

EXELON CORP
Form 10-Q
October 30, 2015
Table of Contents

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 September 30, 2015

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
		Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street P.O. Box 805379 Chicago, Illinois 60680-5379 (800) 483-3220	23-2990190
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348-2473 (610) 765-5959	23-3064219
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street	36-0938600

Edgar Filing: EXELON CORP - Form 10-Q

Chicago, Illinois 60605-1028

(312) 394-4321

000-16844

PECO ENERGY COMPANY
(a Pennsylvania corporation)

23-0970240

P.O. Box 8699

2301 Market Street

Philadelphia, Pennsylvania 19101-8699

(215) 841-4000

1-1910

BALTIMORE GAS AND ELECTRIC COMPANY
(a Maryland corporation)

52-0280210

2 Center Plaza

110 West Fayette Street

Baltimore, Maryland 21201-3708

(410) 234-5000

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 September 30, 2015 was:

Exelon Corporation Common Stock, without par value	919,564,380
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,973
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000

Table of Contents**TABLE OF CONTENTS**

	Page No.
<u>FILING FORMAT</u>	7
<u>FORWARD-LOOKING STATEMENTS</u>	7
<u>WHERE TO FIND MORE INFORMATION</u>	7
PART I. <u>FINANCIAL INFORMATION</u>	8
ITEM 1. <u>FINANCIAL STATEMENTS</u>	8
Exelon Corporation	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	9
<u>Consolidated Statements of Cash Flows</u>	10
<u>Consolidated Balance Sheets</u>	11
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	13
Exelon Generation Company, LLC	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	14
<u>Consolidated Statements of Cash Flows</u>	15
<u>Consolidated Balance Sheets</u>	16
<u>Consolidated Statement of Changes in Equity</u>	18
Commonwealth Edison Company	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	19
<u>Consolidated Statements of Cash Flows</u>	20
<u>Consolidated Balance Sheets</u>	21
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	23
PECO Energy Company	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	24
<u>Consolidated Statements of Cash Flows</u>	25
<u>Consolidated Balance Sheets</u>	26
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	28
Baltimore Gas and Electric Company	
<u>Consolidated Statements of Operations and Comprehensive Income</u>	29
<u>Consolidated Statements of Cash Flows</u>	30
<u>Consolidated Balance Sheets</u>	31
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	33
<u>Combined Notes to Consolidated Financial Statements</u>	34
<u>1. Basis of Presentation</u>	34
<u>2. New Accounting Pronouncements</u>	35
<u>3. Variable Interest Entities</u>	38
<u>4. Mergers, Acquisitions and Dispositions</u>	44
<u>5. Regulatory Matters</u>	47
<u>6. Investment in Constellation Energy Nuclear Group, LLC</u>	60

Table of Contents

	Page No.
<u>7. Impairment of Long-Lived Assets</u>	61
<u>8. Implications of Potential Early Plant Retirements</u>	63
<u>9. Fair Value of Financial Assets and Liabilities</u>	64
<u>10. Derivative Financial Instruments</u>	82
<u>11. Debt and Credit Agreements</u>	99
<u>12. Income Taxes</u>	105
<u>13. Nuclear Decommissioning</u>	109
<u>14. Retirement Benefits</u>	112
<u>15. Severance</u>	114
<u>16. Changes in Accumulated Other Comprehensive Income</u>	115
<u>17. Common Stock</u>	120
<u>18. Earnings Per Share and Equity</u>	120
<u>19. Commitments and Contingencies</u>	121
<u>20. Supplemental Financial Information</u>	132
<u>21. Segment Information</u>	138
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	143
<u>Exelon Corporation</u>	143
<u>General</u>	143
<u>Executive Overview</u>	144
<u>Critical Accounting Policies and Estimates</u>	171
<u>Results of Operations</u>	172
<u>Liquidity and Capital Resources</u>	200
<u>Contractual Obligations and Off-Balance Sheet Arrangements</u>	210
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	212
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	220
PART II. <u>OTHER INFORMATION</u>	222
ITEM 1. <u>LEGAL PROCEEDINGS</u>	222
ITEM 1A. <u>RISK FACTORS</u>	222
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	222
ITEM 6. <u>EXHIBITS</u>	222
<u>SIGNATURES</u>	224
<u>Exelon Corporation</u>	224
<u>Exelon Generation Company, LLC</u>	224
<u>Commonwealth Edison Company</u>	225
<u>PECO Energy Company</u>	225
<u>Baltimore Gas and Electric Company</u>	225

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's holding company
<i>CENG</i>	Constellation Energy Nuclear Group, LLC
<i>Constellation</i>	Constellation Energy Group, Inc.
<i>Antelope Valley, AVSR</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>ComEd Financing III</i>	ComEd Financing III
<i>PEC L.P.</i>	PECO Energy Capital, L.P.
<i>PECO Trust III</i>	PECO Energy Capital Trust III
<i>PECO Trust IV</i>	PECO Energy Capital Trust IV
<i>BGE Trust II</i>	BGE Capital Trust II
<i>PETT</i>	PECO Energy Transition Trust
<i>Registrants</i>	Exelon, Generation, ComEd, PECO and BGE, collectively

Other Terms and Abbreviations

<i>Note of the Exelon 2014 Form 10-K</i>	Reference to a specific Combined Note to Consolidated Financial Statements within Exelon's 2014 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

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

<i>CERCLA</i>	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
<i>CFL</i>	Compact Fluorescent Light
<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>DC 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>EGR</i>	ExGen Renewables I, LLC
<i>EGS</i>	Electric Generation Supplier
<i>EGTP</i>	ExGen Texas Power, LLC
<i>EIMA</i>	Illinois Energy Infrastructure Modernization Act
<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>GDP</i>	Gross Domestic Product
<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>Integrys</i>	Integrys Energy Services, Inc.
<i>IPA</i>	Illinois Power Agency
<i>IRC</i>	Internal Revenue Code

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

<i>IRS</i>	Internal Revenue Service
<i>ISO</i>	Independent System Operator
<i>ISO-NE</i>	ISO New England Inc.
<i>ISO-NY</i>	New York Independent System Operator
<i>kV</i>	Kilovolt
<i>kW</i>	Kilowatt
<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 Standard 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 including the CENG units (Calvert Cliffs, Nine Mile Point, and R.E. Ginna), Clinton, Oyster Creek, Three Mile Island, Zion (a former ComEd unit), and portions of Peach Bottom (a former PECO unit)
<i>NOSA</i>	Nuclear Operating Services Agreement
<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

Table of Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

PHI

PJM

Pepco Holdings, Inc.