Exelon

News Release

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EXELON ANNOUNCES THIRD QUARTER 2014 RESULTS

CHICAGO (Oct. 29, 2014) — Exelon Corporation (NYSE: EXC) announced third quarter 2014 consolidated earnings as follows:

	Third Quarter	
	2014	**2013**
Adjusted (non-GAAP) Operating Results:		
Net Income ($ millions)	**$676**	**$667**
Diluted Earnings per Share	**$0.78**	**$0.78**
GAAP Results:		
Net Income ($ millions)	**$993**	**$738**
Diluted Earnings per Share	**$1.15**	**$0.86**

"Exelon achieved earnings above our guidance range this quarter, with strong performance from both our utility and generation businesses," said Christopher M. Crane, Exelon's president and CEO. "We continue to execute our strategy to diversify and grow the business, and based on our results through September and our outlook for the fourth quarter, we are narrowing our full-year operating earnings guidance to $2.30 to $2.50 per share."

Third Quarter Operating Results

Exelon's adjusted (non-GAAP) operating earnings were $0.78 per share in the third quarters of both 2014 and 2013. Earnings in the third quarter of 2014 primarily reflected the following favorable factors:

- Higher revenue net fuel at Generation as a result of higher realized energy prices, favorable portfolio management optimization activities and the cancellation of Department of Energy spent nuclear fuel disposal fees;
- Favorable distribution and transmission revenue at ComEd due to increased capital investment; and
- Higher distribution revenue pursuant to increased rates effective in December 2013 at BGE.

These factors were offset by:

- Higher operating and maintenance (O&M) expenses reflecting increased non-refueling nuclear generating outage days and inflation across all operating companies, offset in part by reduced other postretirement benefit costs;
- Incremental storm costs at PECO and BGE; and
- Unfavorable weather at ComEd and PECO.

Adjusted (non-GAAP) operating earnings for the third quarter of 2014 do not include the following items (after tax) that were included in reported GAAP earnings:

	(in millions)	(per diluted share)
Exelon Adjusted (non-GAAP) Operating Earnings	**$676**	**$0.78**
Mark-to-Market Impact of Economic Hedging Activities	158	0.18
Unrealized Losses Related to NDT Fund Investments	(22)	(0.03)
Asset Retirement Obligation	13	0.02
Plant Retirements and Divestitures (primarily gain on sale of Safe Harbor)	197	0.23
Long-Lived Asset Impairment	(30)	(0.03)
Merger and Integration Costs	(64)	(0.07)
Amortization of Commodity Contract Intangibles	12	0.01
Tax Settlements	66	0.08
Non-Controlling Interest	(13)	(0.02)
Exelon GAAP Net Income	**$993**	**$1.15**

Adjusted (non-GAAP) operating earnings for the third quarter of 2013 do not include the following items (after tax) that were included in reported GAAP earnings:

	(in millions)	(per diluted share)
Exelon Adjusted (non-GAAP) Operating Earnings	**$667**	**$0.78**
Mark-to-Market Impact of Economic Hedging Activities	148	0.17
Unrealized Gains Related to NDT Fund Investments	24	0.03
Asset Retirement Obligation	(6)	(0.01)
Long-Lived Asset Impairments	(28)	(0.03)
Merger and Integration Costs	(26)	(0.03)
Amortization of Commodity Contract Intangibles	(41)	(0.05)
Exelon GAAP Net Income	**$738**	**$0.86**

Third Quarter and Recent Highlights

- **Pepco Holdings, Inc. Merger**: On September 23, 2014, Pepco Holdings, Inc. (PHI) stockholders overwhelmingly approved the merger of PHI and Exelon. The merger continues to be conditioned upon approval by the Federal Energy Regulatory Commission, the District of Columbia Public Service Commission, and the state public service commissions of Delaware, Maryland, and New Jersey. On October 7, 2014, the Virginia State Corporation Commission issued its order granting approval to transfer control of PHI subsidiaries Delmarva Power & Light Company and Potomac Electric Power Company to Exelon. In addition, the transfer of certain PHI communications licenses requires approval by the Federal Communication Commission. Exelon and PHI will continue to work cooperatively with the Department of Justice as it conducts its review of the proposed merger under the Hart-Scott Rodino Antitrust Improvements Act of 1976. Exelon and PHI continue to expect the merger to be complete in the second or third quarter of 2015.

