorporated into, or to be a part of, this Report.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues	\$ 6,024	\$ 6,141	\$ 13,261	\$ 12,223
Operating expenses				
Purchased power and fuel	2,346	2,132	6,352	4,795
Purchased power and fuel from affiliates	66	287	400	605
Operating and maintenance	2,166	1,892	4,024	3,656
Depreciation and amortization	590	533	1,154	1,076
Taxes other than income	288	271	580	548
Total operating expenses	5,456	5,115	12,510	10,680
Equity in losses of unconsolidated affiliates		(21)	(20)	(30)
Gain on consolidation of CENG	261		261	
Operating income	829	1,005	992	1,513
Other income and (deductions)				
Interest expense	(228)	(246)	(445)	(863)
Interest expense to affiliates, net	(10)	(6)	(20)	(13)
Other, net	243	(17)	348	155
Total other income and (deductions)	5	(269)	(117)	(721)
Income before income taxes	834	736	875	792
Income taxes	277	239	224	294
Net income	557	497	651	498
Net income attributable to non-controlling interests, preferred security dividends and redemption and preference stock dividends	35	7	39	12
Net income attributable to common shareholders	522	490	612	486
Comprehensive income, net of income taxes				
Net income	557	497	651	498
Other comprehensive income (loss), net of income taxes				
Pension and non-pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost	(6)		(6)	1
Actuarial loss reclassified to periodic cost	38	50	72	100
Pension and non-pension postretirement benefit plans valuation adjustment	258	2	246	77
Deferred compensation unit valuation adjustment		10		10
Unrealized loss on cash flow hedges	(48)	(65)	(73)	(123)
Unrealized gain on equity investments		8	11	36
Unrealized gain (loss) on foreign currency translation	4	(5)	(1)	(6)
Unrealized gain (loss) on marketable securities	1		1	(1)
Reversal of CENG equity method AOCI	(116)		(116)	

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Other comprehensive income	131	134	94
Comprehensive income	\$ 688	\$ 497	\$ 785 \$ 592
Average shares of common stock outstanding:			
Basic	860	856	856
Diluted	864	860	859
Earnings per average common share:			
Basic	\$ 0.61	\$ 0.57	\$ 0.57
Diluted	\$ 0.60	\$ 0.57	\$ 0.57
Dividends per common share	\$ 0.31	\$ 0.31	\$ 0.62 \$ 0.84

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Six Months Ended	
	2014	June 30, 2013
Cash flows from operating activities		
Net income	\$ 651	\$ 498
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	1,925	1,972
Gain on consolidation of CENG	(268)	
Deferred income taxes and amortization of investment tax credits	133	(468)
Net fair value changes related to derivatives	751	(28)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(168)	(27)
Other non-cash operating activities	567	576
Changes in assets and liabilities:		
Accounts receivable	48	131
Inventories	(150)	(18)
Accounts payable, accrued expenses and other current liabilities	(358)	(583)
Option premiums received (paid), net	21	(10)
Counterparty collateral posted, net	(606)	(259)
Income taxes	(16)	705
Pension and non-pension postretirement benefit contributions	(499)	(284)
Other assets and liabilities	(280)	133
Net cash flows provided by operating activities	1,751	2,338
Cash flows from investing activities		
Capital expenditures	(2,501)	(2,518)
Proceeds from termination of direct financing lease investment	335	
Proceeds from nuclear decommissioning trust fund sales	4,219	1,448
Investment in nuclear decommissioning trust funds	(4,238)	(1,565)
Acquisition of business	(66)	(3)
Proceeds from sale of long-lived assets	32	4
Cash consolidated from CENG	129	
Change in restricted cash	(40)	22
Other investing activities	(57)	63
Net cash flows used in investing activities	(2,187)	(2,549)
Cash flows from financing activities		
Changes in short-term borrowings	293	662
Issuance of long-term debt	2,100	509
Retirement of long-term debt	(1,191)	(616)
Redemption of preferred securities		(93)
Distributions to non-controlling interest of consolidated VIE	(415)	
Dividends paid on common stock	(533)	(716)
Proceeds from employee stock plans	18	32
Other financing activities	(83)	(62)
Net cash flows provided by (used in) financing activities	189	(284)

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Decrease in cash and cash equivalents	(247)	(495)
Cash and cash equivalents at beginning of period	1,609	1,486
Cash and cash equivalents at end of period	\$ 1,362	\$ 991

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,362	\$ 1,609
Restricted cash and investments	207	167
Accounts receivable, net		
Customer	2,973	2,981
Other	1,005	1,175
Mark-to-market derivative assets	629	727
Unamortized energy contract assets	264	374
Inventories, net		
Fossil fuel	409	276
Materials and supplies	1,041	829
Deferred income taxes	426	573
Regulatory assets	732	760
Other	775	666
Total current assets	9,823	10,137
Property, plant and equipment, net	51,747	47,330
Deferred debits and other assets		
Regulatory assets	5,545	5,910
Nuclear decommissioning trust funds	10,437	8,071
Investments	839	1,165
Investments in affiliates	22	22
Investment in CENG		1,925
Goodwill	2,674	2,625
Mark-to-market derivative assets	482	607
Unamortized energy contracts assets	593	710
Pledged assets for Zion Station decommissioning	402	458
Other	1,092	964
Total deferred debits and other assets	22,086	22,457
Total assets^(a)	\$ 83,656	\$ 79,924

