EXELON Corp
Form 10-Q
November 01, 2018
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, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Name of Registrant; State or Other Jurisdiction of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer 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 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
001-31403	PEPCO HOLDINGS LLC (a Delaware limited liability company)	52-2297449

	701 Ninth Street, N.W. Washington, District of Columbia 20068 (202) 872-2000	
001-01072	POTOMAC ELECTRIC POWER COMPANY (a District of Columbia and Virginia corporation) 701 Ninth Street, N.W. Washington, District of Columbia 20068 (202) 872-2000	53-0127880
001-01405	DELMARVA POWER & LIGHT COMPANY (a Delaware and Virginia corporation) 500 North Wakefield Drive Newark, Delaware 19702 (202) 872-2000	51-0084283
001-03559	ATLANTIC CITY ELECTRIC COMPANY (a New Jersey corporation) 500 North Wakefield Drive Newark, Delaware 19702 (202) 872-2000	21-0398280

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 x No o
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 x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company	Emerging Growth Company
Exelon Corporation	x				
Exelon Generation Company, LLC			x		
Commonwealth Edison Company			x		
PECO Energy Company			x		
Baltimore Gas and Electric Company			x		
Pepco Holdings LLC			x		
Potomac Electric Power Company			x		
Delmarva Power & Light Company			x		
Atlantic City Electric Company			x		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
The number of shares outstanding of each registrant’s common stock as of September 30, 2018 was:

Exelon Corporation Common Stock, without par value	967,009,746
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,021,324
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000
Pepco Holdings LLC	not applicable
Potomac Electric Power Company Common Stock, $0.01 par value	100
Delmarva Power & Light Company Common Stock, $2.25 par value	1,000
Atlantic City Electric Company Common Stock, $3.00 par value	8,546,017

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GLOSSARY OF TERMS AND ABBREVIATIONS

Exelon Corporation and Related Entities

Exelon	Exelon Corporation
Generation	Exelon Generation Company, LLC
ComEd	Commonwealth Edison Company
PECO	PECO Energy Company
BGE	Baltimore Gas and Electric Company
Pepco Holdings or PHI	Pepco Holdings LLC (formerly Pepco Holdings, Inc.)
Pepco	Potomac Electric Power Company
DPL	Delmarva Power & Light Company
ACE	Atlantic City Electric Company
Registrants	Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, collectively
Utility Registrants	ComEd, PECO, BGE, Pepco, DPL and ACE, collectively
Legacy PHI	PHI, Pepco, DPL and ACE, collectively
ACE Funding or ATF	Atlantic City Electric Transition Funding LLC
Antelope Valley	Antelope Valley Solar Ranch One
BSC	Exelon Business Services Company, LLC
CENG	Constellation Energy Nuclear Group, LLC
Conectiv	Conectiv, LLC, a wholly owned subsidiary of PHI and the parent of DPL and ACE
ConEdison Solutions	The competitive retail electricity and natural gas business of Consolidated Edison Solutions, Inc., a subsidiary of Consolidated Edison, Inc.
Constellation	Constellation Energy Group, Inc.
EEDC	Exelon Energy Delivery Company, LLC
EGR IV	ExGen Renewables IV, LLC
EGTP	ExGen Texas Power, LLC
Entergy	Entergy Nuclear FitzPatrick, LLC
Exelon Corporate	Exelon in its corporate capacity as a holding company
Exelon Transmission Company	Exelon Transmission Company, LLC
Exelon Wind	Exelon Wind, LLC and Exelon Generation Acquisition Company, LLC
FitzPatrick	James A. FitzPatrick nuclear generating station
PCI	Potomac Capital Investment Corporation and its subsidiaries
PEC L.P.	PECO Energy Capital, L.P.
PECO Trust III	PECO Capital Trust III
PECO Trust IV	PECO Energy Capital Trust IV
Pepco Energy Services or PES	Pepco Energy Services, Inc. and its subsidiaries
PHI Corporate	PHI in its corporate capacity as a holding company
PHISCO	PHI Service Company
RPG	Renewable Power Generation
SolGen	SolGen, LLC

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
TMI	Three Mile Island nuclear facility
UII	Unicom Investments, Inc.
Note "—" of the Exelon 2017 Form 10-K	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2017 Annual Report on Form 10-K
AEC	Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
AESO	Alberta Electric Systems Operator
AFUDC	Allowance for Funds Used During Construction
AGE	Albany Green Energy Project
AMI	Advanced Metering Infrastructure
AMP	Advanced Metering Program
AOCI	Accumulated Other Comprehensive Income
ARC	Asset Retirement Cost
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
BGS	Basic Generation Service
CAISO	California Independent System Operator
CAP	Customer Assistance Program
CCGTs	Combined-Cycle Gas Turbines
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CES	Clean Energy Standard
Clean Air Act	Clean Air Act of 1963, as amended
Clean Water Act	Federal Water Pollution Control Amendments of 1972, as amended
Conectiv Energy	Conectiv Energy Holdings, Inc. and substantially all of its subsidiaries, which were sold to Calpine in July 2010
CSAPR	Cross-State Air Pollution Rule
D.C. Circuit Court	United States Court of Appeals for the District of Columbia Circuit
DC PLUG	District of Columbia Power Line Undergrounding Initiative
DCPSC	District of Columbia Public Service Commission
Default Electricity Supply	The supply of electricity by PHI's electric utility subsidiaries at regulated rates to retail customers who do not elect to purchase electricity from a competitive supplier, and which, depending on the jurisdiction, is also known as Standard Offer Service or Basic Generation Service
DOE	United States Department of Energy
DOEE	Department of Energy & Environment
DOJ	United States Department of Justice
DPSC	Delaware Public Service Commission
DRP	Direct Stock Purchase and Dividend Reinvestment Plan
DSP	Default Service Provider
EDF	Electricite de France SA and its subsidiaries

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
EE&C	Energy Efficiency and Conservation/Demand Response
EIMA	Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036)
EmPower	A Maryland demand-side management program for Pepco and DPL
EPA	United States Environmental Protection Agency
EPSA	Electric Power Supply Association
ERCOT	Electric Reliability Council of Texas
ERISA	Employee Retirement Income Security Act of 1974, as amended
EROA	Expected Rate of Return on Assets
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FEJA	Illinois Public Act 99-0906 or Future Energy Jobs Act
FERC	Federal Energy Regulatory Commission
FRCC	Florida Reliability Coordinating Council
GAAP	Generally Accepted Accounting Principles in the United States
GCR	Gas Cost Rate
GHG	Greenhouse Gas
GSA	Generation Supply Adjustment
GWh	Gigawatt hour
IBEW	International Brotherhood of Electrical Workers
ICC	Illinois Commerce Commission
ICE	Intercontinental Exchange
Illinois EPA	Illinois Environmental Protection Agency
Illinois Settlement Legislation	Legislation enacted in 2007 affecting electric utilities in Illinois
IPA	Illinois Power Agency
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ISO	Independent System Operator
ISO-NE	Independent System Operator New England Inc.
ISO-NY	Independent System Operator New York
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LLRW	Low-Level Radioactive Waste
LT Plan	Long-term renewable resources procurement plan
LTIP	Long-Term Incentive Plan
MAPP	Mid-Atlantic Power Pathway
MATS	U.S. EPA Mercury and Air Toxics Rule
MBR	Market Based Rates Incentive

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
MDE	Maryland Department of the Environment
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.
mmcf	Million Cubic Feet
Moody’s	Moody’s Investor Service
MOPR	Minimum Offer Price Rule
MRV	Market-Related Value
MW	Megawatt
MWh	Megawatt hour
n.m.	not meaningful
NAAQS	National Ambient Air Quality Standards
NAV	Net Asset Value
NDT	Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NGS	Natural Gas Supplier
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NLRB	National Labor Relations Board
Non-Regulatory Agreements Units	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
NOSA	Nuclear Operating Services Agreement
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NUGs	Non-utility generators
NWPA	Nuclear Waste Policy Act of 1982
NYMEX	New York Mercantile Exchange
NYPSC	New York Public Service Commission
OCI	Other Comprehensive Income
OIESO	Ontario Independent Electricity System Operator
OPC	Office of People’s Counsel
OPEB	Other Postretirement Employee Benefits
PA DEP	Pennsylvania Department of Environmental Protection
PAPUC	Pennsylvania Public Utility Commission
PCB	Polychlorinated Biphenyl
PGC	Purchased Gas Cost Clause
PJM	PJM Interconnection, LLC
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Power Purchase Agreement

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
Price-Anderson Act	Price-Anderson Nuclear Industries Indemnity Act of 1957
PRP	Potentially Responsible Parties
PSEG	Public Service Enterprise Group Incorporated
PV	Photovoltaic
RCRA	Resource Conservation and Recovery Act of 1976, as amended
REC	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
Regulatory Agreement Units	Nuclear generating units or portions thereof whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
RES	Retail Electric Suppliers
RFP	Request for Proposal
Rider	Reconcilable Surcharge Recovery Mechanism
RMC	Risk Management Committee
ROE	Return on equity
RPM	PJM Reliability Pricing Model
RPS	Renewable Energy Portfolio Standards
RSSA	Reliability Support Services Agreement
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor’s Ratings Services
SEC	United States Securities and Exchange Commission
SERC	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
SILO	Sale-In, Lease-Out
SNF	Spent Nuclear Fuel
SOS	Standard Offer Service
SPFPA	Security, Police and Fire Professionals of America
SPP	Southwest Power Pool
TCJA	Tax Cuts and Jobs Act
Transition Bond Charge	Revenue ACE receives, and pays to ACE Funding, to fund the principal and interest payments on Transition Bonds and related taxes, expenses and fees
Transition Bonds	Transition Bonds issued by ACE Funding
Upstream	Natural gas exploration and production activities
VIE	Variable Interest Entity
WECC	Western Electric Coordinating Council
ZEC	Zero Emission Credit, or Zero Emission Certificate
ZES	Zero Emission Standard

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FILING FORMAT

This combined Form 10-Q is being filed separately by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company and Atlantic City Electric Company (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.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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 the Registrants include those factors discussed herein, as well as the items discussed in (1) the Registrants' combined 2017 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 23, Commitments and Contingencies; (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 17, Commitments and Contingencies; 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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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	2018	2017	2018	2017
Operating revenues				
Competitive businesses revenues	$4,971	$4,455	$14,387	$12,955
Rate-regulated utility revenues	4,457	4,259	12,824	12,034
Revenues from alternative revenue programs	(25)	54	(41)	191
Total operating revenues	9,403	8,768	27,170	25,180
Operating expenses				
Competitive businesses purchased power and fuel	2,977	2,316	8,542	7,268
Rate-regulated utility purchased power and fuel	1,355	1,226	3,832	3,259
Operating and maintenance	2,346	2,275	7,036	7,658
Depreciation and amortization	1,105	1,002	3,284	2,814
Taxes other than income	469	456	1,342	1,313
Total operating expenses	8,252	7,275	24,036	22,312
(Loss) gain on sales of assets and businesses	(5)	(1)	55	4
Bargain purchase gain	—	7	—	233
Operating income	1,146	1,499	3,189	3,105
Other income and (deductions)				
Interest expense, net	(387)	(377)	(1,119)	(1,165)
Interest expense to affiliates	(6)	(9)	(19)	(29)
Other, net	194	210	212	643
Total other income and (deductions)	(199)	(176)	(926)	(551)
Income before income taxes	947	1,323	2,263	2,554
Income taxes	137	451	262	601
Equity in losses of unconsolidated affiliates	(10)	(7)	(22)	(25)
Net income	800	865	1,979	1,928
Net income attributable to noncontrolling interests	67	42	121	21
Net income attributable to common shareholders	$733	$823	$1,858	$1,907
Comprehensive income, net of income taxes				
Net income	$800	$865	$1,979	$1,928
Other comprehensive income (loss), net of income taxes				
Pension and non-pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost	(17)	(14)	(50)	(42)
Actuarial loss reclassified to periodic benefit cost	62	49	186	147
Pension and non-pension postretirement benefit plan valuation adjustment	5	3	22	(55)
Unrealized gain on cash flow hedges	—	—	12	5
Unrealized gain on investments in unconsolidated affiliates	—	1	3	5
Unrealized gain (loss) on foreign currency translation	2	4	(4)	7
Unrealized gain on marketable securities	—	1	—	2
Other comprehensive income	52	44	169	69
Comprehensive income	852	909	2,148	1,997
Comprehensive income attributable to noncontrolling interests	67	42	123	19

Comprehensive income attributable to common shareholders	$785	$867	$2,025	$1,978
Average shares of common stock outstanding:				
Basic	968	962	967	941
Diluted	970	965	969	943
Earnings per average common share:				
Basic	$0.76	$0.86	$1.92	$2.03
Diluted	$0.76	$0.85	$1.92	$2.02
Dividends declared per common share	$0.35	$0.33	$1.04	$0.98

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$1,979	$1,928
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	4,511	3,999
Impairment of long-lived assets and losses on regulatory assets	49	488
Gain on sales of assets and businesses	(55)	(5)
Bargain purchase gain	—	(233)
Deferred income taxes and amortization of investment tax credits	97	444
Net fair value changes related to derivatives	67	149
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(21)	(429)
Other non-cash operating activities	804	603
Changes in assets and liabilities:		
Accounts receivable	(167)	184
Inventories	(24)	(87)
Accounts payable and accrued expenses	84	(591)
Option premiums (paid) received, net	(36)	35
Collateral received (posted), net	222	(100)
Income taxes	166	167
Pension and non-pension postretirement benefit contributions	(362)	(344)
Other assets and liabilities	(639)	(535)
Net cash flows provided by operating activities	6,675	5,673
Cash flows from investing activities		
Capital expenditures	(5,497)	(5,556)
Proceeds from nuclear decommissioning trust fund sales	6,379	6,848
Investment in nuclear decommissioning trust funds	(6,553)	(7,044)
Acquisition of assets and businesses, net	(57)	(208)
Proceeds from sales of assets and businesses	90	219
Other investing activities	29	(2)
Net cash flows used in investing activities	(5,609)	(5,743)
Cash flows from financing activities		
Changes in short-term borrowings	(218)	(570)
Proceeds from short-term borrowings with maturities greater than 90 days	126	621
Repayments on short-term borrowings with maturities greater than 90 days	(1)	(610)
Issuance of long-term debt	2,664	2,616
Retirement of long-term debt	(1,480)	(1,728)
Retirement of long-term debt to financing trust	—	(250)
Sale of noncontrolling interest	—	396
Dividends paid on common stock	(999)	(921)
Common stock issued from treasury stock	—	1,150
Proceeds from employee stock plans	67	61
Other financing activities	(94)	(64)

Net cash flows provided by financing activities	65	701
Increase in cash, cash equivalents and restricted cash	1,131	631
Cash, cash equivalents and restricted cash at beginning of period	1,190	914
Cash, cash equivalents and restricted cash at end of period	$2,321	$1,545

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,918	$ 898
Restricted cash and cash equivalents	240	207
Accounts receivable, net		
Customer	4,239	4,445
Other	1,246	1,132
Mark-to-market derivative assets	696	976
Unamortized energy contract assets	42	60
Inventories, net		
Fossil fuel and emission allowances	349	340
Materials and supplies	1,316	1,311
Regulatory assets	1,340	1,267
Assets held for sale	910	—
Other	1,177	1,260
Total current assets	13,473	11,896
Property, plant and equipment, net	75,840	74,202
Deferred debits and other assets		
Regulatory assets	8,002	8,021
Nuclear decommissioning trust funds	12,464	13,272
Investments	649	640
Goodwill	6,677	6,677
Mark-to-market derivative assets	449	337
Unamortized energy contract assets	371	395
Other	1,560	1,330
Total deferred debits and other assets	30,172	30,672
Total assets[a]	$ 119,485	$ 116,770

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$834	$929
Long-term debt due within one year	771	2,088
Accounts payable	3,348	3,532
Accrued expenses	1,964	1,837
Payables to affiliates	5	5
Regulatory liabilities	689	523
Mark-to-market derivative liabilities	329	232
Unamortized energy contract liabilities	158	231
Renewable energy credit obligation	256	352
PHI merger related obligation	63	87
Liabilities held for sale	788	—
Other	935	982
Total current liabilities	10,140	10,798
Long-term debt	34,519	32,176
Long-term debt to financing trusts	390	389
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	11,702	11,235
Asset retirement obligations	9,747	10,029
Pension obligations	3,385	3,736
Non-pension postretirement benefit obligations	2,155	2,093
Spent nuclear fuel obligation	1,164	1,147
Regulatory liabilities	9,756	9,865
Mark-to-market derivative liabilities	482	409
Unamortized energy contract liabilities	497	609
Other	2,160	2,097
Total deferred credits and other liabilities	41,048	41,220
Total liabilities[(a)]	86,097	84,583
Commitments and contingencies		
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 967 shares and 963 shares outstanding at September 30, 2018 and December 31, 2017, respectively)	19,063	18,964
Treasury stock, at cost (2 shares at September 30, 2018 and December 31, 2017)	(123)	(123)
Retained earnings	14,949	14,081
Accumulated other comprehensive loss, net	(2,869)	(3,026)
Total shareholders' equity	31,020	29,896
Noncontrolling interests	2,368	2,291
Total equity	33,388	32,187
Total liabilities and shareholders' equity	$119,485	$116,770

(a) Exelon's consolidated assets include $9,804 million and $9,597 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include $3,606 million and $3,618 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 — Variable Interest Entities for additional information.