- **Exelon Generation**

    - On September 29th, Exelon Generation announced that it is planning to build two combined-cycle gas turbine (CCGT) units in Texas utilizing a new General Electric technology that will make them among the cleanest, most efficient CCGTs in the nation. The new units are being built on existing Exelon sites: one at Colorado Bend Generating Station, currently a 498 megawatt (MW) natural gas plant in Wharton County, Texas; and one at the 704 MW Wolf Hollow natural gas plant in Granbury, Texas. Each new unit will add approximately 1,000 MW of capacity to their respective sites.

    - During the third quarter Exelon announced the sale of three natural gas generation assets. Sale agreements were signed for Fore River (CCGT) in Massachusetts, Quail Run (CCGT) in Texas, and West Valley (CT) in Utah. The sale of the three natural gas generation assets and Exelon's interest in the Safe Harbor hydroelectric facility in Pennsylvania, which closed in August 2014 and resulted in after-tax proceeds of approximately $975 million, are expected to generate aggregate pre-tax proceeds of $1.3 billion, which will be used primarily to finance a portion of the acquisition of PHI.

- On October 24, 2014, Exelon entered into a sale agreement to divest its proportional ownership interests in the Keystone and Conemaugh generating facilities in Pennsylvania for total sales proceeds of approximately $475 million, including approximately $60 million of working capital. Exelon and Generation anticipate recording a pre-tax impairment loss ranging from approximately $350 million to $400 million during the fourth quarter of 2014, which will not be included in Adjusted (non-GAAP) Operating Earnings. The estimated net after-tax cash proceeds of $418 million, excluding estimated working capital, are expected to be used to finance a portion of the acquisition of PHI and for general corporate purposes.

- **Constellation:** On July 30th , Exelon announced it had entered into a definitive agreement for Exelon to purchase Integrys Energy Services Inc., a competitive retail electricity and natural gas subsidiary serving approximately 1.2 million commercial, industrial, public sector and residential customers across 22 Midwest, mid-Atlantic and Northeastern states and the District of Columbia for $60 million plus adjusted net working capital at the time of closing. Integrys Energy Services will become part of Exelon's Constellation business unit, strengthening its retail power and gas business serving residential and business customers across the continental United States. The transaction is expected to close in the fourth quarter of 2014.

- **Nuclear Operations:** Generation's nuclear fleet, including its owned output from the Salem Generating Station and beginning April 1, 2014, 100 percent of the CENG units, produced 45,263 gigawatt-hours (GWh), of which 8,617 GWh were produced by CENG, in the third quarter of 2014, compared with 36,165 GWh in the third quarter of 2013. Excluding Salem, the Exelon-operated nuclear plants at ownership achieved a 96.5 percent capacity factor for the third quarter of 2014, compared with 94.8 percent for the third quarter of 2013. The number of planned refueling outage days in the third quarter of 2014 totaled 18, including no CENG planned outage days, compared with 43 in the third quarter of 2013. There were 20 non-refueling outage days, including two at CENG, in the third quarter of 2014, compared with five days in the third quarter of 2013.

- **Fossil and Renewables Operations:** The dispatch match rate for Generation's gas/hydro fleet was 98.8 percent in the third quarter of 2014, compared with 99.1 percent in the third quarter of 2013. Energy capture for the wind/solar fleet was 94.9 percent in the third quarter of 2014, compared with 92.9 percent in the third quarter of 2013. The increase in energy capture for the third quarter of 2014 was due to the implementation of reliability programs that resulted in increased turbine availability.