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 621	\$ 341
Long-term debt due within one year	2,047	1,509
Accounts payable	2,633	2,484
Accrued expenses	1,382	1,633
Payables to affiliates	38	116
Deferred income taxes	17	40
Regulatory liabilities	368	327
Mark-to-market derivative liabilities	228	159
Unamortized energy contract liabilities	239	261
Other	994	858
Total current liabilities	8,567	7,728
Long-term debt	18,133	17,623
Long-term debt to financing trusts	648	648
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	13,192	12,905
Asset retirement obligations	7,054	5,194
Pension obligations	1,804	1,876
Non-pension postretirement benefit obligations	1,419	2,190
Spent nuclear fuel obligation	1,021	1,021
Regulatory liabilities	4,670	4,388
Mark-to-market derivative liabilities	262	300
Unamortized energy contract liabilities	260	266
Payable for Zion Station decommissioning	264	305
Other	2,133	2,540
Total deferred credits and other liabilities	32,079	30,985
Total liabilities^(a)	59,427	56,984
Commitments and contingencies		
Shareholders equity		
Common stock (No par value, 2,000 shares authorized, 894 shares and 857 shares outstanding at June 30, 2014 and December 31, 2013, respectively)	16,651	16,741
Treasury stock, at cost (35 shares at June 30, 2014 and December 31, 2013, respectively)	(2,327)	(2,327)
Retained earnings	10,435	10,358
Accumulated other comprehensive loss, net	(1,906)	(2,040)
Total shareholders equity	22,853	22,732
BGE preference stock not subject to mandatory redemption	193	193
Noncontrolling interest	1,183	15

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Total equity	24,229	22,940
Total liabilities and shareholders equity	\$ 83,656	\$ 79,924

- (a) Exelon's consolidated assets include \$7,765 million and \$1,755 million at June 30, 2014 and December 31, 2013, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include \$3,111 million and \$658 million at June 30, 2014 and December 31, 2013, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 Variable Interest Entities.

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Non-controlling Interest	Preferred and Preference Stock	Total Equity
Balance, December 31, 2013	892,034	\$ 16,741	\$ (2,327)	\$ 10,358	\$ (2,040)	\$ 15	\$ 193	\$ 22,940
Net income				612		33	6	651
Long-term incentive plan activity	1,408	32						32
Employee stock purchase plan issuances	499	14						14
Allocation of tax benefit from member		(5)						(5)
Acquisition of non-controlling interest						2		2
Common stock dividends				(535)				(535)
Preferred and preference stock dividends							(6)	(6)
Fair value of financing contract payments		(131)						(131)
Non-controlling interest established upon consolidation of CENG						1,548		1,548
Consolidated VIE dividend to non-controlling interest						(415)		(415)
Reversal of CENG equity method AOCI, net of income taxes of \$77					(116)			(116)
Other comprehensive income, net of income taxes of \$(159)					250			250
Balance, June 30, 2014	893,941	\$ 16,651	\$ (2,327)	\$ 10,435	\$ (1,906)	\$ 1,183	\$ 193	\$ 24,229

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 3,588	\$ 3,718	\$ 7,644	\$ 6,859
Operating revenues from affiliates	201	352	535	744
Total operating revenues	3,789	4,070	8,179	7,603
Operating expenses				
Purchased power and fuel	1,766	1,656	4,774	3,503
Purchased power and fuel from affiliates	69	290	417	611
Operating and maintenance	1,255	1,041	2,194	2,007
Operating and maintenance from affiliates	158	148	305	295
Depreciation and amortization	254	210	466	424
Taxes other than income	118	101	223	194
Total operating expenses	3,620	3,446	8,379	7,034
Equity in losses of unconsolidated affiliates	(1)	(21)	(20)	(30)
Gain on consolidation of CENG	261		261	
Operating income	429	603	41	539
Other income and (deductions)				
Interest expense	(74)	(77)	(147)	(142)
Interest expense to affiliates, net	(12)	(16)	(25)	(34)
Other, net	228	(33)	318	95
Total other income and (deductions)	142	(126)	146	(81)
Income before income taxes	571	477	187	458
Income taxes (benefit)	199	149	(1)	148
Net income	372	328	188	310
Net income (loss) attributable to noncontrolling interests	32	(2)	33	(1)
Net income attributable to membership interest	340	330	155	311
Comprehensive income, net of income taxes				
Net income	372	328	188	310
Other comprehensive income (loss), net of income taxes				
Unrealized loss on cash flow hedges	(45)	(137)	(70)	(267)
Unrealized gain on equity investments		8	11	36
Unrealized gain (loss) on foreign currency translation	4	(5)	(1)	(6)
Unrealized gain (loss) on marketable securities	2		(1)	(1)
Reversal of CENG equity method AOCI	(116)		(116)	

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Other comprehensive loss	(155)	(134)	(177)	(238)
Comprehensive income	\$ 217	\$ 194	\$ 11	\$ 72