See the Combined Notes to Consolidated Financial Statements

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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	Noncontrolling Interests	Total Shareholders' Equity
Balance, December 31, 2017	965,168	$ 18,964	$ (123)	$ 14,081	$ (3,026)	$ 2,291	$ 32,187
Net income	—	—	—	1,858	—	121	1,979
Long-term incentive plan activity	2,677	32	—	—	—	—	32
Employee stock purchase plan issuances	997	67	—	—	—	—	67
Changes in equity of noncontrolling interests	—	—	—	—	—	(46)	(46)
Common stock dividends	—	—	—	(1,004)	—	—	(1,004)
Other comprehensive income, net of income taxes	—	—	—	—	167	2	169
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	—	—	14	(10)	—	4
Balance, September 30, 2018	968,842	$ 19,063	$ (123)	$ 14,949	$ (2,869)	$ 2,368	$ 33,388

See the Combined Notes to Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Operating revenues	$4,970	$4,454	$14,389	$12,949
Operating revenues from affiliates	308	296	979	894
Total operating revenues	5,278	4,750	15,368	13,843
Operating expenses				
Purchased power and fuel	2,977	2,315	8,542	7,267
Purchased power and fuel from affiliates	3	16	10	19
Operating and maintenance	1,218	1,205	3,643	4,343
Operating and maintenance from affiliates	152	171	483	536
Depreciation and amortization	468	410	1,383	1,046
Taxes other than income	143	141	414	425
Total operating expenses	4,961	4,258	14,475	13,636
(Loss) gain on sales of assets and businesses	(6)	(2)	48	3
Bargain purchase gain	—	7	—	233
Operating income	311	497	941	443
Other income and (deductions)				
Interest expense, net	(93)	(103)	(278)	(313)
Interest expense to affiliates	(8)	(10)	(27)	(29)
Other, net	179	209	164	648
Total other income and (deductions)	78	96	(141)	306
Income before income taxes	389	593	800	749
Income taxes	78	239	110	215
Equity in losses of unconsolidated affiliates	(11)	(8)	(23)	(26)
Net income	300	346	667	508
Net income attributable to noncontrolling interests	66	42	120	21
Net income attributable to membership interest	$234	$304	$547	$487
Comprehensive income, net of income taxes				
Net income	$300	$346	$667	$508
Other comprehensive income (loss), net of income taxes				
Unrealized gain on cash flow hedges	—	—	12	5
Unrealized gain on investments in unconsolidated affiliates	—	—	3	4
Unrealized gain (loss) on foreign currency translation	2	4	(4)	7
Other comprehensive income	2	4	11	16
Comprehensive income	302	350	678	524
Comprehensive income attributable to noncontrolling interests	66	42	122	19
Comprehensive income attributable to membership interest	$236	$308	$556	$505

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

	Nine Months Ended September 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$667	$508
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	2,608	2,231
Impairment of long-lived assets	49	485
Gain on sales of assets and businesses	(48)	(3)
Bargain purchase gain	—	(233)
Deferred income taxes and amortization of investment tax credits	(278)	(179)
Net fair value changes related to derivatives	73	160
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(21)	(429)
Other non-cash operating activities	187	132
Changes in assets and liabilities:		
Accounts receivable	126	66
Receivables from and payables to affiliates, net	(7)	27
Inventories	(10)	(43)
Accounts payable and accrued expenses	(59)	(255)
Option premiums (paid) received, net	(36)	35
Collateral received (posted), net	228	(77)
Income taxes	220	154
Pension and non-pension postretirement benefit contributions	(134)	(122)
Other assets and liabilities	(154)	(187)
Net cash flows provided by operating activities	3,411	2,270
Cash flows from investing activities		
Capital expenditures	(1,660)	(1,654)
Proceeds from nuclear decommissioning trust fund sales	6,379	6,848
Investment in nuclear decommissioning trust funds	(6,553)	(7,044)
Acquisition of assets and businesses, net	(57)	(208)
Proceeds from sales of assets and businesses	90	218
Other investing activities	(5)	(35)
Net cash flows used in investing activities	(1,806)	(1,875)
Cash flows from financing activities		
Changes in short-term borrowings	—	(620)
Proceeds from short-term borrowings with maturities greater than 90 days	1	121
Repayments of short-term borrowings with maturities greater than 90 days	(1)	(110)
Issuance of long-term debt	14	789
Retirement of long-term debt	(100)	(541)
Changes in Exelon intercompany money pool	(54)	91
Distributions to member	(688)	(494)
Contributions from member	54	102
Sale of noncontrolling interest	—	396
Other financing activities	(46)	(31)

Net cash flows used in financing activities	(820)	(297)
Increase in cash, cash equivalents and restricted cash	785	98
Cash, cash equivalents and restricted cash at beginning of period	554	448
Cash, cash equivalents and restricted cash at end of period	$1,339	$546

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,187	$ 416
Restricted cash and cash equivalents	152	138
Accounts receivable, net		
Customer	2,545	2,697
Other	278	321
Mark-to-market derivative assets	696	976
Receivables from affiliates	182	140
Unamortized energy contract assets	42	60
Inventories, net		
Fossil fuel and emission allowances	255	264
Materials and supplies	948	937
Assets held for sale	910	—
Other	854	933
Total current assets	8,049	6,882
Property, plant and equipment, net	24,168	24,906
Deferred debits and other assets		
Nuclear decommissioning trust funds	12,464	13,272
Investments	433	433
Goodwill	47	47
Mark-to-market derivative assets	449	334
Prepaid pension asset	1,472	1,502
Unamortized energy contract assets	370	395
Deferred income taxes	25	16
Other	730	670
Total deferred debits and other assets	15,990	16,669
Total assets[a]	$ 48,207	$ 48,457

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	$—	$2
Long-term debt due within one year	336	346
Accounts payable	1,450	1,773
Accrued expenses	1,200	1,022
Payables to affiliates	144	123
Borrowings from Exelon intercompany money pool	—	54
Mark-to-market derivative liabilities	305	211
Unamortized energy contract liabilities	33	43
Renewable energy credit obligation	256	352
Liabilities held for sale	788	—
Other	255	265
Total current liabilities	4,767	4,191
Long-term debt	7,605	7,734
Long-term debt to affiliate	901	910
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,532	3,811
Asset retirement obligations	9,521	9,844
Non-pension postretirement benefit obligations	903	916
Spent nuclear fuel obligation	1,164	1,147
Payables to affiliates	2,959	3,065
Mark-to-market derivative liabilities	237	174
Unamortized energy contract liabilities	23	48
Other	635	658
Total deferred credits and other liabilities	18,974	19,663
Total liabilities[(a)]	32,247	32,498
Commitments and contingencies		
Equity		
Member's equity		
Membership interest	9,411	9,357
Undistributed earnings	4,214	4,349
Accumulated other comprehensive loss, net	(31)	(37)
Total member's equity	13,594	13,669
Noncontrolling interests	2,366	2,290
Total equity	15,960	15,959
Total liabilities and equity	$48,207	$48,457

(a) Generation's consolidated assets include $9,768 million and $9,556 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation's consolidated liabilities include $3,528 million and $3,516 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 3 — Variable Interest Entities for additional information.

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(In millions)	Member's Equity				
	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interests	Total Equity
Balance, December 31, 2017	$9,357	$ 4,349	$ (37)	$ 2,290	$15,959
Net income	—	547	—	120	667
Changes in equity of noncontrolling interests	—	—	—	(46)	(46)
Contribution from member	54	—	—	—	54
Distributions to member	—	(688)	—	—	(688)
Other comprehensive income, net of income taxes	—	—	9	2	11
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	6	(3)	—	3
Balance, September 30, 2018	$9,411	$ 4,214	$ (31)	$ 2,366	$15,960

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

(In millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating revenues				
Electric operating revenues	$1,609	$1,552	$4,512	$4,167
Revenues from alternative revenue programs	(15)	16	(27)	48
Operating revenues from affiliates	4	3	23	12
Total operating revenues	1,598	1,571	4,508	4,227
Operating expenses				
Purchased power	496	489	1,281	1,178
Purchased power from affiliate	123	40	421	63
Operating and maintenance	276	277	785	897
Operating and maintenance from affiliate	61	69	189	199
Depreciation and amortization	237	212	696	631
Taxes other than income	82	80	238	223
Total operating expenses	1,275	1,167	3,610	3,191
Gain on sales of assets	—	—	5	—
Operating income	323	404	903	1,036
Other income and (deductions)				
Interest expense, net	(82)	(86)	(251)	(265)
Interest expense to affiliates	(3)	(3)	(10)	(10)
Other, net	7	5	21	14
Total other income and (deductions)	(78)	(84)	(240)	(261)
Income before income taxes	245	320	663	775
Income taxes	52	131	140	328
Net income	$193	$189	$523	$447
Comprehensive income	$193	$189	$523	$447

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$523	$447
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	696	631
Deferred income taxes and amortization of investment tax credits	214	455
Other non-cash operating activities	187	112
Changes in assets and liabilities:		
Accounts receivable	(190)	31
Receivables from and payables to affiliates, net	8	346
Inventories	4	6
Accounts payable and accrued expenses	(38)	(706)
Collateral posted, net	(10)	(22)
Income taxes	(65)	(205)
Pension and non-pension postretirement benefit contributions	(41)	(38)
Other assets and liabilities	(170)	63
Net cash flows provided by operating activities	1,118	1,120
Cash flows from investing activities		
Capital expenditures	(1,540)	(1,698)
Other investing activities	22	17
Net cash flows used in investing activities	(1,518)	(1,681)
Cash flows from financing activities		
Issuance of long-term debt	1,350	1,000
Retirement of long-term debt	(840)	(425)
Contributions from parent	387	567
Dividends paid on common stock	(345)	(316)
Other financing activities	(16)	(14)
Net cash flows provided by financing activities	536	812
Increase in cash, cash equivalents and restricted cash	136	251
Cash, cash equivalents and restricted cash at beginning of period	144	58
Cash, cash equivalents and restricted cash at end of period	$280	$309

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 124	$ 76
Restricted cash	12	5
Accounts receivable, net		
Customer	590	559
Other	450	266
Receivables from affiliates	13	13
Inventories, net	146	152
Regulatory assets	256	225
Other	94	68
Total current assets	1,685	1,364
Property, plant and equipment, net	21,642	20,723
Deferred debits and other assets		
Regulatory assets	1,229	1,054
Investments	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,469	2,528
Prepaid pension asset	1,083	1,188
Other	380	238
Total deferred debits and other assets	7,792	7,639
Total assets	$ 31,119	$ 29,726

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Long-term debt due within one year	$ 300	$ 840
Accounts payable	576	568
Accrued expenses	253	327
Payables to affiliates	82	74
Customer deposits	111	112
Regulatory liabilities	320	249
Mark-to-market derivative liability	24	21
Other	90	103
Total current liabilities	1,756	2,294
Long-term debt	7,800	6,761
Long-term debt to financing trust	205	205
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,744	3,469
Asset retirement obligations	115	111
Non-pension postretirement benefits obligations	206	219
Regulatory liabilities	6,318	6,328
Mark-to-market derivative liability	235	235
Other	633	562
Total deferred credits and other liabilities	11,251	10,924
Total liabilities	21,012	20,184
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid-in capital	7,209	6,822
Retained deficit unappropriated	(1,639)	(1,639)
Retained earnings appropriated	2,949	2,771
Total shareholders' equity	10,107	9,542
Total liabilities and shareholders' equity	$ 31,119	$ 29,726

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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, 2017	$ 1,588	$6,822	$ (1,639)	$ 2,771	$ 9,542
Net income	—	—	523	—	523
Appropriation of retained earnings for future dividends	—	—	(523)	523	—
Common stock dividends	—	—	—	(345)	(345)
Contributions from parent	—	387	—	—	387
Balance, September 30, 2018	$ 1,588	$7,209	$ (1,639)	$ 2,949	$ 10,107

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$697	$660	$1,886	$1,798
Natural gas operating revenues	57	53	382	338
Revenues from alternative revenue programs	1	—	2	—
Operating revenues from affiliates	2	2	5	5
Total operating revenues	757	715	2,275	2,141
Operating expenses				
Purchased power	215	190	576	483
Purchased fuel	14	14	148	126
Purchased power from affiliate	34	31	94	110
Operating and maintenance	184	161	572	488
Operating and maintenance from affiliates	35	36	114	107
Depreciation and amortization	75	72	224	213
Taxes other than income	46	42	125	116
Total operating expenses	603	546	1,853	1,643
Gain on sales of assets	—	—	1	—
Operating income	154	169	423	498
Other income and (deductions)				
Interest expense, net	(28)	(28)	(85)	(84)
Interest expense to affiliates	(4)	(3)	(11)	(9)
Other, net	2	2	4	6
Total other income and (deductions)	(30)	(29)	(92)	(87)
Income before income taxes	124	140	331	411
Income taxes	(2)	28	(5)	84
Net income	$126	$112	$336	$327
Comprehensive income	$126	$112	$336	$327

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$336	$327
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	224	213
Gain on sales of assets	(1)	—
Deferred income taxes and amortization of investment tax credits	5	37
Other non-cash operating activities	41	38
Changes in assets and liabilities:		
Accounts receivable	(85)	45
Receivables from and payables to affiliates, net	1	(10)
Inventories	(13)	(5)
Accounts payable and accrued expenses	(1)	(41)
Income taxes	(16)	51
Pension and non-pension postretirement benefit contributions	(25)	(23)
Other assets and liabilities	26	(29)
Net cash flows provided by operating activities	492	603
Cash flows from investing activities		
Capital expenditures	(615)	(537)
Changes in Exelon intercompany money pool	—	74
Other investing activities	6	6
Net cash flows used in investing activities	(609)	(457)
Cash flows from financing activities		
Issuance of long-term debt	700	325
Retirement of long-term debt	(500)	—
Contributions from parent	71	16
Dividends paid on common stock	(300)	(216)
Other financing activities	(22)	(4)
Net cash flows (used in) provided by financing activities	(51)	121
(Decrease) increase in cash, cash equivalents and restricted cash	(168)	267
Cash, cash equivalents and restricted cash at beginning of period	275	67
Cash, cash equivalents and restricted cash at end of period	$107	$334

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 102	$ 271
Restricted cash and cash equivalents	5	4
Accounts receivable, net		
Customer	307	327
Other	190	105
Inventories, net		
Fossil fuel	39	31
Materials and supplies	35	30
Prepaid utility taxes	32	8
Regulatory assets	84	29
Other	19	17
Total current assets	813	822
Property, plant and equipment, net	8,461	8,053
Deferred debits and other assets		
Regulatory assets	448	381
Investments	26	25
Receivable from affiliates	489	537
Prepaid pension asset	350	340
Other	34	12
Total deferred debits and other assets	1,347	1,295
Total assets	$ 10,621	$ 10,170

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Long-term debt due within one year	$ —	$ 500
Accounts payable	387	370
Accrued expenses	89	114
Payables to affiliates	53	53
Customer deposits	67	66
Regulatory liabilities	159	141
Other	31	23
Total current liabilities	786	1,267
Long-term debt	3,083	2,403
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,909	1,789
Asset retirement obligations	27	27
Non-pension postretirement benefits obligations	288	288
Regulatory liabilities	581	549
Other	79	86
Total deferred credits and other liabilities	2,884	2,739
Total liabilities	6,937	6,593
Commitments and contingencies		
Shareholder’s equity		
Common stock	2,560	2,489
Retained earnings	1,124	1,087
Accumulated other comprehensive income, net	—	1
Total shareholder’s equity	3,684	3,577
Total liabilities and shareholder's equity	$ 10,621	$ 10,170

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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, 2017	$ 2,489	$ 1,087	$ 1	$ 3,577
Net income	—	336	—	336
Common stock dividends	—	(300)	—	(300)
Contributions from parent	71	—	—	71
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	1	(1)	—
Balance, September 30, 2018	$ 2,560	$ 1,124	$ —	$ 3,684

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$652	$626	$1,847	$1,811
Natural gas operating revenues	79	73	527	438
Revenues from alternative revenue programs	(6)	36	(23)	102
Operating revenues from affiliates	6	3	18	12
Total operating revenues	731	738	2,369	2,363
Operating expenses				
Purchased power	183	159	510	407
Purchased fuel	21	13	176	118
Purchased power from affiliate	68	97	195	328
Operating and maintenance	144	138	462	421
Operating and maintenance from affiliates	38	37	116	111
Depreciation and amortization	110	109	358	348
Taxes other than income	64	61	188	180
Total operating expenses	628	614	2,005	1,913
Gain on sales of assets	—	—	1	—
Operating income	103	124	365	450
Other income and (deductions)				
Interest expense, net	(27)	(24)	(78)	(69)
Interest expense to affiliates	—	(2)	—	(11)
Other, net	5	4	14	12
Total other income and (deductions)	(22)	(22)	(64)	(68)
Income before income taxes	81	102	301	382
Income taxes	18	40	59	151
Net income	$63	$62	$242	$231
Comprehensive income	$63	$62	$242	$231

