November 23, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Reference: 2011-240

Exelon Corporation (Exelon) appreciates the opportunity to comment on the Financial Accounting Standard Board’s (the Board) Exposure Draft, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (the ED). The following summarizes our thoughts on the questions posed in the ED.

**Q1: Do you agree with the deferral? Why or why not?**

Yes, we agree with this deferral.

First, we suggest that the Board take additional time to reconsider its decisions regarding these disclosures. We do not believe that presenting reclassification adjustments out of accumulated other comprehensive income into net income in the individual components of net income will provide financial statement users with more beneficial information. For example, we do not believe that the investment community makes decisions based on the amount of other comprehensive income reclassification adjustments recorded in each income statement line item, as investors are primarily concerned with key metrics such as operating income, net income and operating cash flows. Also, the amounts reclassified into net income due to pension-related costs are generally consistent from period to period, and we do not believe that omitting the income statement line items in which the reclassification adjustments are recorded reduces an investor’s ability to identify key trends. Therefore, we believe that the Board should only require disclosures related to the reclassification adjustments, and presentation of reclassification adjustments within components of other comprehensive income and not net income, which are required under current generally accepted accounting principles (GAAP). We believe that the current disclosures provide sufficient detail on the components of cost that are deferred in other comprehensive income.

Secondly, we believe that additional clarification is needed to interpret the scope of this requirement. We note in paragraph BC11d of the ED that stakeholders are unclear as to whether reclassification adjustments out of accumulated other comprehensive income
that are initially reported in a balance sheet account and subsequently reclassified to net income at a later date would be in the scope of this requirement. We assume that the Board was intending only to include reclassification adjustments from accumulated other comprehensive income that are immediately recognized in net income within the scope of this guidance, as it does not seem feasible to track reclassification adjustments that are initially reported in a balance sheet account and subsequently reclassified to net income at a later date. Additionally, we believe that financial statements users have relevant information on how balance sheet amounts are reclassified into net income through other disclosures, such as disclosures regarding depreciation methods and periods. If the Board was intending to include these types of reclassification adjustments in the scope of this guidance, we respectfully disagree with this requirement as it would be costly to preparers and would provide seemingly little to no benefit to users.

Finally, we need more time to gather the necessary information to comply with this guidance, especially in light of the required retrospective adoption. The data to present reclassification adjustments by income statement line item is not readily available as Exelon is comprised of several reporting entities, including Exelon Generation Company, LLC, Commonwealth Edison Company, and PECO Energy Company, and certain pension costs, which are initially recorded in accumulated other comprehensive income, are allocated between operating and maintenance expense and property, plant and equipment, in each entity’s financial statements.

The allocation between operating and maintenance expense and property, plant and equipment resulting from the reclassification out of accumulated other comprehensive income is currently tracked at the net periodic benefit cost level, as the amounts are recorded in our general ledger at that level. These summarized costs are allocated to the appropriate general ledger account based on reporting entity-specific allocation rates and cost factors such as actual labor incurred. In order to comply with this requirement, we would need to develop new processes and procedures to separately capture the portion of the reclassification adjustment at a more detailed level; so as to determine the component of the net periodic benefit cost that is recorded in operating and maintenance expense each reporting period, by reporting entity. Given the difficulties in gathering the necessary data, we believe that this requirement should have an effective date of periods beginning after December 15, 2012, in order to allow entities at least one year prior to implementation to build processes to capture this information real-time, as entities are required to adopt the guidance retrospectively.

Q2: Are there alternatives that the Board should consider for presenting reclassifications out of accumulated other comprehensive income that would be more cost effective than the one required by Update 2011-05?

As described in our response above, we do not believe that presenting these adjustments in the individual components of net income will provide financial statement users with more beneficial information. Also, we would incur costs to comply with the requirement to show reclassification adjustments by income statement line item, and if reclassification adjustments that are initially reported in a balance sheet account and subsequently
reclassified to net income at a later date are in scope, the additional costs would be significant. We believe that the costs for designing and implementing new processes, procedures and controls to comply with this guidance outweigh any perceived benefits for financial statement users. However, if the Board continues to believe that new disclosures are cost beneficial, we recommend an alternative presentation.

Disclosing this information in the notes as opposed to on the face of the financial statements will reduce additional undue complexity on the income statement, while also providing the relevant information to the financial statement users. For example, we disclose the reclassification adjustments from accumulated other comprehensive income to net income by income statement location for our cash flow hedges, in accordance with Accounting Standards Codification Topic 815 Derivatives and Hedging.

**Q3: If you provide an alternative in Question 2 above, please explain how your alternative would better serve the needs of users of financial statements than current requirements.**

Reflecting such reclassification information on the face of the income statement would result in extensive detail that would clutter the presentation, potentially confusing readers and rendering the income statement less useful. If the Board believes that the income statement line item detail for reclassification adjustments is useful to financial statement users, we believe it is more appropriate to present the reclassification adjustments by income statement line item in the notes to the financial statements.

Finally, we respectfully recognize that the Financial Accounting Standard Board and International Accounting Standards Board jointly pursued this project, with one of the key objectives being to facilitate convergence of U.S. GAAP and International Financial Reporting Standards (IFRS). Under IAS 1, *Presentation of Financial Statements*, entities may present reclassification adjustments either in the statement(s) of profit or loss and comprehensive income or in the notes to the financial statements. Therefore, our proposed alternative disclosure approach would be consistent with how many companies currently present the information under IFRS.

We appreciate your consideration of these comments. If you have any questions or would like to discuss further, please contact me at 312-394-4736 (or duane.desparte@exeloncorp.com).

Respectfully submitted,

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Exelon Corporation