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Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 188	\$ 310
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	1,242	1,358
Gain on consolidation of CENG	(268)	
Deferred income taxes and amortization of investment tax credits	(15)	(44)
Net fair value changes related to derivatives	760	(21)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(168)	(27)
Other non-cash operating activities	209	315
Changes in assets and liabilities:		
Accounts receivable	63	88
Receivables from and payables to affiliates, net	(20)	(29)
Inventories	(170)	(38)
Accounts payable, accrued expenses and other current liabilities	(273)	(426)
Option premiums received (paid), net	21	(10)
Counterparty collateral paid, net	(633)	(303)
Income taxes	72	265
Pension and non-pension postretirement benefit contributions	(210)	(120)
Other assets and liabilities	(56)	(168)
Net cash flows provided by operating activities	742	1,150
Cash flows from investing activities		
Capital expenditures	(1,103)	(1,277)
Proceeds from nuclear decommissioning trust fund sales	4,219	1,448
Investment in nuclear decommissioning trust funds	(4,238)	(1,565)
Acquisition of business	(66)	
Proceeds from sale of long-lived assets	32	
Change in restricted cash	(17)	(11)
Changes in Exelon intercompany money pool	44	
Cash consolidated from CENG	129	
Other investing activities	(14)	27
Net cash flows used in investing activities	(1,014)	(1,378)
Cash flows from financing activities		
Change in short-term borrowings	46	288
Issuance of long-term debt	300	209
Retirement of long-term debt	(538)	(458)
Changes in Exelon intercompany money pool	190	263
Distribution to member	(235)	(474)
Distributions to non-controlling interest of consolidated VIE	(415)	
Other financing activities	(29)	(49)
Net cash flows used in financing activities	(681)	(221)

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Decrease in cash and cash equivalents	(953)	(449)
Cash and cash equivalents at beginning of period	1,258	671
Cash and cash equivalents at end of period	\$ 305	\$ 222

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Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 305	\$ 1,258
Restricted cash and cash equivalents	88	71
Accounts receivable, net		
Customer	1,733	1,689
Other	441	353
Mark-to-market derivative assets	629	727
Receivables from affiliates	67	108
Receivable from Exelon intercompany pool		44
Unamortized energy contract assets	264	374
Inventories, net		
Fossil fuel	328	164
Materials and supplies	872	671
Deferred income taxes	476	475
Other	524	505
Total current assets	5,727	6,439
Property, plant and equipment, net	23,743	20,111
Deferred debits and other assets		
Nuclear decommissioning trust funds	10,437	8,071
Investments	432	400
Investment in CENG		1,925
Goodwill, net	49	
Mark-to-market derivative assets	464	600
Prepaid pension asset	1,888	1,873
Pledged assets for Zion Station decommissioning	402	458
Unamortized energy contract assets	593	710
Other	687	645
Total deferred debits and other assets	14,952	14,682
Total assets^(a)	\$ 44,422	\$ 41,232

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	\$ 53	\$ 22
Long-term debt due within one year	52	561
Long-term debt to affiliates due within one year	563	
Accounts payable	1,508	1,322
Accrued expenses	819	976
Payables to affiliates	108	181
Borrowings from Exelon intercompany money pool	190	
Deferred income taxes	1	25
Mark-to-market derivative liabilities	215	142
Unamortized energy contract liabilities	233	249
Other	473	389
Total current liabilities	4,215	3,867
Long-term debt		
	5,944	5,645
Long-term debt to affiliate		
	948	1,523
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	6,334	6,295
Asset retirement obligations	6,907	5,047
Pension obligations	125	
Non-pension postretirement benefit obligations	941	850
Spent nuclear fuel obligation	1,021	1,021
Payables to affiliates	2,917	2,740
Mark-to-market derivative liabilities	135	120
Unamortized energy contract liabilities	260	266
Payable for Zion Station decommissioning	264	305
Other	761	811
Total deferred credits and other liabilities	19,665	17,455
Total liabilities ^(a)	30,772	28,490
Commitments and contingencies		
Equity		
Member s equity		
Membership interest	8,895	8,898
Undistributed earnings	3,533	3,613
Accumulated other comprehensive income, net	37	214
Total member s equity	12,465	12,725
Noncontrolling interest	1,185	17
Total equity	13,650	12,742

Total liabilities and equity	\$ 44,422	\$ 41,232
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- (a) Generation s consolidated assets include \$7,711 million and \$1,695 million at June 30, 2014 and December 31, 2013, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation s consolidated liabilities include \$2,855 million and \$362 million at June 30, 2014 and December 31, 2013, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 3 Variable Interest Entities.

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(In millions)	Member s Equity		Accumulated Other Comprehensive Income, net	Non-controlling Interest	Total Equity
	Membership Interest	Undistributed Earnings			
Balance, December 31, 2013	\$ 8,898	\$ 3,613	\$ 214	\$ 17	\$ 12,742
Net income		155		33	188
Acquisition of non-controlling interest				2	2
Allocation of tax benefit from member	(3)				(3)
Distribution to member		(235)			(235)
Non-controlling interest established upon consolidation of CENG				1,548	1,548
Consolidated VIE dividend to non-controlling interest				(415)	(415)
Reversal of CENG equity method AOCI, net of income taxes of \$77			(116)		(116)
Other comprehensive loss, net of income taxes of \$35			(61)		(61)
Balance, June 30, 2014	\$ 8,895	\$ 3,533	\$ 37	\$ 1,185	\$ 13,650