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$242	$231
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	358	348
Deferred income taxes and amortization of investment tax credits	82	141
Other non-cash operating activities	42	52
Changes in assets and liabilities:		
Accounts receivable	72	95
Receivables from and payables to affiliates, net	(4)	(13)
Inventories	(8)	(18)
Accounts payable and accrued expenses	(3)	(25)
Collateral received, net	1	—
Income taxes	(48)	12
Pension and non-pension postretirement benefit contributions	(50)	(50)
Other assets and liabilities	(9)	(72)
Net cash flows provided by operating activities	675	701
Cash flows from investing activities		
Capital expenditures	(667)	(615)
Other investing activities	8	6
Net cash flows used in investing activities	(659)	(609)
Cash flows from financing activities		
Changes in short-term borrowings	(77)	(45)
Issuance of long-term debt	300	300
Retirement of long-term debt	—	(41)
Retirement of long-term debt to financing trust	—	(250)
Dividends paid on common stock	(157)	(148)
Contributions from parent	18	77
Other financing activities	(2)	(5)
Net cash flows provided by (used in) financing activities	82	(112)
Increase (decrease) in cash, cash equivalents and restricted cash	98	(20)
Cash, cash equivalents and restricted cash at beginning of period	18	50
Cash, cash equivalents and restricted cash at end of period	$116	$30

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 113	$ 17
Restricted cash and cash equivalents	3	1
Accounts receivable, net		
Customer	296	375
Other	96	94
Receivables from affiliates	—	1
Inventories, net		
Gas held in storage	46	37
Materials and supplies	39	40
Prepaid utility taxes	—	69
Regulatory assets	195	174
Other	10	3
Total current assets	798	811
Property, plant and equipment, net	8,039	7,602
Deferred debits and other assets		
Regulatory assets	402	397
Investments	5	5
Prepaid pension asset	290	285
Other	7	4
Total deferred debits and other assets	704	691
Total assets	$ 9,541	$ 9,104

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ —	$ 77
Accounts payable	277	265
Accrued expenses	146	164
Payables to affiliates	47	52
Customer deposits	119	116
Regulatory liabilities	95	62
Other	23	24
Total current liabilities	707	760
Long-term debt	2,876	2,577
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,345	1,244
Asset retirement obligations	24	23
Non-pension postretirement benefits obligations	200	202
Regulatory liabilities	1,070	1,101
Other	75	56
Total deferred credits and other liabilities	2,714	2,626
Total liabilities	6,297	5,963
Commitments and contingencies		
Shareholders' equity		
Common stock	1,623	1,605
Retained earnings	1,621	1,536
Total shareholders' equity	3,244	3,141
Total liabilities and shareholders' equity	$ 9,541	$ 9,104

See the Combined Notes to Consolidated Financial Statements

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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
Balance, December 31, 2017	$ 1,605	$ 1,536	$ 3,141
Net income	—	242	242
Common stock dividends	—	(157)	(157)
Contributions from parent	18	—	18
Balance, September 30, 2018	$ 1,623	$ 1,621	$ 3,244

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$1,340	$1,278	$3,541	$3,376
Natural gas operating revenues	23	18	129	105
Revenues from alternative revenue programs	(5)	2	7	41
Operating revenues from affiliates	3	12	11	35
Total operating revenues	1,361	1,310	3,688	3,557
Operating expenses				
Purchased power	415	354	1,077	901
Purchased fuel	12	7	65	46
Purchased power and fuel from affiliates	82	112	268	371
Operating and maintenance	261	214	751	666
Operating and maintenance from affiliates	31	37	106	108
Depreciation, amortization and accretion	192	179	555	511
Taxes other than income	123	122	343	344
Total operating expenses	1,116	1,025	3,165	2,947
Gain on sales of assets	—	—	—	1
Operating income	245	285	523	611
Other income and (deductions)				
Interest expense, net	(65)	(62)	(193)	(183)
Other, net	11	13	33	40
Total other income and (deductions)	(54)	(49)	(160)	(143)
Income before income taxes	191	236	363	468
Income taxes	4	83	28	109
Equity in earnings of unconsolidated affiliate	—	—	1	—
Net income	$187	$153	$336	$359
Comprehensive income	$187	$153	$336	$359

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$336	$359
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	555	511
Deferred income taxes and amortization of investment tax credits	50	190
Other non-cash operating activities	109	66
Changes in assets and liabilities:		
Accounts receivable	(89)	(42)
Receivables from and payables to affiliates, net	10	(13)
Inventories	—	(29)
Accounts payable and accrued expenses	115	(49)
Income taxes	(31)	82
Pension and non-pension postretirement benefit contributions	(66)	(74)
Other assets and liabilities	(144)	(206)
Net cash flows provided by operating activities	845	795
Cash flows from investing activities		
Capital expenditures	(988)	(995)
Proceeds from sales of long-lived assets	—	1
Other investing activities	2	4
Net cash flows used in investing activities	(986)	(990)
Cash flows from financing activities		
Changes in short-term borrowings	(141)	96
Proceeds from short-term borrowings with maturities greater than 90 days	125	—
Repayments of short-term borrowings with maturities greater than 90 days	—	(500)
Issuance of long-term debt	300	202
Retirement of long-term debt	(33)	(127)
Distributions to member	(232)	(267)
Contributions from parent	237	758
Change in Exelon intercompany money pool	10	1
Other financing activities	(6)	(2)
Net cash flows provided by financing activities	260	161
Increase (decrease) in cash, cash equivalents and restricted cash	119	(34)
Cash, cash equivalents and restricted cash at beginning of period	95	236
Cash, cash equivalents and restricted cash at end of period	$214	$202

See the Combined Notes to Consolidated Financial Statements

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 153	$ 30
Restricted cash and cash equivalents	42	42
Accounts receivable, net		
Customer	500	486
Other	266	206
Inventories, net		
Gas held in storage	9	7
Materials and supplies	149	151
Regulatory assets	521	554
Other	60	75
Total current assets	1,700	1,551
Property, plant and equipment, net	13,167	12,498
Deferred debits and other assets		
Regulatory assets	2,374	2,493
Investments	133	132
Goodwill	4,005	4,005
Long-term note receivable	—	4
Prepaid pension asset	499	490
Deferred income taxes	12	4
Other	67	70
Total deferred debits and other assets	7,090	7,198
Total assets[(a)]	$ 21,957	$ 21,247

See the Combined Notes to Consolidated Financial Statements

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Short-term borrowings	$ 334	$ 350
Long-term debt due within one year	117	396
Accounts payable	505	348
Accrued expenses	269	261
Payables to affiliates	102	90
Borrowings from Exelon intercompany money pool	10	—
Unamortized energy contract liabilities	125	188
Customer deposits	113	119
Merger related obligation	38	42
Regulatory liabilities	99	56
Other	57	81
Total current liabilities	1,769	1,931
Long-term debt	5,972	5,478
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,243	2,070
Asset retirement obligations	53	16
Non-pension postretirement benefit obligations	102	105
Regulatory liabilities	1,783	1,872
Unamortized energy contract liabilities	474	561
Other	395	389
Total deferred credits and other liabilities	5,050	5,013
Total liabilities[(a)]	12,791	12,422
Commitments and contingencies		
Member's equity		
Membership interest	9,072	8,835
Undistributed earnings (losses)	94	(10)
Total member's equity	9,166	8,825
Total liabilities and member's equity	$ 21,957	$ 21,247

(a) PHI’s consolidated total assets include $36 million and $41 million at September 30, 2018 and December 31, 2017, respectively, of PHI's consolidated VIE that can only be used to settle the liabilities of the VIE. PHI’s consolidated total liabilities include $78 million and $102 million at September 30, 2018 and December 31, 2017, respectively, of PHI's consolidated VIE for which the VIE creditors do not have recourse to PHI. See Note 3 — Variable Interest Entities for additional information.

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(In millions)	Membership Interest	Undistributed Earnings (Losses)	Member's Equity
Balance, December 31, 2017	$ 8,835	$ (10)	$ 8,825
Net income	—	336	336
Distributions to member	—	(232)	(232)
Contributions from parent	237	—	237
Balance, September 30, 2018	$ 9,072	$ 94	$ 9,166

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POTOMAC ELECTRIC POWER COMPANY
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating revenues				
Electric operating revenues	$630	$600	$1,697	$1,622
Revenues from alternative revenue programs	(4)	3	6	23
Operating revenues from affiliates	2	1	5	4
Total operating revenues	628	604	1,708	1,649
Operating expenses				
Purchased power	131	111	354	268
Purchased power from affiliates	46	57	143	210
Operating and maintenance	84	89	216	296
Operating and maintenance from affiliates	52	14	167	40
Depreciation and amortization	99	82	286	242
Taxes other than income	104	102	288	282
Total operating expenses	516	455	1,454	1,338
Gain on sales of assets	—	—	—	1
Operating income	112	149	254	312
Other income and (deductions)				
Interest expense, net	(32)	(31)	(96)	(89)
Other, net	7	7	23	22
Total other income and (deductions)	(25)	(24)	(73)	(67)
Income before income taxes	87	125	181	245
Income taxes	(2)	38	7	57
Net income	$89	$87	$174	$188
Comprehensive income	$89	$87	$174	$188

See the Combined Notes to Consolidated Financial Statements

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POTOMAC ELECTRIC POWER COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$174	$188
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	286	242
Deferred income taxes and amortization of investment tax credits	(5)	90
Other non-cash operating activities	42	8
Changes in assets and liabilities:		
Accounts receivable	(36)	(43)
Receivables from and payables to affiliates, net	(9)	(10)
Inventories	6	(15)
Accounts payable and accrued expenses	104	(24)
Income taxes	(18)	80
Pension and non-pension postretirement benefit contributions	(11)	(69)
Other assets and liabilities	(137)	(99)
Net cash flows provided by operating activities	396	348
Cash flows from investing activities		
Capital expenditures	(475)	(439)
Proceeds from sales of long-lived assets	—	1
Other investing activities	3	—
Net cash flows used in investing activities	(472)	(438)
Cash flows from financing activities		
Changes in short-term borrowings	38	(23)
Issuance of long-term debt	100	202
Retirement of long-term debt	(8)	(7)
Dividends paid on common stock	(128)	(133)
Contributions from parent	85	161
Other financing activities	(4)	(1)
Net cash flows provided by financing activities	83	199
Increase in cash, cash equivalents and restricted cash	7	109
Cash, cash equivalents and restricted cash at beginning of period	40	42
Cash, cash equivalents and restricted cash at end of period	$47	$151

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POTOMAC ELECTRIC POWER COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 12	$ 5
Restricted cash and cash equivalents	35	35
Accounts receivable, net		
Customer	235	250
Other	102	87
Inventories, net	81	87
Regulatory assets	284	213
Other	9	33
Total current assets	758	710
Property, plant and equipment, net	6,337	6,001
Deferred debits and other assets		
Regulatory assets	662	678
Investments	105	102
Prepaid pension asset	318	322
Other	19	19
Total deferred debits and other assets	1,104	1,121
Total assets	$ 8,199	$ 7,832

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POTOMAC ELECTRIC POWER COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ 64	$ 26
Long-term debt due within one year	14	19
Accounts payable	234	139
Accrued expenses	141	137
Payables to affiliates	70	74
Customer deposits	53	54
Regulatory liabilities	5	3
Merger related obligation	38	42
Current portion of DC PLUG obligation	30	28
Other	9	28
Total current liabilities	658	550
Long-term debt	2,611	2,521
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,139	1,063
Non-pension postretirement benefit obligations	31	36
Regulatory liabilities	759	829
Other	337	300
Total deferred credits and other liabilities	2,266	2,228
Total liabilities	5,535	5,299
Commitments and contingencies		
Shareholder's equity		
Common stock	1,555	1,470
Retained earnings	1,109	1,063
Total shareholder's equity	2,664	2,533
Total liabilities and shareholder's equity	$ 8,199	$ 7,832

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POTOMAC ELECTRIC POWER COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 1,470	$ 1,063	$ 2,533
Net income	—	174	174
Common stock dividends	—	(128)	(128)
Contributions from parent	85	—	85
Balance, September 30, 2018	$ 1,555	$ 1,109	$ 2,664

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DELMARVA POWER & LIGHT COMPANY
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$302	$308	$861	$851
Natural gas operating revenues	24	18	129	105
Revenues from alternative revenue programs	—	(1)	5	9
Operating revenues from affiliates	2	2	6	6
Total operating revenues	328	327	1,001	971
Operating expenses				
Purchased power	96	75	258	215
Purchased fuel	11	7	64	46
Purchased power from affiliate	26	47	103	138
Operating and maintenance	44	71	137	204
Operating and maintenance from affiliates	38	8	119	23
Depreciation and amortization	47	45	135	124
Taxes other than income	15	15	43	43
Total operating expenses	277	268	859	793
Operating income	51	59	142	178
Other income and (deductions)				
Interest expense, net	(15)	(13)	(42)	(38)
Other, net	2	4	7	10
Total other income and (deductions)	(13)	(9)	(35)	(28)
Income before income taxes	38	50	107	150
Income taxes	5	19	17	43
Net income	$33	$31	$90	$107
Comprehensive income	$33	$31	$90	$107

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DELMARVA POWER & LIGHT COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$90	$107
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	135	124
Deferred income taxes and amortization of investment tax credits	24	61
Other non-cash operating activities	16	6
Changes in assets and liabilities:		
Accounts receivable	13	7
Receivables from and payables to affiliates, net	(14)	—
Inventories	(3)	(6)
Accounts payable and accrued expenses	18	—
Income taxes	—	33
Other assets and liabilities	13	(40)
Net cash flows provided by operating activities	292	292
Cash flows from investing activities		
Capital expenditures	(254)	(294)
Other investing activities	1	1
Net cash flows used in investing activities	(253)	(293)
Cash flows from financing activities		
Changes in short-term borrowings	(216)	54
Issuance of long-term debt	200	—
Retirement of long-term debt	(4)	(14)
Dividends paid on common stock	(58)	(82)
Contributions from parent	150	—
Other financing activities	(3)	—
Net cash flows provided by (used in) financing activities	69	(42)
Increase (decrease) in cash, cash equivalents and restricted cash	108	(43)
Cash, cash equivalents and restricted cash at beginning of period	2	46
Cash, cash equivalents and restricted cash at end of period	$110	$3

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DELMARVA POWER & LIGHT COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 110	$ 2
Accounts receivable, net		
Customer	121	146
Other	53	38
Inventories, net		
Gas held in storage	9	7
Materials and supplies	37	36
Regulatory assets	66	69
Other	18	27
Total current assets	414	325
Property, plant and equipment, net	3,748	3,579
Deferred debits and other assets		
Regulatory assets	235	245
Goodwill	8	8
Prepaid pension asset	188	193
Other	8	7
Total deferred debits and other assets	439	453
Total assets	$ 4,601	$ 4,357

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DELMARVA POWER & LIGHT COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ —	$ 216
Long-term debt due within one year	79	83
Accounts payable	104	82
Accrued expenses	52	35
Payables to affiliates	30	46
Customer deposits	35	35
Regulatory liabilities	67	42
Other	6	8
Total current liabilities	373	547
Long-term debt	1,415	1,217
Deferred credits and other liabilities		
Regulatory liabilities	587	593
Deferred income taxes and unamortized investment tax credits	645	603
Non-pension postretirement benefit obligations	15	14
Other	49	48
Total deferred credits and other liabilities	1,296	1,258
Total liabilities	3,084	3,022
Commitments and contingencies		
Shareholder's equity		
Common stock	914	764
Retained earnings	603	571
Total shareholder's equity	1,517	1,335
Total liabilities and shareholder's equity	$ 4,601	$ 4,357

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DELMARVA POWER & LIGHT COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 764	$ 571	$ 1,335
Net income	—	90	90
Common stock dividends	—	(58)	(58)
Contributions from parent	150	—	150
Balance, September 30, 2018	$ 914	$ 603	$ 1,517

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$406	$370	$983	$904
Revenues from alternative revenue programs	(1)	—	(4)	9
Operating revenues from affiliates	1	—	2	2
Total operating revenues	406	370	981	915
Operating expenses				
Purchased power	188	169	465	418
Purchased power from affiliates	10	7	21	24
Operating and maintenance	52	66	146	205
Operating and maintenance from affiliates	33	6	104	20
Depreciation and amortization	38	41	107	113
Taxes other than income	1	2	4	6
Total operating expenses	322	291	847	786
Operating income	84	79	134	129
Other income and (deductions)				
Interest expense, net	(16)	(15)	(48)	(46)
Other, net	1	1	2	6
Total other income and (deductions)	(15)	(14)	(46)	(40)
Income before income taxes	69	65	88	89
Income taxes	8	24	12	12
Net income	$61	$41	$76	$77
Comprehensive income	$61	$41	$76	$77

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$76	$77
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	107	113
Deferred income taxes and amortization of investment tax credits	24	28
Other non-cash operating activities	24	21
Changes in assets and liabilities:		
Accounts receivable	(66)	(7)
Receivables from and payables to affiliates, net	(3)	(5)
Inventories	(2)	(7)
Accounts payable and accrued expenses	21	9
Income taxes	(3)	(9)
Pension and non-pension postretirement benefit contributions	(6)	—
Other assets and liabilities	(12)	(62)
Net cash flows provided by operating activities	160	158
Cash flows from investing activities		
Capital expenditures	(247)	(242)
Other investing activities	(1)	—
Net cash flows used in investing activities	(248)	(242)
Cash flows from financing activities		
Changes in short-term borrowings	37	65
Proceeds from short-term borrowings with maturities greater than 90 days	125	—
Retirement of long-term debt	(22)	(25)
Dividends paid on common stock	(46)	(53)
Net cash flows provided by (used in) financing activities	94	(13)
Increase (decrease) in cash, cash equivalents and restricted cash	6	(97)
Cash, cash equivalents and restricted cash at beginning of period	31	133
Cash, cash equivalents and restricted cash at end of period	$37	$36

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 11	$ 2
Restricted cash and cash equivalents	7	6
Accounts receivable, net		
Customer	144	92
Other	59	56
Inventories, net	31	29
Regulatory assets	44	71
Other	21	2
Total current assets	317	258
Property, plant and equipment, net	2,883	2,706
Deferred debits and other assets		
Regulatory assets	383	359
Long-term note receivable	—	4
Prepaid pension asset	70	73
Other	41	45
Total deferred debits and other assets	494	481
Total assets[(a)]	$ 3,694	$ 3,445

See the Combined Notes to Consolidated Financial Statements

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	September 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ 270	$ 108
Long-term debt due within one year	22	281
Accounts payable	149	118
Accrued expenses	38	33
Payables to affiliates	25	29
Customer deposits	26	31
Regulatory liabilities	27	11
Other	9	8
Total current liabilities	566	619
Long-term debt	1,078	840
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	534	493
Non-pension postretirement benefit obligations	16	14
Regulatory liabilities	401	411
Other	26	25
Total deferred credits and other liabilities	977	943
Total liabilities[(a)]	2,621	2,402
Commitments and contingencies		
Shareholder's equity		
Common stock	912	912
Retained earnings	161	131
Total shareholder's equity	1,073	1,043
Total liabilities and shareholder's equity	$ 3,694	$ 3,445

(a) ACE’s consolidated total assets include $26 million and $29 million at September 30, 2018 and December 31, 2017, respectively, of ACE's consolidated VIE that can only be used to settle the liabilities of the VIE. ACE’s consolidated total liabilities include $68 million and $90 million at September 30, 2018 and December 31, 2017, respectively, of ACE's consolidated VIE for which the VIE creditors do not have recourse to ACE. See Note 3 — Variable Interest Entities for additional information.