- **Financing Activities:**

  - On September 8, 2014, PECO issued $300 million of first and refunding mortgage bonds with an interest rate of 4.15 percent due Oct. 1, 2044. The net proceeds from the sale of the bonds were used to pay $250 million in aggregate principal of PECO's 5 percent first and refunding mortgage bonds which would have come due on Oct. 1, 2014 and for other general corporate purposes. The offering closed on Sept. 15, 2014.

  - On September 18, 2014, ExGen Texas Power, LLC (an indirect subsidiary of Exelon and Exelon Generation) entered into a $695 million senior secured term loan and revolving credit facility. The company distributed the net proceeds from the term loans to Exelon Generation for its general corporate purposes.

- **Hedging Update:** Exelon's hedging program involves the hedging of commodity risk for Exelon's expected generation, typically on a ratable basis over a three-year period. This strategy has not changed as a result of recent and pending asset divestitures. The proportion of expected generation hedged as of September 30, 2014, is 98.0 percent to 101.0 percent for 2014, 86.0 percent to 89.0 percent for 2015, and 55.0 percent to 58.0 percent for 2016. Expected generation is the volume of energy that best represents our financial exposure through owned or contracted capacity. The primary objective of Exelon's hedging program is to manage market risks and protect the value of its generation and its investment-grade balance sheet, while preserving its ability to participate in improving long-term market fundamentals.

Operating Company Results

Generation consists of owned and contracted electric generating facilities and wholesale and retail customer supply of electric and natural gas products and services, including renewable energy products, risk management services and natural gas exploration and production activities.

The third quarter 2014 GAAP net income was $771 million, compared with $490 million in the third quarter of 2013. Adjusted (non-GAAP) operating earnings for the third quarter of 2014 and 2013 do not include various items (after tax) that were included in reported GAAP earnings. A reconciliation of Adjusted (non-GAAP) Operating Earnings to GAAP Net Income is in the table below:

($ millions)	3Q14	3Q13
Generation Adjusted (non-GAAP) Operating Earnings	**$433**	**$411**
Mark-to-Market Impact of Economic Hedging Activities	161	151
Unrealized Gains/(Losses) Related to NDT Fund Investments	(22)	23
Asset Retirement Obligation	13	(7)
Plant Retirements and Divestitures (primarily gain on sale of Safe Harbor)	198	—
Long-Lived Asset Impairments	(30)	(28)
Merger and Integration Costs	(47)	(20)
Amortization of Commodity Contract Intangibles	12	(40)
Tax Settlements	66	—
Non-Controlling Interest	(13)	—
Generation GAAP Net Income	**$771**	**$490**

Generation's Adjusted (non-GAAP) Operating Earnings in the third quarter of 2014 increased $22 million compared with the same quarter in 2013. This increase primarily reflected higher revenue net fuel at Generation as a result of higher realized energy prices, favorable portfolio management optimization activities, and the cancellation of DOE spent nuclear fuel disposal fees. The increase was partially offset by higher O&M expenses reflecting increased non-refueling nuclear generating outage days and inflation, offset in part by reduced other postretirement benefit costs.

ComEd consists of electricity transmission and distribution operations in Northern Illinois. ComEd recorded GAAP net income of $126 million in the third quarter of both 2014 and 2013. Adjusted (non-GAAP) Operating Earnings for the third quarter of 2013 do not include merger and integration costs that were included in reported GAAP earnings. A reconciliation of Adjusted (non-GAAP) Operating Earnings to GAAP Net Income is in the table below:

($ millions)	3Q14	3Q13
ComEd Adjusted (non-GAAP) Operating Earnings	**$ 126**	**$ 127**
Merger and Integration Costs	—	(1)
ComEd GAAP Net Income	**$ 126**	**$ 126**

ComEd's Adjusted (non-GAAP) Operating Earnings in the third quarter of 2014 were down $1 million from the same quarter in 2013, primarily reflecting unfavorable weather, partially offset by higher distribution and transmission revenue due to increased capital investment.