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 1,128	\$ 1,080	\$ 2,261	\$ 2,238
Operating revenues from affiliates			1	1
Total operating revenues	1,128	1,080	2,262	2,239
Operating expenses				
Purchased power	204	127	416	364
Purchased power from affiliate	65	121	173	266
Operating and maintenance	316	319	603	611
Operating and maintenance from affiliate	39	40	78	76
Depreciation and amortization	174	170	347	337
Taxes other than income	72	71	149	145
Total operating expenses	870	848	1,766	1,799
Operating income	258	232	496	440
Other income and (deductions)				
Interest expense	(76)	(72)	(153)	(422)
Interest expense to affiliates, net	(4)	(4)	(7)	(7)
Other, net	5	6	10	11
Total other income and (deductions)	(75)	(70)	(150)	(418)
Income before income taxes	183	162	346	22
Income taxes	72	66	137	8
Net income	111	96	209	14
Comprehensive income	\$ 111	\$ 96	\$ 209	\$ 14

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Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 209	\$ 14
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	347	337
Deferred income taxes and amortization of investment tax credits	63	(226)
Other non-cash operating activities	99	39
Changes in assets and liabilities:		
Accounts receivable	(83)	18
Receivables from and payables to affiliates, net	(46)	(26)
Inventories	(4)	(11)
Accounts payable, accrued expenses and other current liabilities	27	20
Income taxes	5	240
Pension and non-pension postretirement benefit contributions	(236)	(119)
Other assets and liabilities	48	217
Net cash flows provided by operating activities	429	503
Cash flows from investing activities		
Capital expenditures	(747)	(711)
Proceeds from sales of investments	7	4
Purchases of investments	(3)	(3)
Change in restricted cash	(2)	(3)
Other investing activities	14	20
Net cash flows used in investing activities	(731)	(693)
Cash flows from financing activities		
Changes in short-term borrowings	314	374
Issuance of long-term debt	650	
Retirement of long-term debt	(617)	(125)
Contributions from parent	112	
Dividends paid on common stock	(153)	(110)
Other financing activities	(2)	
Net cash flows provided by financing activities	304	139
Increase (Decrease) in cash and cash equivalents	2	(51)
Cash and cash equivalents at beginning of period	36	144
Cash and cash equivalents at end of period	\$ 38	\$ 93

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Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 38	\$ 36
Restricted cash	4	2
Accounts receivable, net		
Customer	516	451
Other	428	584
Inventories, net	112	109
Regulatory assets	304	329
Other	32	29
Total current assets	1,434	1,540
Property, plant and equipment, net	15,121	14,666
Deferred debits and other assets		
Regulatory assets	850	933
Investments	1	5
Investments in affiliates	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,606	2,469
Prepaid pension asset	1,626	1,583
Other	275	291
Total deferred debits and other assets	7,989	7,912
Total assets	\$ 24,544	\$ 24,118

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Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 498	\$ 184
Long-term debt due within one year	260	617
Accounts payable	505	449
Accrued expenses	274	307
Payables to affiliates	37	83
Customer deposits	130	133
Regulatory liabilities	164	170
Deferred income taxes	117	16
Mark-to-market derivative liability	13	17
Other	82	72
Total current liabilities	2,080	2,048
Long-term debt	5,448	5,058
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	4,080	4,116
Asset retirement obligations	100	99
Non-pension postretirement benefits obligations	284	381
Regulatory liabilities	3,686	3,512
Mark-to-market derivative liability	121	176
Other	841	994
Total deferred credits and other liabilities	9,112	9,278
Total liabilities	16,846	16,590
Commitments and contingencies		
Shareholders equity		
Common stock	1,588	1,588
Other paid-in capital	5,304	5,190
Retained earnings	806	750
Total shareholders equity	7,698	7,528
Total liabilities and shareholders equity	\$ 24,544	\$ 24,118

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In millions)	Common Stock	Other Paid- In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Total Shareholders Equity
Balance, December 31, 2013	\$ 1,588	\$ 5,190	\$ (1,639)	\$ 2,389	\$ 7,528
Net income			209		209
Appropriation of retained earnings for future dividends			(209)	209	
Common stock dividends				(153)	(153)
Contribution from parent		112			112
Parent tax matter indemnification		2			2
Balance, June 30, 2014	\$ 1,588	\$ 5,304	\$ (1,639)	\$ 2,445	\$ 7,698

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 656	\$ 672	\$ 1,648	\$ 1,567
Operating revenues from affiliates			1	
Total operating revenues	656	672	1,649	1,567
Operating expenses				
Purchased power and fuel	193	161	570	426
Purchased power from affiliate	48	97	135	238
Operating and maintenance	160	155	416	319
Operating and maintenance from affiliates	24	26	48	50
Depreciation and amortization	59	56	117	113
Taxes other than income	38	39	80	80
Total operating expenses	522	534	1,366	1,226
Operating income	134	138	283	341
Other income and (deductions)				
Interest expense	(25)	(25)	(50)	(51)
Interest expense to affiliates, net	(3)	(3)	(6)	(6)
Other, net	1		3	3
Total other income and (deductions)	(27)	(28)	(53)	(54)
Income before income taxes	107	110	230	287
Income taxes	23	32	57	87
Net income	84	78	173	200
Preferred security dividends and redemption		6		7
Net income attributable to common shareholder	84	72	173	193
Comprehensive income	\$ 84	\$ 78	\$ 173	\$ 200