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 912	$ 131	$ 1,043
Net income	—	76	76
Common stock dividends	—	(46)	(46)
Balance, September 30, 2018	$ 912	$ 161	$ 1,073

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data, unless otherwise noted)

Index to Combined Notes To Consolidated Financial Statements

The notes to the consolidated financial statements that follow are a combined presentation. The following list indicates the Registrants to which the footnotes apply:

Applicable Notes

Registrant	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Exelon Corporation	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Exelon Generation Company, LLC	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.		.	.	.
Commonwealth Edison Company	.	.	.		.	.			.	.	.	.		.			.	.	.
PECO Energy Company	.	.	.		.	.			.	.	.	.		.	.		.	.	.
Baltimore Gas and Electric Company	.	.	.		.	.			.	.	.	.		.			.	.	.
Pepco Holdings LLC	.	.	.		.	.			.	.	.	.	.	.			.	.	.
Potomac Electric Power Company	.	.	.		.	.			.	.	.	.		.			.	.	.
Delmarva Power & Light Company	.	.	.		.	.			.	.	.	.		.			.	.	.
Atlantic City Electric Company	.	.	.		.	.			.	.	.	.		.			.	.	.

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

1. Significant Accounting Policies (All Registrants)
Description of Business (All Registrants)
Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution and transmission businesses.

Name of Registrant	Business	Service Territories
Exelon Generation Company, LLC	Generation, physical delivery and marketing of power across multiple geographical regions through its customer-facing business, Constellation, which sells electricity to both wholesale and retail customers. Generation also sells natural gas, renewable energy and other energy-related products and services.	Six reportable segments: Mid-Atlantic, Midwest, New England, New York, ERCOT and Other Power Regions
Commonwealth Edison Company	Purchase and regulated retail sale of electricity	Northern Illinois, including the City of Chicago
	Transmission and distribution of electricity to retail customers	
PECO Energy Company	Purchase and regulated retail sale of electricity and natural gas	Southeastern Pennsylvania, including the City of Philadelphia (electricity)
	Transmission and distribution of electricity and distribution of natural gas to retail customers	Pennsylvania counties surrounding the City of Philadelphia (natural gas)
Baltimore Gas and Electric Company	Purchase and regulated retail sale of electricity and natural gas	Central Maryland, including the City of Baltimore (electricity and natural gas)
	Transmission and distribution of electricity and distribution of natural gas to retail customers	
Pepco Holdings LLC	Utility services holding company engaged, through its reportable segments Pepco, DPL and ACE	Service Territories of Pepco, DPL and ACE
Potomac Electric Power Company	Purchase and regulated retail sale of electricity	District of Columbia, and major portions of Montgomery and Prince George's Counties, Maryland
	Transmission and distribution of electricity to retail customers	
Delmarva Power & Light Company	Purchase and regulated retail sale of electricity and natural gas	Portions of Delaware and Maryland (electricity)
	Transmission and distribution of electricity and distribution of natural gas to retail customers	Portions of New Castle County, Delaware (natural gas)
	Purchase and regulated retail sale of electricity	

Atlantic City Electric Company	Transmission and distribution of electricity to retail customers	Portions of Southern New Jersey

Basis of Presentation (All Registrants)

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

The accompanying consolidated financial statements as of September 30, 2018 and 2017 and for the three and nine 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, 2017 revised Consolidated Balance Sheets were derived from audited financial statements. Financial results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2018. 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.

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

Prior Period Adjustments and Reclassifications (All Registrants)
Certain prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018.
Beginning on January 1, 2018, Exelon adopted the following new accounting standards requiring reclassification or adjustments to previously reported information as follows:

- Statement of Cash Flows: Classification of Restricted Cash. The Registrants applied the new guidance using the full retrospective method and, accordingly, have recasted the presentation of restricted cash in their Consolidated Statements of Cash Flows in the prior periods presented. See Note 18 — Supplemental Financial Information for additional information.
- Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. Exelon early adopted and retrospectively applied the new guidance to when the effects of the TCJA were recognized and, accordingly, recasted its December 31, 2017 AOCI and retained earnings in its Consolidated Balance Sheet and Consolidated Statement of Changes in Shareholders' Equity. Exelon's accounting policy is to release the stranded tax effects from AOCI related to its pension and OPEB plans under a portfolio (or aggregate) approach as an entire pension or OPEB plan is liquidated or terminated. See Note 2 — New Accounting Standards for additional information.
- Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Exelon applied this guidance retrospectively for the presentation of the service and other non-service costs components of net benefit cost and, accordingly, have recasted those amounts, which were not material, in its Consolidated Statement of Operations and Comprehensive Income in prior periods presented. As part of the adoption, Exelon elected the practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the comparative periods as the estimation basis for applying the retrospective presentation requirements. See Note 14 — Retirement Benefits for additional information.
- Revenue from Contracts with Customers. The Registrants applied the new guidance using the full retrospective method and, accordingly, have recasted certain amounts in their Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets, Consolidated Statements of Changes in Shareholders' Equity and Combined Notes to Consolidated Financial Statements in the prior periods presented. The amounts recasted in the Registrants' Consolidated Statements of Operations and Comprehensive Income are shown in the table below. The amounts recasted in the Registrants' Consolidated Statements of Cash Flows, Consolidated Balance Sheets, Consolidated Statements of Changes in Shareholders' Equity and Combined Notes to Consolidated Financial Statements were not material. See Note 5 — Revenue from Contracts with Customers for additional information.

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

Three Months Ended September 30, 2017	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating Revenues - As reported									
Competitive business revenues	$4,456	$ —	$—	$ —	$—	$—	$—	$—	$—
Rate-regulated utility revenues	4,313	—	—	—	—	—	—	—	—
Operating revenues	—	4,455	—	—	—	—	—	—	—
Electric operating revenues	—	—	1,568	660	657	1,280	603	307	370
Natural gas operating revenues	—	—	—	53	78	18	—	18	—
Operating revenues from affiliates	—	296	3	2	3	12	1	2	—
Total operating revenues	$8,769	$ 4,751	$1,571	$ 715	$738	$1,310	$604	$327	$370
Operating Revenues - Adjustments									
Competitive business revenues	$(1)	$ —	$—	$ —	$—	$—	$—	$—	$—
Rate-regulated utility revenues	(54)	—	—	—	—	—	—	—	—
Operating revenues	—	(1)	—	—	—	—	—	—	—
Electric operating revenues	—	—	(16)	—	(31)	(2)	(3)	1	—
Natural gas operating revenues	—	—	—	—	(5)	—	—	—	—
Revenues from alternative revenue programs	54	—	16	—	36	2	3	(1)	—
Operating revenues from affiliates	—	—	—	—	—	—	—	—	—
Total operating revenues	$(1)	$ (1)	$—	$ —	$—	$—	$—	$—	$—
Operating Revenues - Retrospective application									
Competitive business revenues	$4,455	$ —	$—	$ —	$—	$—	$—	$—	$—
Rate-regulated utility revenues	4,259	—	—	—	—	—	—	—	—
Operating revenues	—	4,454	—	—	—	—	—	—	—
Electric operating revenues	—	—	1,552	660	626	1,278	600	308	370
Natural gas operating revenues	—	—	—	53	73	18	—	18	—
Revenues from alternative revenue programs	54	—	16	—	36	2	3	(1)	—
Operating revenues from affiliates	—	296	3	2	3	12	1	2	—
Total operating revenues	$8,768	$ 4,750	$1,571	$ 715	$738	$1,310	$604	$327	$370

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

Nine Months Ended September 30, 2017	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating Revenues - As reported									
Competitive business revenues	$12,924	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	12,225	—	—	—	—	—	—	—	—
Operating revenues	—	12,918	—	—	—	—	—	—	—
Electric operating revenues	—	—	4,215	1,798	1,890	3,417	1,645	860	913
Natural gas operating revenues	—	—	—	338	461	105	—	105	—
Operating revenues from affiliates	—	894	12	5	12	35	4	6	2
Total operating revenues	$25,149	$ 13,812	$4,227	$2,141	$2,363	$3,557	$1,649	$971	$915
Operating Revenues - Adjustments									
Competitive business revenues	$31	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	(191)	—	—	—	—	—	—	—	—
Operating revenues	—	31	—	—	—	—	—	—	—
Electric operating revenues	—	—	(48)	—	(79)	(41)	(23)	(9)	(9)
Natural gas operating revenues	—	—	—	—	(23)	—	—	—	—
Revenues from alternative revenue programs	191	—	48	—	102	41	23	9	9
Operating revenues from affiliates	—	—	—	—	—	—	—	—	—
Total operating revenues	$31	$ 31	$—	$—	$—	$—	$—	$—	$—
Operating Revenues - Retrospective application									
Competitive business revenues	$12,955	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	12,034	—	—	—	—	—	—	—	—
Operating revenues	—	12,949	—	—	—	—	—	—	—
Electric operating revenues	—	—	4,167	1,798	1,811	3,376	1,622	851	904
Natural gas operating revenues	—	—	—	338	438	105	—	105	—
Revenues from alternative revenue programs	191	—	48	—	102	41	23	9	9
Operating revenues from affiliates	—	894	12	5	12	35	4	6	2
Total operating revenues	$25,180	$ 13,843	$4,227	$2,141	$2,363	$3,557	$1,649	$971	$915

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Revenues (All Registrants)
Operating Revenues. The Registrants' operating revenues generally consist of revenues from contracts with customers involving the sale and delivery of energy commodities and related products and services, utility revenues from alternative revenue programs (ARP), and realized and unrealized revenues recognized under mark-to-market energy commodity derivative contracts. The Registrants recognize revenue from contracts with customers to depict the transfer of goods or services to customers in an amount that the entities expect to be entitled to in exchange for those goods or services. Generation's primary sources of revenue include competitive sales of power, natural gas, and other energy-related products and services. The Utility Registrants' primary sources of revenue include regulated electric and natural gas tariff sales, distribution and transmission services. At the end of each month, the Registrants accrue an estimate for the unbilled amount of energy delivered or services provided to customers.
ComEd records ARP revenue for its best estimate of the electric distribution, energy efficiency, and transmission revenue impacts resulting from future changes in rates that ComEd believes are probable of approval by the ICC and FERC in accordance with its formula rate mechanisms. BGE, Pepco and DPL record ARP revenue for their best estimate of the electric and natural gas distribution revenue impacts resulting from future changes in rates that they believe are probable of approval by the MDPSC and/or DCPSC in accordance with their revenue decoupling mechanisms. PECO, BGE, Pepco, DPL and ACE record ARP revenue for their best estimate of the transmission revenue impacts resulting from future changes in rates that they believe are probable of approval by FERC in accordance with their formula rate mechanisms. See Note 5 — Revenue from Contracts with Customers and Note 6 —Regulatory Matters for additional information.
RTOs and ISOs. In RTO and ISO markets that facilitate the dispatch of energy and energy-related products, the Registrants generally report sales and purchases conducted on a net hourly basis in either revenues or purchased power on their Consolidated Statements of Operations and Comprehensive Income, the classification of which depends on the net hourly sale or purchase position. In addition, capacity revenue and expense classification is based on the net sale or purchase position of the Registrants in the different RTOs and ISOs.
Option Contracts, Swaps and Commodity Derivatives. Certain option contracts and swap arrangements that meet the definition of derivative instruments are recorded at fair value with subsequent changes in fair value recognized as revenue or expense. The classification of revenue or expense is based on the intent of the transaction. For example, gas transactions may be used to hedge the sale of power. This will result in the change in fair value recorded through revenue. To the extent a Utility Registrant receives full cost recovery for energy procurement and related costs from retail customers, it records the fair value of its energy swap contracts with unaffiliated suppliers as well as an offsetting regulatory asset or liability on its Consolidated Balance Sheets. See Note 6 — Regulatory Matters and Note 10 — Derivative Financial Instruments for additional information.
Taxes Directly Imposed on Revenue-Producing Transactions. The Registrants collect certain taxes from customers such as sales and gross receipts taxes, along with other taxes, surcharges and fees that are levied by state or local governments on the sale or distribution of natural gas and electricity. Some of these taxes are imposed on the customer, but paid by the Registrants, while others are imposed directly on the Registrants. The Registrants do not recognize revenue or expense in their Consolidated Statements of Operations and Comprehensive Income when these taxes are imposed on the customer, such as sales taxes. However, when these taxes are imposed directly on the Registrants, such as gross receipts taxes or other surcharges or fees, the Registrants recognize revenue for the taxes collected from customers along with an offsetting expense. See Note 18 — Supplemental Financial Information for Generation's, ComEd's, PECO's, BGE's, Pepco's, DPL's and ACE's utility taxes that are presented on a gross basis.

2. New Accounting Standards (All Registrants)

New Accounting Standards Adopted: In 2018, the Registrants have adopted the following new authoritative accounting guidance issued by the FASB.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Issued February 2018): Provides an election for a reclassification from AOCI to Retained earnings to eliminate the stranded tax effects resulting from the TCJA. This standard is effective January 1, 2019, with early adoption permitted, and may be applied either in the period of adoption or retrospective to each period in which the effects of the TCJA were recognized. Exelon early adopted this standard during the first quarter 2018 and elected to apply the guidance retrospectively as of December 31, 2017, which resulted in an increase to Exelon's Retained earnings and Accumulated other comprehensive loss of $539 million related to deferred income taxes associated with Exelon's pension and OPEB obligations. There was no impact for Generation or the Utility Registrants.

See Note 1 — Significant Accounting Policies of the Exelon 2017 Form 10-K for information on other new accounting standards issued and adopted as of January 1, 2018.

New Accounting Standards Issued and Not Yet Adopted as of September 30, 2018: The following new authoritative accounting guidance issued by the FASB has not yet been adopted and reflected by the Registrants in their consolidated financial statements as of September 30, 2018. Unless otherwise indicated, the Registrants are currently assessing the impacts such guidance may have (which could be material) on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures, as well as the potential to early adopt where applicable. The Registrants have assessed other FASB issuances of new standards which are not listed below given the current expectation that such standards will not significantly impact the Registrants' financial reporting.

Leases (Issued February 2016): Increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard is effective January 1, 2019. Early adoption is permitted; however, the Registrants will not early adopt the standard. The issued guidance required a modified retrospective transition approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented (January 1, 2017). In July 2018, the FASB issued an amendment to the standard giving entities the option to apply the requirements of the standard in the period of adoption (January 1, 2019) with no restatement of prior periods. Exelon will elect this expedient.