For the third quarter of 2014, heating degree-days in the ComEd service territory were up 40.5 percent relative to the same period in 2013 and were 6.7 percent below normal. Meanwhile, cooling degree-days were down 19.6 percent relative to the same period in 2013 and were 12.4 percent below normal. Total retail electric deliveries decreased 5.4 percent in the third quarter of 2014 compared with the same period in 2013.

Weather-normalized retail electric deliveries remained flat in the third quarter of 2014 relative to 2013.

PECO consists of electricity transmission and distribution operations and retail natural gas distribution operations in Southeastern Pennsylvania.

PECO's GAAP net income in the third quarter of 2014 was $81 million, compared with $92 million in the third quarter of 2013. Adjusted (non-GAAP) Operating Earnings for the third quarter of 2013 do not include merger and integration costs that were included in reported GAAP earnings. A reconciliation of Adjusted (non-GAAP) Operating Earnings to GAAP Net Income is in the table below:

($ millions)	3Q14	3Q13
PECO Adjusted (non-GAAP) Operating Earnings	**$81**	**$93**
Merger and Integration Costs	—	(1)
PECO GAAP Net Income	**$81**	**$92**

PECO's Adjusted (non-GAAP) Operating Earnings in the third quarter of 2014 decreased $12 million from the same quarter in 2013, primarily due to increased storm costs and unfavorable weather conditions.

For the third quarter of 2014, heating degree-days in the PECO service territory were down 61.1 percent relative to the same period in 2013 and were 60.0 percent below normal. Cooling degree-days were down 1.8 percent from the prior year and were 2.5 percent below normal. Total retail electric deliveries were down 3.6 percent compared with the third quarter of 2013. Natural gas deliveries (including both retail and transportation segments) in the third quarter of 2014 were up 0.7 percent compared with the same period in 2013.

Weather-normalized retail electric deliveries remained relatively consistent while gas deliveries increased 7.8 percent in the third quarter of 2014 compared with the same period in 2013. The increased gas volumes were driven primarily by increased usage per customer and customer growth, however gas retail volumes in the summer account for a small percentage of annual deliveries and tend to be more volatile.

BGE consists of electricity transmission and distribution operations and retail natural gas distribution operations in Central Maryland.

BGE's GAAP net income in the third quarter of 2014 was $46 million, compared with $50 million in the third quarter of 2013. Adjusted (non-GAAP) Operating Earnings for the third quarter of 2013 do not include merger and integration costs that were included in reported GAAP earnings. A reconciliation of Adjusted (non-GAAP) Operating Earnings to GAAP Net Income is in the table below:

($ millions)	3Q14	3Q13
BGE Adjusted (non-GAAP) Operating Earnings	**$46**	**$51**
Merger and Integration Costs	—	(1)
BGE GAAP Net Income	**$46**	**$50**

BGE's Adjusted (non-GAAP) Operating Earnings in the third quarter of 2014 decreased $5 million from the same quarter in 2013, primarily due to increased contracting as a result of an increase in maintenance related activities and incremental storm costs, which were partially offset by increased distribution revenues pursuant to increased rates effective in December 2013.

Adjusted (non-GAAP) Operating Earnings

Adjusted (non-GAAP) operating earnings, which generally exclude significant one-time charges or credits that are not normally associated with ongoing operations, mark-to-market adjustments from economic hedging activities and unrealized gains and losses from NDT fund investments, are provided as a supplement to results reported in accordance with GAAP. Management uses such adjusted (non-GAAP) operating earnings measures internally to evaluate the company's performance and manage its operations. Reconciliation of GAAP to adjusted (non-GAAP) operating earnings for historical periods is attached. Additional earnings release attachments, which include the reconciliation on pages 8 and 9 are posted on Exelon's Web site: www.exeloncorp.com and have been furnished to the Securities and Exchange Commission on Form 8-K on October 29, 2014.

Cautionary Statements Regarding Forward-Looking Information

This press release 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, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company and Exelon Generation Company, LLC (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) Exelon's Third Quarter 2014 Quarterly Report on Form 10-Q (to be filed on October 29, 2014) 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 press release. 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 press release.

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