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 173	\$ 200
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	117	113
Deferred income taxes and amortization of investment tax credits	6	25
Other non-cash operating activities	50	50
Changes in assets and liabilities:		
Accounts receivable	34	55
Receivables from and payables to affiliates, net	(21)	(18)
Inventories	22	27
Accounts payable, accrued expenses and other current liabilities	30	35
Income taxes	54	39
Pension and non-pension postretirement benefit contributions	(11)	(10)
Other assets and liabilities	(114)	(49)
Net cash flows provided by operating activities	340	467
Cash flows from investing activities		
Capital expenditures	(308)	(254)
Changes in intercompany money pool		(263)
Change in restricted cash		(1)
Other investing activities	6	4
Net cash flows used in investing activities	(302)	(514)
Cash flows from financing activities		
Dividends paid on common stock	(160)	(166)
Dividends paid on preferred securities		(1)
Redemption of preferred securities		(93)
Other financing activities	(2)	1
Net cash flows used in financing activities	(162)	(259)
Decrease in cash and cash equivalents	(124)	(306)
Cash and cash equivalents at beginning of period	217	362
Cash and cash equivalents at end of period	\$ 93	\$ 56

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 93	\$ 217
Restricted cash and cash equivalents	2	2
Accounts receivable, net		
Customer	304	360
Other	107	107
Inventories, net		
Fossil fuel	34	60
Materials and supplies	25	21
Deferred income taxes	80	83
Prepaid utility taxes	78	3
Regulatory assets	29	17
Other	51	36
Total current assets	803	906
Property, plant and equipment, net	6,545	6,384
Deferred debits and other assets		
Regulatory assets	1,495	1,448
Investments	23	23
Investments in affiliates	8	8
Receivable from affiliates	490	447
Prepaid pension asset	359	363
Other	38	38
Total deferred debits and other assets	2,413	2,327
Total assets	\$ 9,761	\$ 9,617

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Long-term debt due within one year	\$ 250	\$ 250
Accounts payable	298	285
Accrued expenses	167	106
Payables to affiliates	37	58
Customer deposits	50	49
Regulatory liabilities	88	106
Other	32	37
Total current liabilities	922	891
Long-term debt		
Long-term debt to financing trusts	1,947	1,947
Deferred credits and other liabilities	184	184
Deferred income taxes and unamortized investment tax credits	2,545	2,487
Asset retirement obligations	30	29
Non-pension postretirement benefits obligations	292	286
Regulatory liabilities	671	629
Other	92	99
Total deferred credits and other liabilities	3,630	3,530
Total liabilities	6,683	6,552
Commitments and contingencies		
Shareholder s equity		
Common stock	2,415	2,415
Retained earnings	662	649
Accumulated other comprehensive income, net	1	1
Total shareholder s equity	3,078	3,065
Total liabilities and shareholders equity	\$ 9,761	\$ 9,617

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholder s Equity
Balance, December 31, 2013	\$ 2,415	\$ 649	\$ 1	\$ 3,065
Net income		173		173
Common stock dividends		(160)		(160)
Balance, June 30, 2014	\$ 2,415	\$ 662	\$ 1	\$ 3,078

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 651	\$ 649	\$ 1,689	\$ 1,525
Operating revenues from affiliates	2	4	18	8
Total operating revenues	653	653	1,707	1,533
Operating expenses				
Purchased power and fuel	183	189	592	501
Purchased power from affiliate	85	99	205	212
Operating and maintenance	163	139	326	266
Operating and maintenance from affiliates	25	21	50	37
Depreciation and amortization	89	82	197	175
Taxes other than income	53	54	113	109
Total operating expenses	598	584	1,483	1,300
Operating income	55	69	224	233
Other income and (deductions)				
Interest expense	(23)	(28)	(47)	(58)
Interest expense to affiliates, net	(4)	(4)	(8)	(8)
Other, net	5	4	9	9
Total other income and (deductions)	(22)	(28)	(46)	(57)
Income before income taxes	33	41	178	176
Income taxes	14	16	72	70
Net income	19	25	106	106
Preference stock dividends	3	3	6	6
Net income attributable to common shareholder	16	22	100	100
Comprehensive income	\$ 19	\$ 25	\$ 106	\$ 106

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Six Months Ended	
	2014	June 30, 2013
Cash flows from operating activities		
Net income	\$ 106	\$ 106
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	197	175
Deferred income taxes and amortization of investment tax credits	47	98
Other non-cash operating activities	89	61
Changes in assets and liabilities:		
Accounts receivable	44	(58)
Receivables from and payables to affiliates, net	(12)	(11)
Inventories		4
Accounts payable, accrued expenses and other current liabilities	(74)	(28)
Counterparty collateral received, net	27	
Income taxes	(14)	(33)
Pension and non-pension postretirement benefit contributions	(8)	(11)
Other assets and liabilities	8	63
Net cash flows provided by operating activities	410	366
Cash flows from investing activities		
Capital expenditures	(313)	(264)
Change in restricted cash	(30)	3
Other investing activities	11	4
Net cash flows used in investing activities	(332)	(257)
Cash flows from financing activities		
Changes in short-term borrowings	(65)	
Issuance of long-term debt		300
Retirement of long-term debt	(35)	(33)
Dividends paid on preference stock	(6)	(6)
Other financing activities	12	(2)
Net cash flows (used in) provided by financing activities	(94)	259
Increase (decrease) in cash and cash equivalents	(16)	368
Cash and cash equivalents at beginning of period	31	89
Cash and cash equivalents at end of period	\$ 15	\$ 457