The new guidance requires lessees to recognize both the right-of-use assets and lease liabilities in the balance sheet for most leases, whereas today only finance lease liabilities (referred to as capital leases) are recognized in the balance sheet. In addition, the definition of a lease has been revised which may result in changes to the classification of an arrangement as a lease. Under the new guidance, an arrangement that conveys the right to control the use of an identified asset by obtaining substantially all of its economic benefits and directing how it is used is a lease, whereas the current definition focuses on the ability to control the use of the asset or to obtain its output. Quantitative and qualitative disclosures related to the amount, timing and judgments of an entity's accounting for leases and the related cash flows are expanded. Disclosure requirements apply to both lessees and lessors, whereas current disclosures relate only to lessees. Significant changes to lease systems, processes and procedures are required to implement the requirements of the new standard. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. Lessor accounting is also largely unchanged.

The standard provides a number of transition practical expedients that entities may elect. These include a "package of three" expedients that must be taken together and allow entities to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not

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reassess initial direct costs associated with existing leases. The Registrants will elect this practical expedient.
In January 2018, the FASB issued additional guidance which provides another optional transition practical expedient. This practical expedient allows entities to not evaluate land easements under the new guidance at adoption if they were not previously accounted for as leases. The Registrants will elect this practical expedient.
The Registrants have assessed the lease standard and are executing a detailed implementation plan in preparation for adoption on January 1, 2019. Key activities in the implementation plan include:

- Developing a complete lease inventory and abstracting the required data attributes into a lease accounting system that supports the Registrants' lease portfolios and integrates with existing systems.
- Evaluating the transition practical expedients available under the guidance.
- Identifying, assessing and documenting technical accounting issues, policy considerations and financial reporting implications.
- Identifying and implementing changes to processes and controls to ensure all impacts of the new guidance are effectively addressed.

Impairment of Financial Instruments (Issued June 2016): Provides for a new Current Expected Credit Loss (CECL) impairment model for specified financial instruments including loans, trade receivables, debt securities classified as held-to-maturity investments and net investments in leases recognized by a lessor. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. The standard does not make changes to the existing impairment models for non-financial assets such as fixed assets, intangibles and goodwill. The standard will be effective January 1, 2020 (with early adoption as of January 1, 2019 permitted) and requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Registrants are currently assessing the impacts of this standard.
Goodwill Impairment (Issued January 2017): Simplifies the accounting for goodwill impairment by removing Step 2 of the current test, which requires calculation of a hypothetical purchase price allocation. Under the revised guidance, goodwill impairment will be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill (currently Step 1 of the two-step impairment test). Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. Exelon, Generation, ComEd, PHI and DPL have goodwill as of September 30, 2018. This updated guidance is not currently expected to impact the Registrants' financial reporting. The standard is effective January 1, 2020, with early adoption permitted, and must be applied on a prospective basis.
Derivatives and Hedging (Issued September 2017): Allows more financial and nonfinancial hedging strategies to be eligible for hedge accounting. The amendments are intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. There are also amendments related to effectiveness testing and disclosure requirements. The standard is effective January 1, 2019, with early adoption permitted, and must be applied using a modified retrospective transition approach. Given the de-designation of hedge accounting relationships as of July 1, 2018, this standard is not expected to impact the Registrants' financial reporting as discussed in Note 10 - Derivative Financial Instruments.

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Cloud Computing Arrangements (Issued August 2018): Aligns the requirements for capitalizing costs incurred to implement a cloud computing arrangement with the internal-use software guidance. As a result, certain implementation costs incurred in a cloud computing arrangement that are currently expensed as incurred will be deferred and amortized over the non-cancellable term of the arrangement plus any reasonably certain renewal periods. The standard is effective January 1, 2020, with early adoption permitted, and can be applied using either a prospective or retrospective transition approach. A retrospective approach requires a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Registrants are currently assessing the impacts of this standard.

Defined Benefit Plan Disclosures (Issued August 2018): Eliminates existing disclosure requirements related to amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost over the next year and the effects of a one-percentage-point change in the assumed health care cost trend rates. In addition, new disclosures were added such as the weighted-average interest crediting rates for cash balance plans and an explanation for the reasons for significant gains and losses related to changes in the benefit obligation. The standard is effective January 1, 2021, with early adoption permitted, and must be applied retrospectively. Exelon will early adopt this standard in the fourth quarter 2018.

Fair Value Measurement Disclosures (Issued August 2018): Removes, modifies and adds disclosure requirements for fair value measurements and aims to reduce costs for preparers and improve the usefulness of information for financial statement users. The standard is effective January 1, 2020, with early adoption permitted, and most amendments must be applied retrospectively with the exception of three amendments which must be applied prospectively. In addition, entities are permitted to delay adoption of the additional disclosure requirements until the effective date and early adopt the removal or modified disclosure requirements. The Registrants are currently assessing the impacts of this standard as well as the potential to early adopt.

3. Variable Interest Entities (All Registrants)

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 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 September 30, 2018 and December 31, 2017, Exelon, Generation, PHI and ACE collectively consolidated five VIEs or VIE groups for which the applicable Registrant was the primary beneficiary (see Consolidated Variable Interest Entities below). As of September 30, 2018 and December 31, 2017, Exelon and Generation collectively had significant interests in seven other VIEs for which the applicable Registrant does not have the power to direct the entities’ activities and, accordingly, was not the primary beneficiary (see Unconsolidated Variable Interest Entities below).

Consolidated Variable Interest Entities

As of September 30, 2018 and December 31, 2017, Exelon's and Generation's consolidated VIEs consist of:

- energy related companies involved in distributed generation, backup generation and energy development
- renewable energy project companies formed by Generation to build, own and operate renewable power facilities

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

- certain retail power and gas companies for which Generation is the sole supplier of energy, and
- CENG.

As of September 30, 2018 and December 31, 2017, Exelon's, PHI's and ACE's consolidated VIE consist of:

- ATF, a special purpose entity formed by ACE for the purpose of securitizing authorized portions of ACE’s recoverable stranded costs through the issuance and sale of transition bonds.

As of September 30, 2018 and December 31, 2017, ComEd, PECO, BGE, Pepco and DPL did not have any material consolidated VIEs.

As of September 30, 2018 and December 31, 2017, Exelon and Generation provided the following support to their respective consolidated VIEs:

- Generation provides operating and capital funding to the renewable energy project companies and there is limited recourse to Generation related to certain renewable energy project companies.
- Generation provides operating and capital funding to one of the energy related companies involved in backup generation.
- Generation provides approximately $34 million in credit support for the retail power and gas companies for which Generation is the sole supplier of energy.
- Exelon and Generation, where indicated, provide the following support to CENG:
- under power purchase agreements with CENG, Generation purchased or will purchase 50.01% of the available output generated by the CENG nuclear plants not subject to other contractual agreements from January 2015 through the end of the operating life of each respective plant. However, pursuant to amendments dated March 31, 2015, the energy obligations under the Ginna Nuclear Power Plant (Ginna) PPAs were suspended during the term of the RSSA, through the end of March 31, 2017. With the expiration of the RSSA, the PPA was reinstated beginning April 1, 2017,
- Generation provided a $400 million loan to CENG. As of September 30, 2018, the remaining obligation is $194 million,
- Generation executed an Indemnity Agreement pursuant to which Generation agreed to indemnify EDF 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 Agreement. (See Note 17 — Commitments and Contingencies for additional information),
- Generation and EDF share in the $637 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance,
- 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.

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

As of September 30, 2018 and December 31, 2017, Exelon, PHI and ACE provided the following support to their respective consolidated VIE:

- In the case of ATF, proceeds from the sale of each series of transition bonds by ATF were transferred to ACE in exchange for the transfer by ACE to ATF of the right to collect a non-bypassable Transition Bond Charge from ACE customers pursuant to bondable stranded costs rate orders issued by the NJBPU in an amount sufficient to fund the principal and interest payments on transition bonds and related taxes, expenses and fees. During the three and nine months ended September 30, 2018, ACE transferred $9 million and $23 million to ATF, respectively. During the three and nine months ended September 30, 2017, ACE transferred $11 million and $39 million to ATF, respectively.

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, PHI and ACE did not provide any additional material financial support to the VIEs;
- Exelon, Generation, PHI and ACE 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, PHI's or ACE's general credit.

The carrying amounts and classification of the consolidated VIEs’ assets and liabilities included in the Registrants' consolidated financial statements at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018				December 31, 2017			
	Exelon(a)	Generation	PHI(a)	ACE	Exelon(a)	Generation	PHI(a)	ACE
Current assets	$891	$ 881	$ 10	$ 7	$662	$ 652	$ 10	$ 6
Noncurrent assets	9,259	9,233	26	19	9,317	9,286	31	23
Total assets	$10,150	$ 10,114	$ 36	$ 26	$9,979	$ 9,938	$ 41	$ 29
Current liabilities	$329	$ 303	$ 26	$ 23	$308	$ 272	$ 36	$ 32
Noncurrent liabilities	3,284	3,232	52	45	3,316	3,250	66	58
Total liabilities	$3,613	$ 3,535	$ 78	$ 68	$3,624	$ 3,522	$ 102	$ 90

(a) Includes certain purchase accounting adjustments not pushed down to the ACE standalone entity.

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

Assets and Liabilities of Consolidated VIEs

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 September 30, 2018 and December 31, 2017, these assets and liabilities primarily consisted of the following:

	September 30, 2018				December 31, 2017			
	Exelon[(a)]	Generation	PHI[(a)]	ACE	Exelon[(a)]	Generation	PHI[(a)]	ACE
Cash and cash equivalents	$316	$ 316	$ —	$ —	$126	$ 126	$ —	$ —
Restricted cash	77	70	7	7	64	58	6	6
Accounts receivable, net								
Customer	165	165	—	—	170	170	—	—
Other	30	30	—	—	25	25	—	—
Inventory, net								
Materials and supplies	214	214	—	—	205	205	—	—
Other current assets	65	62	3	—	45	41	4	—
Total current assets	867	857	10	7	635	625	10	6
Property, plant and equipment, net	6,158	6,158	—	—	6,186	6,186	—	—
Nuclear decommissioning trust funds	2,523	2,523	—	—	2,502	2,502	—	—
Other noncurrent assets	256	230	26	19	274	243	31	23
Total noncurrent assets	8,937	8,911	26	19	8,962	8,931	31	23
Total assets	$9,804	$ 9,768	$ 36	$ 26	$9,597	$ 9,556	$ 41	$ 29
Long-term debt due within one year	$97	$ 72	$ 25	$ 22	$102	$ 67	$ 35	$ 31
Accounts payable	128	128	—	—	114	114	—	—
Accrued expenses	73	72	1	1	67	66	1	1
Unamortized energy contract liabilities	16	16	—	—	18	18	—	—
Other current liabilities	14	14	—	—	7	7	—	—
Total current liabilities	328	302	26	23	308	272	36	32
Long-term debt	1,087	1,035	52	45	1,154	1,088	66	58
Asset retirement obligations	2,116	2,116	—	—	2,035	2,035	—	—
Other noncurrent liabilities	75	75	—	—	121	121	—	—
Total noncurrent liabilities	3,278	3,226	52	45	3,310	3,244	66	58
Total liabilities	$3,606	$ 3,528	$ 78	$ 68	$3,618	$ 3,516	$ 102	$ 90

(a) Includes certain purchase accounting adjustments not pushed down to the ACE standalone entity.

Unconsolidated Variable Interest Entities

Exelon’s and Generation’s variable interests in unconsolidated VIEs generally include equity investments and energy purchase and sale contracts. For the equity investments, the carrying amount of the investments is reflected on Exelon’s and Generation’s Consolidated Balance Sheets in

Investments. For the energy purchase and sale contracts (commercial agreements), the carrying amount of assets and liabilities in Exelon’s and Generation’s Consolidated Balance Sheets that relate to their involvement with the VIEs are predominately related to working capital accounts and generally represent the amounts owed by, or owed to, Exelon and Generation for the deliveries associated with the current billing cycles under the commercial agreements. Further, Exelon and Generation have not provided material debt or equity support, liquidity arrangements or performance guarantees associated with these commercial agreements.

As of September 30, 2018 and December 31, 2017, Exelon's and Generation's unconsolidated VIEs consist of:

- Energy purchase and sale agreements with VIEs for which Generation has concluded that consolidation is not required.
- Asset sale agreement with ZionSolutions, LLC and EnergySolutions, Inc. in which Generation has a variable interest but has concluded that consolidation is not required.
- Equity investments in distributed energy companies for which Generation has concluded that consolidation is not required.

As of September 30, 2018 and December 31, 2017, the Utility Registrants did not have any material unconsolidated VIEs.

As of September 30, 2018 and December 31, 2017, Exelon and Generation had significant unconsolidated variable interests in seven VIEs for which Exelon or Generation, as applicable, was not the primary beneficiary; including certain equity investments and certain commercial agreements. Exelon and Generation only include unconsolidated VIEs that are individually material in the tables below. However, Generation has several individually immaterial VIEs that in aggregate represent a total investment of $15 million. These immaterial VIEs are equity and debt securities in energy development companies. The maximum exposure to loss related to these securities is limited to the $15 million included in Investments on Exelon’s and Generation’s Consolidated Balance Sheets. The risk of a loss was assessed to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss.

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The following tables present summary information about Exelon's and Generation's significant unconsolidated VIE entities:

September 30, 2018	Commercial Agreement VIEs	Equity Investment VIEs	Total
Total assets[(a)]	$ 606	$ 481	$1,087
Total liabilities[(a)]	36	221	257
Exelon's ownership interest in VIE[(a)]	—	232	232
Other ownership interests in VIE[(a)]	570	28	598
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments	—	232	232
Contract intangible asset	8	—	8
Net assets pledged for Zion Station decommissioning[(b)]	—	—	—

December 31, 2017	Commercial Agreement VIEs	Equity Investment VIEs	Total
Total assets[(a)]	$ 625	$ 509	$1,134
Total liabilities[(a)]	37	228	265
Exelon's ownership interest in VIE[(a)]	—	251	251
Other ownership interests in VIE[(a)]	588	30	618
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments	—	251	251
Contract intangible asset	8	—	8
Net assets pledged for Zion Station decommissioning[(b)]	2	—	2

(a) These items represent amounts on the unconsolidated VIE balance sheets, not on Exelon's or Generation's Consolidated Balance Sheets. These items are included to provide information regarding the relative size of the unconsolidated VIEs.

(b) These items represent amounts on Exelon's and Generation's Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of $9 million and $39 million as of September 30, 2018 and December 31, 2017, respectively; offset by payables to ZionSolutions, LLC of $9 million and $37 million as of September 30, 2018 and December 31, 2017, respectively. These items are included to provide information regarding the relative size of the ZionSolutions, LLC unconsolidated VIE. See Note 13 — Asset Retirement Obligations for additional information.

For each of the unconsolidated VIEs, Exelon and Generation have assessed the risk of a loss equal to their maximum exposure to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss. In addition, there are no material agreements with, or commitments by, third parties that would affect the fair value or risk of their variable interests in these VIEs.

4. Mergers, Acquisitions and Dispositions (Exelon and Generation)

Acquisition of FirstEnergy Solutions Load Business

On July 9, 2018, Generation entered into an Asset Purchase Agreement (the Purchase Agreement) with FirstEnergy Solutions Corporation (FirstEnergy). Pursuant to the Purchase Agreement, FirstEnergy will assign all of its retail electricity and wholesale load serving contracts and certain other related commodity contracts to Generation for an all cash purchase price of $140 million. Pursuant to the

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Purchase Agreement, Generation has agreed to use its commercially reasonable efforts to replace the guarantees and other credit support currently being provided by FirstEnergy in support of the ongoing competitive retail businesses and to reimburse FirstEnergy for any payments arising pursuant to such arrangements continuing for any post-closing period.

The transaction is expected to close in the fourth quarter of 2018. The closing of the transaction is subject to certain conditions including the approval of the Purchase Agreement by the United States Bankruptcy Court for the Northern District of Ohio following the auction and expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Either party may terminate the Purchase Agreement if the transaction has not been consummated by December 31, 2018. The Purchase Agreement also includes various representations, warranties, covenants, indemnification and other provisions customary for a transaction of this nature.

Acquisition of Handley Generating Station

On November 7, 2017, EGTP and all of its wholly owned subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware, which resulted in Exelon and Generation deconsolidating EGTP's assets and liabilities from their consolidated financial statements in the fourth quarter of 2017. Concurrently with the Chapter 11 filings, Generation entered into an asset purchase agreement to acquire one of EGTP's generating plants, the Handley Generating Station, subject to a potential adjustment for fuel oil and assumption of certain liabilities. In the Chapter 11 Filings, EGTP requested that the proposed acquisition of the Handley Generating Station be consummated through a court-approved and supervised sales process. The acquisition was approved by the Bankruptcy Court in January 2018 and closed on April 4, 2018 for a purchase price of $62 million. The Chapter 11 bankruptcy proceedings were finalized on April 17, 2018, resulting in the ownership of EGTP assets (other than the Handley Generating Station) being transferred to EGTP's lenders.

Acquisition of James A. FitzPatrick Nuclear Generating Station

On March 31, 2017, Generation acquired the 842 MW single-unit James A. FitzPatrick (FitzPatrick) nuclear generating station located in Scriba, New York from Entergy Nuclear FitzPatrick LLC (Entergy) for a total purchase price of $289 million, which consisted of a cash purchase price of $110 million and a net cost reimbursement to and on behalf of Entergy of $179 million. As part of the acquisition agreements, Generation provided nuclear fuel and reimbursed Entergy for incremental costs to prepare for and conduct a plant refueling outage; and Generation reimbursed Entergy for incremental costs to operate and maintain the plant for the period after the refueling outage through the acquisition closing date. These reimbursements covered costs that Entergy otherwise would have avoided had it shut down the plant as originally intended in January 2017. The amounts reimbursed by Generation were offset by FitzPatrick's electricity and capacity sales revenues for this same post-outage period. As part of the transaction, Generation received the FitzPatrick NDT fund assets and assumed the obligation to decommission FitzPatrick. The NRC license for FitzPatrick expires in 2034.

The fair values of FitzPatrick’s assets and liabilities were determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing), discount rates reflecting risk inherent in the future cash flows and future power and fuel market prices. The valuations performed in the first quarter of 2017 to determine the fair value of the FitzPatrick assets acquired and liabilities assumed were updated in the third quarter of 2017. The purchase price allocation is now final.

For the three months ended March 31, 2017, an after-tax bargain purchase gain of $226 million is included within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and primarily reflects differences in strategies between Generation and Entergy for the intended use and ultimate decommissioning of the plant. During the third quarter of 2017, Exelon and Generation

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recorded an additional after-tax bargain purchase gain of $7 million for the three months ended September 30, 2017. The total after-tax bargain purchase gain recorded at Exelon and Generation was $233 million for the twelve months ended December 31, 2017. See Note 13 — Asset Retirement Obligations and Note 14 — Retirement Benefits for additional information regarding the FitzPatrick decommissioning ARO and pension and OPEB updates.

The following table summarizes the acquisition-date fair value of the consideration transferred and the assets and liabilities assumed for the FitzPatrick acquisition by Generation:

Cash paid for purchase price	$ 110
Cash paid for net cost reimbursement	125
Nuclear fuel transfer	54
Total consideration transferred	$ 289
Identifiable assets acquired and liabilities assumed	
Current assets	$ 60
Property, plant and equipment	298
Nuclear decommissioning trust funds	807
Other assets[(a)]	114
Total assets	$ 1,279
Current liabilities	$ 6
Nuclear decommissioning ARO	444
Pension and OPEB obligations	33
Deferred income taxes	149
Spent nuclear fuel obligation	110
Other liabilities	15
Total liabilities	$ 757
Total net identifiable assets, at fair value	$ 522
Bargain purchase gain (after-tax)	$ 233

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(a) Includes a $110 million asset associated with a contractual right to reimbursement from the New York Power Authority (NYPA), a prior owner of FitzPatrick, associated with the DOE one-time fee obligation. See Note 23-Commitments and Contingencies of the Exelon 2017 Form 10-K for additional information regarding SNF obligations to the DOE.

Exelon and Generation incurred $16 million and $47 million of merger and integration costs related to FitzPatrick for the three and nine months ended September 30, 2017, respectively, which are included within Operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. Exelon and Generation did not incur any merger and integration costs related to FitzPatrick for the three and nine months ended September 30, 2018.

Disposition of Oyster Creek

On July 31, 2018, Generation entered into an agreement with Holtec International (Holtec) and its indirect wholly owned subsidiary, Oyster Creek Environmental Protection, LLC (OCEP), for the sale and decommissioning of the Oyster Creek Generating Station (Oyster Creek) located in Forked River, New Jersey. On September 17, 2018, Oyster Creek permanently ceased generation operations.

Under the terms of the transaction, Generation will transfer to OCEP substantially all the assets associated with Oyster Creek, including assets held in NDT funds, along with the assumption of liability for all responsibility for the site, including full decommissioning and ongoing management of spent fuel until the spent fuel is moved offsite. In addition to the assumption of liability for the full decommissioning and ongoing management of spent fuel, other consideration to be received in the transaction is contingent on several factors, including a requirement that Generation deliver a minimum NDT fund balance at closing, subject to adjustment for specific terms that include income taxes that would be imposed on any net unrealized built-in gains and certain decommissioning activities to be performed during the pre-close period after the unit shuts down in the fall of 2018 and prior to the anticipated close of the transaction. The terms of the transaction also include various forms of performance assurance for the obligations of OCEP to timely complete the required decommissioning, including a parental guaranty from Holtec for all performance and payment obligations of OCEP, and a requirement for Holtec to deliver a letter of credit to Generation upon the occurrence of specified events.

As a result of the transaction, in the third quarter of 2018, Exelon and Generation reclassified certain Oyster Creek assets and liabilities on Exelon’s and Generation’s Consolidated Balance Sheets as held for sale at their respective fair values. Upon remeasurement of the Oyster Creek ARO in the third quarter of 2018, Exelon and Generation recognized an $84 million pre-tax charge to Operating and maintenance expense.

Completion of the transaction contemplated by the sale agreement is subject to the satisfaction of several closing conditions, including approval of the license transfer from the NRC and other regulatory approvals, and the receipt of a private letter ruling from the IRS. Generation currently anticipates satisfaction of the closing conditions to occur in the second half of 2019.

Other Asset Disposition

In December 2017, Generation entered into an agreement to sell its interest in an electrical contracting business that primarily installs, maintains and repairs underground and high-voltage cable transmission and distribution systems. As a result, as of December 31, 2017, certain assets and liabilities were classified as held for sale and included in the Other current assets and Other current liabilities balances on Exelon's and Generation's Consolidated Balance Sheet. On February 28, 2018, Generation completed the sale of its interest for $87 million, resulting in a pre-tax gain which is included within Gain on sales of assets and businesses on Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. In June 2018, additional proceeds were received, and a pre-tax gain was recorded within Gain on sales of assets and businesses on Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

5. Revenue from Contracts with Customers (All Registrants)

The Registrants recognize revenue from contracts with customers to depict the transfer of goods or services to customers at an amount that the entities expect to be entitled to in exchange for those goods or services. Generation’s primary sources of revenue include competitive sales of power, natural gas, and other energy-related products and services. The Utility Registrants’ primary sources of revenue include regulated electric and gas tariff sales, distribution and transmission services. The performance obligations associated with these sources of revenue are further discussed below.

Unless otherwise noted, for each of the significant revenue categories and related performance obligations described below, the Registrants have the right to consideration from the customer in an amount that corresponds directly with the value transferred to the customer for the performance completed to date. Therefore, the Registrant's have elected to use the right to invoice practical expedient for the contracts within these revenue categories and generally recognize revenue in the amount for

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which they have the right to invoice the customer. As a result, there are generally no significant judgments used in determining or allocating the transaction price.

Competitive Power Sales (Exelon and Generation)

Generation sells power and other energy-related commodities to both wholesale and retail customers across multiple geographic regions through its customer-facing business, Constellation. Power sale contracts generally contain various performance obligations including the delivery of power and other energy-related commodities such as capacity, ZECs, RECs or other ancillary services. Certain performance obligations such as power and capacity are generally delivered over time whereas other performance obligations such as RECs and ZECs are generally delivered at a point in time. In either case, revenues related to all of the performance obligations in such bundled power sale contracts are generally recognized concurrently as the power is generated. Except as noted in the paragraph below, there are no significant judgments in allocating the transaction price since all performance obligations are satisfied simultaneously upon the generation of power. Payment terms generally require that the customers pay for the power or the energy-related commodity within the month following delivery to the customer and there are generally no significant financing components.

Certain contracts may contain limits on the total amount of revenue we are able to collect over the entire term of the contract. In such cases, the Registrants estimate the total consideration expected to be received over the term of the contract net of the constraint and allocate the expected consideration to the performance obligations in the contract such that revenue is recognized ratably over the term of the entire contract as the performance obligations are satisfied.

Competitive Natural Gas Sales (Exelon and Generation)

Generation sells natural gas on a full requirements basis or for an agreed upon volume to both commercial and residential customers. The primary performance obligation associated with natural gas sale contracts is the delivery of the natural gas to the customer. Revenues related to the sale of natural gas are recognized over time as the natural gas is delivered to and consumed by the customer. Payment from customers is typically due within the month following delivery of the natural gas to the customer and there are generally no significant financing components.

Other Competitive Products and Services (Exelon and Generation)

Generation also sells other energy-related products and services such as long-term construction and installation of energy efficiency assets and new power generating facilities, primarily to commercial and industrial customers. These contracts generally contain a single performance obligation, which is the construction and/or installation of the asset for the customer. The average contract term for these projects is approximately 18 months. Revenues, and associated costs, are recognized throughout the contract term using an input method to measure progress towards completion. The method recognizes revenue based on the various inputs used to satisfy the performance obligation, such as costs incurred and total labor hours expended. The total amount of revenue that will be recognized is based on the agreed upon contractually-stated amount. Payments from customers are typically due within 30 or 45 days from the date the invoice is generated and sent to the customer.

Regulated Electric and Gas Tariff Sales (Exelon and the Utility Registrants)

The Utility Registrants sell electricity and electricity distribution services to residential, commercial, industrial and governmental customers through regulated tariff rates approved by their state regulatory commissions. PECO, BGE and DPL also sell natural gas and gas distribution services to residential, commercial, and industrial customers through regulated tariff rates approved by their state regulatory commissions. The performance obligation associated with these tariff sale contracts is the delivery of electricity and/or natural gas. Tariff sales are generally considered daily contracts given that customers can discontinue service at any time. Revenues are generally recognized over time (each day) as the electricity and/or natural gas is delivered to customers. Payment terms generally require that customers pay for the services within the month following delivery of the electricity or natural gas to the customer and there are generally no significant financing components or variable consideration.

Electric and natural gas utility customers have the choice to purchase electricity or natural gas from competitive electric generation and natural gas suppliers. While the Utility Registrants are required under state legislation to bill their customers for the supply and distribution of electricity and/or natural gas, they recognize revenue related only to the distribution services when customers purchase their electricity or natural gas from competitive suppliers.

Regulated Transmission Services (Exelon and the Utility Registrants)

Under FERC's open access transmission policy, the Utility Registrants, as owners of transmission facilities, are required to provide open access to their transmission facilities under filed tariffs at cost-based rates approved by FERC. The Utility Registrants are members of PJM, the regional transmission organization designated by FERC to coordinate the movement of wholesale electricity in PJM's region, which includes portions of the mid-Atlantic and Midwest. In accordance with FERC-approved rules, the Utility Registrants and other transmission owners in the PJM region make their transmission facilities available to PJM, which directs and controls the operation of these transmission facilities and accordingly compensates the Utility Registrants and other transmission owners. The performance obligations associated with the Utility Registrants' contract with PJM include (i) Network Integration Transmission Services (NITS), (ii) scheduling, system control and dispatch services, and (iii) access to the wholesale grid. These performance obligations are satisfied over time, and Utility Registrants utilize output methods to measure the progress towards their completion. Passage of time is used for NITS and access to the wholesale grid and MWhs of energy transported over the wholesale grid is used for scheduling, system control and dispatch services. PJM pays the Utility Registrants for these services on a weekly basis and there are no financing components or variable consideration.

Costs to Obtain or Fulfill a Contract with a Customer (Exelon and Generation)

Generation incurs incremental costs in order to execute certain retail power and gas sales contracts. These costs primarily relate to retail broker fees and sales commissions. Generation has capitalized such contract acquisition costs in the amount of $30 million and $26 million as of September 30, 2018 and December 31, 2017, respectively, within Other current assets and Other deferred debits in Exelon's and Generation's Consolidated Balance Sheets. These costs are capitalized when incurred and amortized using the straight-line method over the average length of such retail contracts, which is approximately 2 years. Exelon and Generation recognized amortization expense associated with these costs in the amount of $6 million and $16 million for the three and nine months ended September 30, 2018, respectively, and $7 million and $24 million for the three and nine months ended September 30, 2017, respectively, within Operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. Generation does not incur material costs to fulfill contracts with customers that are not already capitalized under existing guidance. In addition, the Utility Registrants do not incur any material costs to obtain or fulfill contracts with customers.

Contract Balances (All Registrants)

Contract Assets

Generation records contract assets for the revenue recognized on the construction and installation of energy efficiency assets and new power generating facilities before Generation has an unconditional right to bill for and receive the consideration from the customer. These contract assets are subsequently reclassified to receivables when the right to payment becomes unconditional. Generation records contract assets and contract receivables within Other current assets and Accounts receivable, net -

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Customer, respectively, within Exelon’s and Generation’s Consolidated Balance Sheets. The following table provides a rollforward of the contract assets reflected on Exelon's and Generation's Consolidated Balance Sheets from January 1, 2018 to September 30, 2018:

Contract Assets	Exelon and Generation
Balance as of January 1, 2018	$ 283
Increases as a result of changes in the estimate of the stage of completion	34
Amounts reclassified to receivables	(120)
Balance at September 30, 2018	$ 197

The Utility Registrants do not have any contract assets.

Contract Liabilities

Generation records contract liabilities when consideration is received or due prior to the satisfaction of the performance obligations. These contract liabilities primarily relate to upfront consideration received or due for equipment service plans, solar panel leases and the Illinois ZEC program that introduces a cap on the total consideration to be received by Generation. Generation records contract liabilities within Other current liabilities and Other noncurrent liabilities within Exelon’s and Generation’s Consolidated Balance Sheets. The following table provides a rollforward of the contract liabilities reflected on Exelon's and Generation's Consolidated Balance Sheet from January 1, 2018 to September 30, 2018:

Contract Liabilities	Exelon and Generation
Balance as of January 1, 2018	$ 35
Increases as a result of additional cash received or due	389
Amounts recognized into revenues	(387)
Balance at September 30, 2018	$ 37

The Utility Registrants also record contract liabilities when consideration is received prior to the satisfaction of the performance obligations. As of September 30, 2018 and December 31, 2017, the Utility Registrants' contract liabilities were immaterial.

Transaction Price Allocated to Remaining Performance Obligations (All Registrants)

The following table shows the amounts of future revenues expected to be recorded in each year for performance obligations that are unsatisfied or partially unsatisfied as of September 30, 2018. Generation has elected the exemption which permits the exclusion from this disclosure of certain variable contract consideration. As such, the majority of Generation’s power and gas sales contracts are excluded from this disclosure as they contain variable volumes and/or variable pricing. Thus, this disclosure only includes contracts for which the total consideration is fixed and determinable at contract inception. The average contract term varies by customer type and commodity but ranges from one month to several years.

The majority of the Utility Registrants’ tariff sale contracts are generally day-to-day contracts and, therefore, do not contain any future, unsatisfied performance obligations to be included in this disclosure. Further, the Utility Registrants have elected the exemption to not disclose the transaction price allocation to remaining performance obligations for contracts with an original expected duration of one year or less. As such, gas and electric tariff sales contracts and transmission revenue contracts are excluded from this disclosure.

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	2019	2020	2021	2022	2023 and thereafter	Total
Exelon	$647	$302	$119	$47	$ 137	$1,252
Generation	647	302	119	47	137	1,252

Revenue Disaggregation (All Registrants)

The Registrants disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. See Note 19 — Segment Information for the presentation of the Registrant's revenue disaggregation.

6. Regulatory Matters (All Registrants)

Except for the matters noted below, the disclosures set forth in Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K reflect, in all material respects, the current status of regulatory and legislative proceedings of the Registrants. The following is an update to that discussion.

Illinois Regulatory Matters

Tax Cuts and Jobs Act (Exelon and ComEd). On January 18, 2018, the ICC approved ComEd's petition filed on January 5, 2018 seeking approval to pass back to customers beginning February 1, 2018 $201 million in tax savings resulting from the enactment of the TCJA through a reduction in electric distribution rates. The amounts being passed back to customers reflect the benefit of lower income tax rates beginning January 1, 2018 and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. See Note 12 — Income Taxes for additional information on Corporate Tax Reform.

Electric Distribution Formula Rate (Exelon and ComEd). On April 16, 2018, ComEd filed its annual distribution formula rate update with the ICC. The filing establishes the revenue requirement used to set the rates that will take effect in January 2019 after the ICC’s review and approval, which is due by December 2018. The revenue requirement requested is based on 2017 actual costs plus projected 2018 capital additions as well as an annual reconciliation of the revenue requirement in effect in 2017 to the actual costs incurred that year. ComEd's 2018 filing request includes a total decrease to the revenue requirement of $23 million, reflecting a decrease of $58 million for the initial revenue requirement for 2018 and an increase of $35 million related to the annual reconciliation for 2017. The revenue requirement for 2018 and the annual reconciliation for 2017 provides for a weighted average debt and equity return on distribution rate base of 6.52% inclusive of an allowed ROE of 8.69%, reflecting the average rate on 30-year treasury notes plus 580 basis points. See table below for ComEd's regulatory assets associated with its electric distribution formula rate. See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on ComEd's distribution formula rate filings.

During the first quarter 2018, ComEd revised its electric distribution formula rate, as provided for by FEJA, to reduce the ROE collar calculation from plus or minus 50 basis points to 0 basis points beginning with the reconciliation filed in 2018 for the 2017 calendar year. This revision effectively offsets the favorable or unfavorable impacts to ComEd's electric distribution formula rate revenues associated with variations in delivery volumes associated with above or below normal weather, numbers of customers or usage per customer. ComEd began reflecting the impacts of this change in its electric distribution formula rate regulatory asset in the first quarter 2017.