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15	\$ 31
Restricted cash and cash equivalents	58	28
Accounts receivable, net		
Customer	419	480
Other	102	114
Income taxes receivable	44	30
Inventories, net		
Gas held in storage	48	53
Materials and supplies	33	28
Deferred income taxes	11	2
Prepaid utility taxes		57
Regulatory assets	178	181
Other	8	7
Total current assets	916	1,011
Property, plant and equipment, net	6,030	5,864
Deferred debits and other assets		
Regulatory assets	499	524
Investments	4	5
Investments in affiliates	8	8
Prepaid pension asset	396	423
Other	24	26
Total deferred debits and other assets	931	986
Total assets^(a)	\$ 7,877	\$ 7,861

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 70	\$ 135
Long-term debt due within one year	72	70
Accounts payable	205	270
Accrued expenses	95	111
Deferred income taxes	39	27
Payables to affiliates	55	55
Customer deposits	87	76
Regulatory liabilities	63	48
Other	61	35
Total current liabilities	747	827
Long-term debt		
	1,904	1,941
Long-term debt to financing trust		
	258	258
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,814	1,773
Asset retirement obligations	17	19
Non-pension postretirement benefits obligations	215	217
Regulatory liabilities	202	204
Other	65	67
Total deferred credits and other liabilities	2,313	2,280
Total liabilities ^(a)	5,222	5,306
Commitments and contingencies		
Shareholders equity		
Common stock	1,360	1,360
Retained earnings	1,105	1,005
Total shareholder s equity	2,465	2,365
Preference stock not subject to mandatory redemption	190	190
Total equity	2,655	2,555
Total liabilities and shareholders equity	\$ 7,877	\$ 7,861

(a) BGE s consolidated assets include \$31 million and \$31 million at June 30, 2014 and December 31, 2013, respectively, of BGE s consolidated VIE that can only be used to settle the liabilities of the VIE. BGE s consolidated liabilities include \$234 million and \$269 million at June 30,

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2014 and December 31, 2013, respectively, of BGE's consolidated VIE for which the VIE creditors do not have recourse to BGE. See Note 3 Variable Interest Entities.

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****(Unaudited)**

(In millions)	Common Stock	Retained Earnings	Total Shareholders Equity	Preference stock not subject to mandatory redemption	Total Equity
Balance, December 31, 2013	\$ 1,360	\$ 1,005	\$ 2,365	\$ 190	\$ 2,555
Net income		106	106		106
Preference stock dividends		(6)	(6)		(6)
Balance, June 30, 2014	\$ 1,360	\$ 1,105	\$ 2,465	\$ 190	\$ 2,655

See the Combined Notes to Consolidated Financial Statements

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share data, unless otherwise noted)

1. Basis of Presentation (Exelon, Generation, ComEd, PECO and BGE)

Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution businesses. On April 1, 2014, Generation assumed the operating licenses and corresponding operational control of CENG's nuclear fleet. As a result, Exelon and Generation consolidated CENG's financial position and results of operations into their businesses. Prior to April 1, 2014, Exelon and Generation accounted for CENG as an equity method investment. Refer to Note 6 Investment in CENG for further information regarding the integration transaction.

The energy generation business includes:

Generation: Physical delivery and marketing of owned and contracted electric generation capacity and provision of renewable and other energy-related products and services, and natural gas exploration and production activities. Generation has six reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and Other regions.

The energy delivery businesses include:

ComEd: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in northern Illinois, including the City of Chicago.

PECO: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services in the Pennsylvania counties surrounding the City of Philadelphia.

BGE: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in central Maryland, including the City of Baltimore, and the purchase and regulated retail sale of natural gas and the provision of distribution services in central Maryland, including the City of Baltimore.

Each of the Registrant's Consolidated Financial Statements includes the accounts of its subsidiaries. All intercompany transactions have been eliminated.

Certain prior year amounts in the Exelon, Generation and BGE Consolidated Statement of Operations have been reclassified between line items for comparative purposes and correction of prior period classification errors identified in 2013. The reclassifications did not affect any of the Registrants' net income or cash flows from operating activities. Exelon corrected the presentation of Purchased power and fuel from affiliates of \$287 million and \$605 million on its Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2013, respectively. Generation corrected the presentation of Purchased power and fuel from affiliates of \$290 million and \$611 million on its Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2013, respectively. Generation also corrected the presentation of Interest expense to affiliates, net of \$16 million and \$34 million on its Statement of Operations and Comprehensive Income for the three and six months ended June 30, 2013, respectively. BGE corrected its presentation of Interest expense to affiliates, net of \$4 million and \$8 million on the Statement of Operations and Comprehensive Income for the three and six months ended June 30, 2013, respectively.

The accompanying consolidated financial statements as of June 30, 2014 and 2013 and for the six months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants' respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2013 Consolidated Balance Sheets were obtained from audited financial statements. Financial results for interim

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except per share data, unless otherwise noted)

periods are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2014. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These notes should be read in conjunction with the Notes to Combined Consolidated Financial Statements of all Registrants included in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of their respective 2013 Form 10-K Reports.

2. New Accounting Pronouncements (Exelon, Generation, ComEd, PECO and BGE)

The following recently issued accounting standards were adopted by or are effective for the Registrants during 2014.