Energy Efficiency Formula Rate (Exelon and ComEd). On June 1, 2018, ComEd filed its annual energy efficiency formula rate update with the ICC. The filing establishes the 2019 application year revenue requirement used to set the rates that will take effect in January 2019 after the ICC’s review

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and approval, which is due by December 2018. The revenue requirement requested is based on 2017 actual costs plus projected 2018 and 2019 expenditures as well as an annual reconciliation of the revenue requirement in effect in 2017 to the actual costs incurred that year. ComEd's 2018 filing request includes a total increase to the revenue requirement of $39 million, reflecting an increase of $38 million for the initial revenue requirement for 2018 and an increase of $1 million related to the annual reconciliation for 2017. The revenue requirement for the 2019 application year provides for a weighted average debt and equity return on rate base of 6.52% inclusive of an allowed ROE of 8.69%, reflecting the average rate on 30-year treasury notes plus 580 basis points.

Zero Emission Standard (Exelon, Generation and ComEd). Pursuant to FEJA, on January 25, 2018, the ICC announced that Generation's Clinton Unit 1, Quad Cities Unit 1 and Quad Cities Unit 2 nuclear plants were selected as the winning bidders through the IPA's ZEC procurement event. Generation executed the ZEC procurement contracts with Illinois utilities, including ComEd, effective January 26, 2018 and began recognizing revenue. Winning bidders are entitled to compensation for the sale of ZECs retroactive to the June 1, 2017 effective date of FEJA. During the three months ended September 30, 2018, Generation recognized revenue of $61 million. During the nine months ended September 30, 2018, Generation recognized revenue of $315 million, of which $150 million related to ZECs generated from June 1, 2017 through December 31, 2017.

ComEd recovers all costs associated with purchasing ZECs through a rate rider that provides for an annual reconciliation and true-up to actual costs incurred by ComEd to purchase ZECs, with any difference to be credited to or collected from ComEd's retail customers in subsequent periods with interest. ComEd began billing its retail customers under its new ZEC rate rider on June 1, 2017.

On February 14, 2017, two lawsuits were filed in the Northern District of Illinois against the IPA alleging that the state's ZEC program violates certain provisions of the U.S. Constitution. One lawsuit was filed by customers of ComEd, led by the Village of Old Mill Creek, and the other was brought by the EPSA and three other electric suppliers. Both lawsuits argued that the Illinois ZEC program would distort PJM's FERC-approved energy and capacity market auction system of setting wholesale prices and sought a permanent injunction preventing the implementation of the program. Exelon intervened and filed motions to dismiss in both lawsuits. On July 14, 2017, the district court granted the motions to dismiss. On July 17, 2017, the plaintiffs appealed the decision to the U.S. Court of Appeals for the Seventh Circuit. On February 21, 2018, the U.S. Court of Appeals for the Seventh Circuit issued an order inviting the Solicitor General to express the views of the United States on the matter. On May 29, 2018, the Solicitor General and FERC filed its brief in the U.S. Court of Appeals for the Seventh Circuit stating that the Illinois ZEC program does not violate federal law or interfere with FERC's authority to regulate wholesale power markets. On September 13, 2018, the U.S. Circuit Court of Appeals for the Seventh Circuit affirmed the lower court's dismissal of both lawsuits. On September 27, 2018, the plaintiffs filed a request for a panel rehearing with the U.S. Circuit Court of Appeals for the Seventh Circuit. On October 9, 2018, the U.S. Circuit Court of Appeals for the Seventh Circuit panel denied the request for rehearing.

See Note 8 — Early Plant Retirements for additional information regarding the economic challenges facing Generation's Clinton and Quad Cities nuclear plants and the expected benefits of the ZES.

Pennsylvania Regulatory Matters

2018 Pennsylvania Electric Distribution Base Rate Case (Exelon and PECO). On March 29, 2018, PECO filed a request with the PAPUC seeking approval to increase its electric distribution base rates by $82 million beginning January 1, 2019. This requested amount includes the effect of an approximately $71 million reduction as a result of the ongoing annual tax savings beginning January 1, 2019 associated with the TCJA. The requested ROE was 10.95%. On August 28, 2018, PECO and interested parties filed with the PAPUC a petition for partial settlement for an increase of $25 million in annual electric distribution service revenues, which includes the effect of an approximately $71 million reduction as a result of the ongoing annual tax savings beginning January 1, 2019 associated with the TCJA. No overall ROE was specified in the partial settlement. On October 18, 2018, the Administrative Law Judges issued a Recommended Decision to the PAPUC that the partial settlement be approved without modification. A final ruling from the PAPUC is expected before December 31, 2018, and if approved, the new electric distribution base rates will become effective on January 1, 2019.

Tax Cuts and Jobs Act (Exelon and PECO). On May 17, 2018, the PAPUC issued an order to all Pennsylvania utility companies, including PECO, requiring that the annual tax savings beginning on January 1, 2018 associated with TCJA be passed back to customers. The order directs Pennsylvania utility companies without an existing base rate case, including PECO's gas distribution business, to start passing back the savings from January 1, 2018 onward through a negative surcharge mechanism to be effective on July 1, 2018. Pursuant to the May 17, 2018 order, PECO filed a negative surcharge mechanism and began on July 1, 2018, to return an estimated $4 million in annual 2018 tax savings to its natural gas distribution customers. For Pennsylvania utility companies with existing base rate cases, including PECO's electric distribution base rate case, the timing of when and how to pass the annual TCJA savings to customers will be resolved through the base rate case proceeding.

As part of the rate case filing referenced above, PECO is seeking approval to pass back to electric distribution customers $68 million in 2018 TCJA tax savings of which the majority will be passed back in January 2019 with the remainder refunded over the balance of the year. The TCJA tax savings would be an additional offset to the proposed increase to its electric distribution rates. The amounts being proposed to be passed back to customers reflect the respective annual benefits of lower income tax rates established upon enactment of the TCJA.

See Note 12 — Income Taxes for additional information on Corporate Tax Reform and the table below for regulatory liabilities recognized during 2018 associated with TCJA tax savings that will be passed through future customer rates.

Maryland Regulatory Matters

Tax Cuts and Jobs Act (Exelon, BGE, PHI, Pepco and DPL). On January 12, 2018, the MDPSC issued an order that directed each of BGE, Pepco and DPL to track the impacts of the TCJA beginning January 1, 2018 and file by February 15, 2018 how and when they expect to pass through such impacts to their customers.

On January 31, 2018, the MDPSC approved BGE's petition to pass back to customers $103 million in ongoing annual tax savings resulting from the enactment of the TCJA through a reduction in distribution base rates beginning February 1, 2018, of which $72 million and $31 million were related to electric and natural gas, respectively. The amounts being passed back to customers reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. BGE's natural gas distribution rate case filing in June 2018 included a request to provide to customers the natural gas portion of the January 2018 TCJA savings over a 5-year period.

On April 20, 2018, Pepco entered into a settlement agreement with several parties to resolve all issues in its pending electric distribution base rate case, including the treatment of the annual ongoing TCJA tax savings as well as the TCJA tax savings from January 1, 2018 through the expected effective date of the rate change. On May 31, 2018, the MDPSC issued an order approving the settlement agreement with an effective date of June 1, 2018. See discussion below for additional information.

On February 9, 2018, DPL filed with the MDPSC seeking approval to pass back to customers $13 million in ongoing annual TCJA tax savings through a reduction in electric distribution base rates beginning in 2018. On April 18, 2018, the MDPSC approved a settlement agreement to pass back to customers $14 million in ongoing annual TCJA tax savings through a reduction in electric distribution base rates beginning April 20, 2018. The amounts being passed back to customers reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. In addition, the MDPSC separately ordered DPL to provide a one-time bill credit to customers of $2 million in June 2018 representing the TCJA tax savings from January 1, 2018 through March 31, 2018.

See Note 12 — Income Taxes for additional information on Corporate Tax Reform and the table below for regulatory liabilities recognized during 2018 associated with TCJA tax savings that will be passed through future customer rates.

The Maryland Strategic Infrastructure Development and Enhancement Program (Exelon and BGE). On December 1, 2017 (and as amended on January 22, 2018), BGE filed an application with the MDPSC seeking approval for a new gas infrastructure replacement plan and associated surcharge, effective for the five-year period from 2019 through 2023. On May 30, 2018, the MDPSC approved with modifications a new infrastructure plan and associated surcharge, subject to BGE's acceptance of the Order. On June 1, 2018, BGE accepted the MDPSC Order and the associated surcharge will be effective in rates beginning in January 2019. The new five-year plan calls for capital expenditures over the 2019-2023 timeframe of $732 million, with an associated revenue requirement of $200 million.

2018 Maryland Natural Gas Distribution Base Rates (Exelon and BGE). On June 8, 2018, and as amended on August 24, 2018 and October 12, 2018, BGE filed an application with the MDPSC to increase natural gas revenues by $61 million, reflecting a requested ROE of 10.5%. BGE expects a decision in the first quarter of 2019 but cannot predict how much of the requested increase the MDPSC will approve.

2018 Maryland Electric Distribution Base Rates (Exelon, PHI and Pepco). On January 2, 2018, Pepco filed an application with the MDPSC to increase its annual electric distribution base rates by $41 million, reflecting a requested ROE of 10.1%. On February 5, 2018, Pepco filed with the MDPSC an update to its current distribution base rate case to reflect $31 million in ongoing annual TCJA tax savings, thereby reducing the requested annual base rate increase to $11 million. On March 8, 2018, Pepco filed with the MDPSC a subsequent update to its electric distribution base rate case, which further reduced the requested annual base rate increase to $3 million. On April 20, 2018, Pepco entered into a settlement agreement with several parties to resolve all issues in the rate case and filed the settlement agreement with the MDPSC. The settlement agreement provides for a net decrease to annual electric distribution base rates of $15 million, which includes annual ongoing TCJA tax savings, and reflects a ROE of 9.5%. In addition, the settlement agreement separately provides a one-time bill credit to customers of approximately $10 million representing the TCJA tax savings from January 1, 2018 through the expected rate effective date of June 1, 2018. On May 31, 2018, the MDPSC issued an order approving the settlement agreement with an effective date of June 1, 2018. Pepco issued the $10 million to customers in July 2018.

2017 Maryland Electric Distribution Base Rates (Exelon, PHI and DPL). On July 14, 2017, DPL filed an application with the MDPSC to increase its annual electric distribution base rates by $27 million, which was updated to $19 million on November 16, 2017, reflecting a requested ROE of 10.1%. On December 18, 2017, a settlement agreement was filed with the MDPSC wherein DPL will be granted a base rate increase of $13 million, and a ROE of 9.5% solely for purposes of calculating AFUDC and regulatory asset carrying costs. On February 9, 2018, the MDPSC approved the settlement agreement and the new rates became effective.

In the second quarter of 2018, DPL discovered a rate design issue in Maryland such that the current rates were not sufficient to collect the full amount of the $13 million revenue increase agreed to by the parties in the recent settlement. On September 5, 2018, the MDPSC approved DPL’s proposed revisions to resolve the rate design issue on a prospective basis, effective September 5, 2018.

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

Delaware Regulatory Matters
Tax Cuts and Jobs Act (Exelon, PHI and DPL). On January 16, 2018, the DPSC opened a docket indicating that DPL's TCJA tax savings would be addressed in its pending rate cases. See discussion below for further information on the proposed treatment of the TCJA tax savings in DPL's pending electric and natural gas distribution base rate cases.
2017 Delaware Electric and Natural Gas Distribution Base Rates (Exelon, PHI and DPL). On August 17, 2017 (as updated on February 9, 2018 to reflect $19 million and $7 million of ongoing annual TCJA tax savings for electric and natural gas, respectively), DPL filed applications with the DPSC to increase its annual electric and natural gas distribution base rates by $12 million and $4 million, respectively, reflecting a requested ROE of 10.1%. The ongoing annual TCJA tax savings reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. Of the proposed electric and natural gas rate increases, $2.5 million of each were put into effect in the fourth quarter 2017 and an additional $3 million and $1 million, respectively, were put into effect in the first quarter 2018, all of which are subject to refund based on the final DPSC order.
On June 27, 2018, DPL entered into a settlement agreement with all active parties in the proceeding related to its pending electric distribution base rate case. The settlement agreement provides for a net decrease to annual electric distribution base rates of $7 million, which includes annual ongoing TCJA tax savings, and reflects a ROE of 9.7%. In addition, the settlement agreement separately provides a one-time bill credit to customers of approximately $3 million representing the TCJA tax savings from February 1, 2018 through March 17, 2018, when full interim rates were put into effect. On August 21, 2018, the DPSC approved the settlement agreement as filed. DPL expects to issue the $3 million to customers in the fourth quarter of 2018.
On September 7, 2018 (as amended and restated on October 2, 2018), DPL entered into a partial settlement agreement with several parties in its pending gas distribution base rate case proceeding that provides for a net decrease to annual gas distribution base rates of $4 million, which includes annual ongoing TCJA tax savings, and reflects a ROE of 9.7%. In addition, the settlement agreement separately provides a one-time bill credit to customers of approximately $1 million, which includes the TCJA tax savings from February 1, 2018 through March 17, 2018, when full interim rates were put into effect. DPL expects a decision on the settlement agreement in the fourth quarter of 2018 but cannot predict if the DPSC will approve the settlement agreement as filed.
See Note 12 — Income Taxes for additional information on Corporate Tax Reform and the table below for regulatory liabilities recognized during 2018 associated with TCJA tax savings that will be passed through future customer rates.
District of Columbia Regulatory Matters
Tax Cuts and Jobs Act (Exelon, PHI and Pepco). On January 23, 2018, the DCPSC opened a rate proceeding directing Pepco to track the impacts of the TCJA beginning January 1, 2018 and file its plan to reduce the current revenue requirement by customer class by February 12, 2018. The DCPSC stated it will address the impact of the TCJA on future rates within Pepco's pending electric distribution base rate case discussed below.
On February 6, 2018, Pepco filed with the DCPSC seeking approval to pass back to customers $39 million in ongoing annual tax savings resulting from the enactment of the TCJA through a reduction to existing electric distribution base rates beginning in 2018. On April 17, 2018, Pepco entered into a settlement agreement with several parties to resolve all issues in its pending electric distribution base rate case, including the treatment of the annual ongoing TCJA tax savings as well as the TCJA tax savings from January 1, 2018 through the expected effective date of the rate change. On August 9,

2018, the DCPSC approved the settlement agreement with an effective date of August 13, 2018. See discussion below for additional information.

2017 District of Columbia Electric Distribution Base Rates (Exelon, PHI and Pepco). On December 19, 2017 (and updated on February 9, 2018), Pepco filed an application with the DCPSC to increase its annual electric distribution base rates by $66 million, reflecting a requested ROE of 10.1%. On April 17, 2018, Pepco entered into a settlement agreement with several parties to resolve both the pending electric distribution base rate case and the $39 million rate reduction request in the TCJA proceeding discussed above and filed the settlement agreement with the DCPSC. The settlement agreement provides for a net decrease to annual electric distribution rates of $24 million, which includes annual ongoing TCJA tax savings, and reflects a ROE of 9.525%. On August 9, 2018, the DCPSC approved the settlement agreement with an effective date of August 13, 2018. In addition, the settlement agreement separately provides for a one-time bill credit to customers of approximately $19 million representing the TCJA benefits for the period January 1, 2018 through the expected rate effective date of July 1, 2018. As rates did not go into effect until August 13, 2018, on September 7, 2018, Pepco submitted an updated filing for a one-time bill credit to customers of approximately $20 million, and an increase of $4 million to the customer base rate credit established in connection with the merger between Exelon and PHI for residential customers, representing the TCJA benefits for the period January 1, 2018 through August 12, 2018. Following the expiration of the comment period with no objections filed, Pepco issued the $20 million to customers in September 2018.

See Note 12 — Income Taxes for additional information on Corporate Tax Reform and the table below for regulatory liabilities recognized during 2018 associated with TCJA tax savings that will be passed through future customer rates.

New Jersey Regulatory Matters

Tax Cuts and Jobs Act (Exelon, PHI and ACE). On January 31, 2018, the NJBPU issued an order mandating that New Jersey utility companies, including ACE, pass any economic benefit from the TCJA to rate payers. The order directed New Jersey utility companies to file by March 2, 2018 proposed tariff sheets reflecting TCJA benefits, with new rates to be implemented in two phases. In addition, the NJBPU directed New Jersey utility companies to file by March 2, 2018 a Petition with the NJBPU outlining how they propose to refund any over-collection associated with revised rates not being in place from January 1, 2018 through March 31, 2018, with interest.

On March 2, 2018, ACE filed with the NJBPU seeking approval to pass back to customers $23 million in ongoing annual TCJA tax savings through a reduction in electric distribution base rates beginning in 2018. The amounts being passed back to customers would reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. On March 26, 2018, the NJBPU issued an order accepting ACE’s proposed bill reduction related to the lower income tax rates. A portion of the annual decrease in electric distribution base rates totaling approximately $13 million was effective as of April 1, 2018, but considered interim. On August 29, 2018, the NJBPU issued an order approving final rates with an effective date of September 8, 2018, which reflects the full amount of ACE’s proposed $23 million reduction, including a one-time bill credit to customers of approximately $6 million representing the TCJA tax savings from January 1, 2018 through June 30, 2018. ACE expects to issue the $6 million to customers in the fourth quarter of 2018. ACE's treatment of the TCJA tax savings for the period July 1, 2018 through the effective date of the final rates is the subject of ongoing discussions, and ACE anticipates that the NJBPU will issue a clarifying order in the fourth quarter of 2018.