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses or Tax Credit Carryforwards Exist

In July 2013, the FASB issued authoritative guidance requiring entities to present unrecognized tax benefits as a reduction to deferred tax assets for losses or other tax carryforwards that would be available to offset the uncertain tax positions at the reporting date. This guidance was effective for the Registrants for periods beginning after December 15, 2013 and was required to be applied prospectively. The adoption of this standard had an immaterial effect on the presentation of deferred tax assets at Exelon and Generation and no effect on ComEd, PECO and BGE. There was no effect on the Registrants' results of operations or cash flows.

The following recently issued accounting standards are not yet required to be reflected in the combined financial statements of the Registrants.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new guidance replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance is effective for the Registrants for the first interim period within annual reporting periods beginning on or after December 15, 2016. Early adoption is not permitted. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Registrants are currently assessing the impacts this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the transition method that they will use to adopt the guidance.

3. Variable Interest Entities (Exelon, Generation, ComEd, PECO and BGE)

Under the applicable authoritative guidance, a VIE is a legal entity that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)**

the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or equity owners who do not have the obligation to absorb expected losses or the right to receive the expected residual returns of the entity. Companies are required to consolidate a VIE if they are its primary beneficiary, which is the enterprise that has the power to direct the activities that most significantly affect the entity's economic performance.

At June 30, 2014 and December 31, 2013, Exelon, Generation, and BGE collectively consolidated six and four VIEs or VIE groups, respectively, for which the applicable Registrant was the primary beneficiary (*see detail by Registrant below*). As of June 30, 2014 and December 31, 2013, the Registrants had significant interests in nine and eight other VIEs, respectively, for which the Registrants do not have the power to direct the entities' activities and, accordingly, were not the primary beneficiary.

Through March 31, 2014, CENG was operated as a joint venture with EDFI and was governed by a board of ten directors, five of which were appointed by Generation and five by EDF. CENG was designed to operate under joint and equal control of Generation and EDFI; therefore, CENG was not subject to VIE guidance. Accordingly, Generation's 50.01% interest in CENG was accounted for as an equity method investment. On April 1, 2014, Generation, CENG, and subsidiaries of CENG executed the NOSA pursuant to which Generation now conducts all activities associated with the operations of the CENG fleet and provides corporate and administrative services to CENG for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDFI. As a result of executing the NOSA, CENG now qualifies as a VIE due to the disproportionate relationship between Generation's 50.01% equity ownership interest and its role in conducting the operational activities of CENG conveyed through the NOSA. Further, since Generation is conducting the operational activities of CENG, Generation qualifies as the primary beneficiary of CENG and, therefore, is required to consolidate the financial position and results of operations of CENG. On April 1, 2014, Exelon and Generation derecognized Generation's equity method investment in CENG and reflected all assets, liabilities, and the EDFI non-controlling interest in CENG at fair value on the consolidated balance sheets of Exelon and Generation, resulting in the recognition of a \$261 million gain in their respective consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2014. For additional information on this transaction refer to Note 6 Investment in Constellation Energy Nuclear Group, LLC.

In March 2014, Generation began consolidating retail power VIEs for which Generation is the primary beneficiary as a result of energy supply contracts that give Generation the power to direct the activities that most significantly affect the economic performance of the entities. Generation does not have an equity ownership interest in these entities. These entities are included in Generation's consolidated financial statements and the consolidation of the VIEs did not have a material impact on Generation's financial results or financial condition.

Consolidated Variable Interest Entities

Exelon, Generation and BGE's consolidated VIEs consist of:

BondCo, a special purpose bankruptcy remote limited liability company formed by BGE to acquire, hold, and issue and service bonds secured by rate stabilization property,

a retail gas group formed by Generation to enter into a collateralized gas supply agreement with a third-party gas supplier,

a group of solar project limited liability companies formed by Generation to build, own and operate solar power facilities,

several wind project companies designed by Generation to develop, construct and operate wind generation facilities,

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except per share data, unless otherwise noted)

certain retail power companies for which Generation is the sole supplier of energy, and

Constellation Energy Nuclear Group, Inc. (CENG).

As of June 30, 2014 and December 31, 2013, ComEd and PECO do not have any material consolidated VIEs.

As of June 30, 2014 and December 31, 2013, Exelon, Generation, and BGE provided the following support to the consolidated VIEs:

In the case of BondCo, BGE is required to remit all payments it receives from all residential customers through non-bypassable, rate stabilization charges to BondCo. During the three and six months ended June 30, 2014, BGE remitted \$21 million and \$42 million, respectively, to BondCo. During the three and six months ended June 30, 2013, BGE remitted \$17 million and \$39 million, respectively, to BondCo.

Generation provides operating and capital funding to the solar entities for ongoing construction, operations and maintenance of the solar power facilities and provides limited recourse related to the Antelope Valley project.

Generation and Exelon, where indicated, provide the following support to CENG (See Note 25 – Related Party Transactions of the Exelon 2013 Form 10-K and Note 6 – Investment in Constellation Energy Nuclear Group, LLC for additional information regarding Generation and Exelon’s transactions with CENG).

under the Nuclear Operating Services Agreement (NOSA), Generation conducts all activities related to the operation of the CENG nuclear generation fleet owned by CENG subsidiaries (the CENG fleet) and provides corporate and administrative services for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDF Inc. (EDFI) (a subsidiary of EDF),

under the Power Services Agency Agreement (PSAA), Generation provides scheduling, asset management, and billing services to CENG fleet for the remaining life of the CENG nuclear plants,

under power purchase agreements with CENG, Generation will purchase 85% of the available output generated by CENG nuclear plants for the remainder of 2014 and 50.01% from 2015 through the end of the life of each respective plant under power purchase agreements with CENG,

Generation provided a \$400 million loan to CENG,

Generation executed an Indemnity Agreement pursuant to which Generation agreed to indemnify EDF and its affiliates against third-party claims that may arise from any future nuclear incident (as defined in the Price Anderson Act) in connection with the CENG nuclear plants or their operations. Exelon guarantees Generation’s obligations under this indemnity. (See Note 18 – Commitments and Contingencies for more details),

in connection with CENG's severance obligations, Generation has agreed to reimburse CENG for a total of approximately \$6 million of the severance benefits paid or to be paid in 2013 through 2016. As of June 30, 2014, the remaining obligation is approximately \$4 million (See Integration-Related Severance under Note 14 Severance for additional details),

Generation and EDFI share in the \$637 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance (See Note 18 Commitments and Contingencies for more details),

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in millions, except per share data, unless otherwise noted)

Generation provides a \$7 million guarantee associated with hazardous waste management facilities and underground storage tanks. In addition, EDFI executed a reimbursement agreement that provides reimbursement to Exelon for 49.99% of any amounts paid by Generation under this guarantee,

Generation and EDFI are the members-insured with Nuclear Electric Insurance Limited and have assigned the loss benefits under the insurance and the NEIL premium costs to CENG and guarantee the obligations of CENG under these insurance programs in proportion to their respective member interests (See Note 18 Commitments and Contingencies for more details), and

Exelon has executed an agreement to provide up to \$245 million to support the operations of CENG as well as a \$165 million guarantee of CENG's cash pooling agreement with its subsidiaries.

Generation provides approximately \$4 million in credit support for the retail power companies, and

Generation provides a \$75 million parental guarantee to the third-party gas supplier in support of its retail gas group. For each of the consolidated VIEs, except as otherwise noted:

The assets of the VIEs are restricted and can only be used to settle obligations of the respective VIE;

Exelon, Generation and BGE did not provide any additional material financial support to the VIEs;

Exelon, Generation and BGE did not have any material contractual commitments or obligations to provide financial support to the VIEs; and

the creditors of the VIEs did not have recourse to Exelon's, Generation's or BGE's general credit.

The carrying amounts and classification of the consolidated VIEs' assets and liabilities included in Exelon's, Generation's, and BGE's consolidated financial statements at June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014			December 31, 2013		
	Exelon ^{(a)(b)}	Generation ^(b)	BGE	Exelon ^(a)	Generation	BGE
Current assets	\$ 991	\$ 956	\$ 28	\$ 484	\$ 446	\$ 28
Noncurrent assets	7,426	7,407	3	1,905	1,884	3
Total assets	\$ 8,417	\$ 8,363	\$ 31	\$ 2,389	\$ 2,330	\$ 31
Current liabilities	\$ 815	\$ 732	\$ 76	\$ 566	\$ 481	\$ 74

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Noncurrent liabilities	2,911	2,738	158	774	562	195
Total liabilities	\$ 3,726	\$ 3,470	\$ 234	\$ 1,340	\$ 1,043	\$ 269

- (a) Includes certain purchase accounting adjustments not pushed down to the BGE standalone entity.
- (b) Includes total assets of \$5.8 billion and total liabilities of \$2.4 billion due to the consolidation of CENG beginning April 1, 2014. See Note 6 Investment in CENG for additional information.

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)**

Included within the balances above are assets and liabilities of certain consolidated VIEs for which the assets can only be used to settle obligations of those VIEs, and liabilities that creditors, or beneficiaries, do not have recourse to the general credit of the Registrants. As of June 30, 2014 and December 31, 2013, these assets and liabilities primarily consisted of the following:

	June 30, 2014			December 31, 2013		
	Exelon	Generation	BGE	Exelon	Generation	BGE
Cash and cash equivalents	\$ 126	\$ 126	\$	\$ 62	\$ 62	\$
Restricted cash	75	47	28	80	52	28
Accounts receivable, net						
Customer	296	296		260	260	
Other	133	133				
Inventory						
Fossil fuel	103	103		2	2	
Materials and supplies	165	165				
Other current assets	61	54		53	42	
Total current assets	959	924	28	457	418	28
Property, plant and equipment, net	4,603	4,603		1,171	1,171	
Nuclear decommissioning trust funds	2,030	2,030				
Goodwill	48	48				
Other noncurrent assets	125	106	3	127	106	3
Total noncurrent assets	6,806	6,787	3	1,298	1,277	3
Total assets	\$ 7,765	\$ 7,711	\$ 31	\$ 1,755	\$ 1,695	\$ 31
Short-term borrowings	\$ 40	\$ 40	\$	\$	\$	\$
Long-term debt due within one year	84	5	72	85	5	70
Accounts payable	243	243		170	170	
Accrued expenses	89	86	4	26	22	4
Mark-to-market derivative liabilities	24	24		29	29	
Unamortized energy contracts	12	12		5	5	
Other current liabilities	165	165		5	5	
Total current liabilities	657	575	76	320	236	74
Long-term debt	258	84	158	298	86	195
Asset retirement obligations	1,731	1,731				
Pension obligation ^(a)	133	133				
Non-pension postretirement benefit	136	136				
Unamortized energy contracts	18	18		12	12	
Other noncurrent liabilities	178	178		28	28	