See Note 12 — Income Taxes for additional information on Corporate Tax Reform and the table below for regulatory liabilities recognized during 2018 associated with TCJA tax savings that will be passed through future customer rates.

ACE Infrastructure Investment Program Filing (Exelon, PHI and ACE). On February 28, 2018, ACE filed with the NJBPU the company's Infrastructure Investment Program (IIP) proposing to seek recovery of a series of investments through a new rider mechanism, totaling $338 million, between 2019-2022 to provide safe and reliable service for its customers. The IIP will allow for more timely recovery of investments made to modernize and enhance ACE's electric system. ACE currently expects a decision in this matter in the first quarter of 2019 but cannot predict if the NJBPU will approve the application as filed.

Update and Reconciliation of Certain Over and Under Recovered Balances (Exelon, PHI and ACE). On February 5, 2018, ACE submitted its 2018 annual petition with the NJBPU seeking to reconcile and update (i) charges related to the recovery of above-market costs associated with ACE's long-term power purchase contracts with the non-utility generators and (ii) costs related to surcharges for the New Jersey Societal Benefit Program (a statewide public interest program that is intended to benefit low income customers and address other public policy goals) and ACE's uncollectible accounts. As filed, the net impact of adjusting the charges as proposed would have been an overall annual rate decrease of $19 million, including New Jersey sales and use tax. On May 22, 2018, the NJBPU approved a stipulation of settlement among certain interested parties providing for an overall annual rate decrease of $33 million, effective June 1, 2018. The rate decrease was placed into effect provisionally, subject to a review by the NJBPU and the Division of Rate Counsel of the final underlying costs for reasonableness and prudence. This rate decrease will have no effect on ACE's operating income, since these revenues provide for recovery of deferred costs under an approved deferral mechanism. The matter is pending at the NJBPU.

New Jersey Clean Energy Legislation (Exelon, Generation and ACE). On May 23, 2018, the Governor of New Jersey signed new legislation, which became effective immediately, that establishes and modifies New Jersey's clean energy and energy efficiency programs and solar and renewable energy portfolio standards. The new legislation expands the state's renewable portfolio standard to require that 50% of electric generation sold be from renewable energy sources by 2030; modifies the New Jersey solar renewable energy portfolio standard to require that 5.1% of electric generation sold in New Jersey be from solar electric power by 2021, lowers the solar alternative compliance payment amount starting in 2019 and requires the NJBPU to adopt rules to replace the current solar renewable energy credit program; and requires the NJBPU to increase its offshore wind energy credit program to 3,500 MW. The new legislation further imposes an energy efficiency standard that each electric public utility will be required to reduce annual usage by 2% and provides for utilities to annually file for recovery of the costs of the programs, including the revenue impact of sales losses resulting from the programs. The NJBPU is required to initiate a study to determine the savings targets for each public utility, to adopt other rules regarding the programs, and to approve energy efficiency and peak demand reduction programs for each utility. The new legislation also requires the NJBPU to conduct an energy storage analysis including the potential costs and benefits and to initiate a proceeding to establish a goal of achieving 2,000 MW of energy storage by 2030; requires the utilities to conduct a study on voltage optimization on their distribution system; and requires the NJBPU to establish a community solar program to permit customers to participate in a solar project that is not located on the customer's property.

On the same day, the Governor of New Jersey also signed new legislation, which became effective immediately, that will establish a ZEC program providing compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. PSEG's Salem nuclear plant is expected to apply for approval to participate in the ZEC program. Under the new legislation, the NJBPU will issue ZECs to qualifying nuclear power plants and the electric distribution utilities in New Jersey, including ACE, will be required to purchase those ZECs. The NJBPU has 180 days from the effective date to establish procedures for implementation of the ZEC program and 330 days from the effective date to determine which nuclear power plants are selected to receive ZECs under the program. Selected nuclear plants will receive ZEC payments for each energy year (12-

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month period from June 1 through May 31) within 90 days after the completion of such energy year. The quantity of ZECs issued will be determined based on the greater of 40% of the total number of MWh of electricity distributed by the public electric distribution utilities in New Jersey in the prior year, or the total number of MWh of electricity generated in the prior year by the selected nuclear power plants. The ZEC price is approximately $10 per MWh during the first 3-year eligibility period. For eligibility periods following the first 3-year eligibility period, the NJBPU has discretion to reduce the ZEC price. Electric distribution utilities in New Jersey, including ACE, will be authorized to collect from retail distribution customers through a non-bypassable charge all costs associated with the utility's procurement of the ZECs. On August 29, 2018, the NJBPU issued an order opening a proceeding in which stakeholders can provide input on implementation of the ZEC program. See Note 8 - Early Plant Retirements for additional information on New Jersey's ZEC program potential impacts to PSEG's Salem nuclear plant.

2018 New Jersey Electric Distribution Base Rates (Exelon, PHI and ACE). On June 15, 2018, ACE submitted an application with the NJBPU to increase its annual electric distribution base rates by $99.7 million (before New Jersey sales and use tax), based upon a requested ROE of 10.1%. Included in the $99.7 million request is $40 million of higher depreciation expense related to ACE's updated depreciation study. On July 25, 2018, the NJBPU dismissed ACE's base rate case due to the number of forecasted months included in the twelve month test period. Historically, ACE and other New Jersey utilities have filed distribution base rate cases with a similar number of forecasted months in the test period.

On August 21, 2018, ACE refiled its application with the NJBPU, requesting an increase to its electric distribution rates of $109 million (before New Jersey sales and use tax), reflecting a requested ROE of 10.1%. Included in the $109 million request is $40 million of higher depreciation expense related to ACE's updated depreciation study. ACE currently expects a decision in this matter in the third quarter of 2019 but cannot predict if the NJBPU will approve the application as filed.

New York Regulatory Matters

New York Clean Energy Standard (Exelon and Generation). On August 1, 2016, the NYPSC issued an order establishing the New York CES, a component of which is a Tier 3 ZEC program targeted at preserving the environmental attributes of zero-emissions nuclear-powered generating facilities that meet the criteria demonstrating public necessity as determined by the NYPSC. The ZEC price for the first tranche has been set at $17.48 per MWh of production. Following the first tranche, the price will be updated bi-annually.

On October 19, 2016, a coalition of fossil-generation companies filed a complaint in federal district court against the NYPSC alleging that the ZEC program violates certain provisions of the U.S. Constitution; specifically, that the ZEC program interferes with FERC's jurisdiction over wholesale rates and that it discriminates against out of state competitors. On December 9, 2016, Generation and CENG filed a motion to intervene in the case and to dismiss the lawsuit. The State also filed a motion to dismiss. On July 25, 2017, the court granted both motions to dismiss. On August 24, 2017, the plaintiff appealed the decision to the U.S. Court of Appeals for the Second Circuit. On September 27, 2018, the U.S. Court of Appeals for the Second Circuit affirmed the lower court's dismissal of the complaint against the ZEC program.

In addition, on November 30, 2016, a group of parties, including certain environmental groups and individuals, filed a Petition in New York State court seeking to invalidate the ZEC program. The Petition, which was amended on January 13, 2017, argued that the NYPSC did not have authority to establish the program, that it violated state environmental law and that it violated certain technical provisions of the State Administrative Procedures Act (SAPA) when adopting the ZEC program. On February 15, 2017, Generation and CENG filed a motion to dismiss the state court action. The NYPSC also filed a motion to dismiss the state court action. On March 24, 2017, the plaintiffs filed a memorandum of law opposing the motions to dismiss, and Generation and CENG filed a reply brief on April 28, 2017. Oral

argument was held on June 19, 2017. On January 22, 2018, the court dismissed the environmental claims and the majority of the plaintiffs from the case but denied the motions to dismiss with respect to the remaining five plaintiffs and claims, without commenting on the merits of the case. The case is now proceeding to summary judgment with the full record. Exelon's and the state's answers and briefs were filed on March 30, 2018. Plaintiffs' responses were due on May 11, 2018; however, on April 17, 2018, the plaintiffs filed an order to show cause seeking production of additional documents, including confidential financial information. Exelon and the state filed in opposition to the order to show cause. On July 18, 2018, the court denied the order to show cause and ordered the parties to provide the court with an agreed upon final schedule for the remaining brief. Negotiations over the schedule for the remaining briefing have not yet been finalized. After briefing is completed, the court will decide whether or not to set the case for hearing.

Other legal challenges remain possible, the outcomes of which remain uncertain. See Note 8 — Early Plant Retirements for additional information related to Ginna and Nine Mile Point.

Federal Regulatory Matters

Tax Cuts and Jobs Act and Transmission-Related Income Tax Regulatory Assets (Exelon and the Utility Registrants). Pursuant to their respective transmission formula rates, ComEd, PECO, BGE, Pepco, DPL and ACE began passing back to customers on June 1, 2018, the benefit of lower income tax rates effective January 1, 2018. ComEd's, BGE's, Pepco's, DPL's and ACE's transmission formula rates currently do not provide for the pass back or recovery of income tax-related regulatory liabilities or assets, including those established upon enactment of the TCJA.

On December 13, 2016 (and as amended on March 13, 2017), BGE filed with FERC to begin recovering certain existing and future transmission-related income tax regulatory assets through its transmission formula rate. BGE's existing regulatory assets included (1) amounts that, if BGE's transmission formula rate provided for recovery, would have been previously amortized and (2) amounts that would be amortized and recovered prospectively. ComEd, Pepco, DPL and ACE had similar transmission-related income tax regulatory liabilities and assets also requiring FERC approval. On November 16, 2017, FERC issued an order rejecting BGE's proposed revisions to its transmission formula rate to recover these transmission-related income tax regulatory assets. FERC's rejection order focused on the lack of timeliness of BGE's request to recover amounts that would have been previously amortized but indicated that ongoing recovery of certain transmission-related income tax regulatory assets would provide for a more accurate revenue requirement. Based on FERC's order, management of each company concluded that the portion of the total transmission-related income tax regulatory assets that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery was no longer probable of recovery. As a result, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE recorded charges to Income tax expense within their Consolidated Statements of Operations and Comprehensive Income in the fourth quarter of 2017, reducing their associated transmission-related income tax regulatory assets. Similar regulatory assets and liabilities at PECO are not subject to the same FERC transmission rate recovery formula and, thus, are not impacted by BGE's November 16, 2017 FERC order. See below for additional information regarding PECO's transmission formula rate filing.

On December 18, 2017, BGE filed for clarification and rehearing of FERC's order, still seeking full recovery of its existing transmission-related income tax regulatory asset amounts, including those amounts that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery. On February 27, 2018 (and updated on March 26, 2018), BGE submitted a letter to FERC advising that the lower federal corporate income tax rate effective January 1, 2018 provided for in TCJA will be reflected in BGE's annual formula rate update effective June 1, 2018, but that the deferred income tax benefits will not be passed back to customers unless BGE's

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formula rate is revised to provide for pass back and recovery of transmission-related income tax-related regulatory liabilities and assets.

On February 23, 2018 (and as amended on July 9, 2018), ComEd, Pepco, DPL, and ACE each filed with FERC to revise their transmission formula rate mechanisms to facilitate passing back to customers ongoing annual TCJA tax savings and to permit recovery of transmission-related income tax regulatory assets, including those amounts that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery.

On September 7, 2018, FERC issued orders rejecting BGE’s December 18, 2017 request for rehearing and clarification and ComEd's, Pepco's, DPL's and ACE's February 23, 2018 (as amended on July 9, 2018) filings, again citing the lack of timeliness of the requests to recover amounts that would have been previously amortized, but indicating that ongoing recovery of certain transmission-related income tax regulatory assets would provide for a more accurate revenue requirement. The orders did not address the remittance of TCJA transmission-related income tax regulatory liabilities, but rather referenced FERC’s separate Notice of Inquiry of such amounts issued on March 15, 2018.

On October 1, 2018, ComEd, BGE, Pepco, DPL, and ACE submitted new filings to recover ongoing non-TCJA amortization amounts and refund TCJA transmission-related income tax regulatory liabilities for the prospective period starting on October 1, 2018 but cannot predict the outcome of these FERC proceedings. If FERC ultimately rules that the future, ongoing non-TCJA amortization amounts are not recoverable, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE would record additional charges to Income tax expense, which could be up to approximately $73 million, $51 million, $13 million, $9 million, $3 million, $5 million and $1 million, respectively, as of September 30, 2018.

On October 9, 2018, ComEd, Pepco, DPL, and ACE sought rehearing of FERC's September 7, 2018 order, still seeking full recovery of their existing transmission-related income tax regulatory asset amounts, including those amounts that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery. ComEd, Pepco, DPL, and ACE cannot predict the outcome of this rehearing request. BGE has 60 days from the FERC September 7, 2018 order to file a petition for review in the federal court of appeals.

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

Transmission Formula Rate (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE). The following total (decreases)/increases were included in ComEd's, BGE's, Pepco's, DPL's and ACE's 2018 annual electric transmission formula rate updates.

	2018				
Annual Transmission Updates[a][b]	ComEd	BGE	Pepco	DPL	ACE
Initial revenue requirement (decrease) increase	$(44)	$10	$6	$14	$4
Annual reconciliation increase (decrease)	18	4	2	13	(4)
Dedicated facilities increase[c]	—	12	—	—	—
Total revenue requirement (decrease) increase	$(26)	$26	$8	$27	$—
Allowed return on rate base[d]	8.32 %	7.61%	7.82%	7.29%	8.02%
Allowed ROE[e]	11.50%	10.50%	10.50%	10.50%	10.50%

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(a) All rates are effective June 2018, subject to review by the FERC and other parties, which is due by fourth quarter 2018.

(b) The initial revenue requirement changes reflect the annual benefit of lower income tax rates effective January 1, 2018 resulting from the enactment of the TCJA of $69 million, $18 million, $13 million, $12 million and $11 million for ComEd, BGE, Pepco, DPL and ACE, respectively. They do not reflect the pass back or recovery of income tax-related regulatory liabilities or assets, including those established upon enactment of the TCJA. See further discussion above.

(c) BGE's transmission revenues include a FERC-approved dedicated facilities charge to recover the costs of providing transmission service to a specifically designated load by BGE.

(d) Represents the weighted average debt and equity return on transmission rate bases.

(e) As part of the FERC-approved settlement of ComEd’s 2007 transmission rate case, the rate of return on common equity is 11.50% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the transmission formula rate is currently capped at 55%. As part of the FERC-approved settlement of the ROE complaint against BGE, Pepco, DPL and ACE, the rate of return on common equity is 10.50%, inclusive of a 50 basis point incentive adder for being a member of a regional transmission organization.

See Note 3 - Regulatory Matters of the Exelon 2017 Form 10-K for additional information regarding transmission formula rate updates.

Transmission Formula Rate (Exelon and PECO). On May 1, 2017, PECO filed a request with FERC seeking approval to update its transmission rates and change the manner in which PECO’s transmission rate is determined from a fixed rate to a formula rate. The formula rate will be updated annually to ensure that under this rate customers pay the actual costs of providing transmission services. The formula rate filing includes a requested increase of $22 million to PECO’s annual transmission revenues and a requested rate of return on common equity of 11%, inclusive of a 50 basis point adder for being a member of a regional transmission organization. PECO requested that the new transmission rate be effective as of July 2017. On June 27, 2017, FERC issued an Order accepting the filing and suspending the proposed rates until December 1, 2017, subject to refund, and set the matter for hearing and settlement judge procedures. On May 4, 2018, the Chief Administrative Law Judge terminated settlement judge procedures and designated a new presiding judge. PECO cannot predict the final outcome of this proceeding, or the transmission formula FERC may approve.

On May 11, 2018, pursuant to the transmission formula rate request discussed above, PECO made its first annual formula rate update, which included a revenue decrease of $6 million. The revenue decrease of $6 million included an approximately $20 million reduction as a result of the tax savings associated with the TCJA. The updated transmission rate was effective June 1, 2018, subject to refund.

PJM Transmission Rate Design (All Registrants). On June 15, 2016, a number of parties, including the Utility Registrants, filed a proposed settlement with FERC to resolve outstanding issues related to cost responsibility for charges to transmission customers for certain transmission facilities that operate at or above 500 kV. The settlement included provisions for monthly credits or charges related

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to the periods prior to January 1, 2016 that are expected to be refunded or recovered through PJM wholesale transmission rates through December 2025.

On May 31, 2018, FERC issued an order approving the settlement and directed PJM to adjust wholesale transmission rates within 30 days. Pursuant to the order, similar charges for the period January 1, 2016 through June 30, 2018 will also be refunded or recovered through PJM wholesale transmission rates over the subsequent 12-month period. PJM commenced billing the refunds and charges associated with this settlement in August 2018. The Utility Registrants expect to refund or recover these settlement amounts through prospective electric distribution customer rates. On July 2, 2018, a number of parties filed petitions for rehearing or clarification.

Pursuant to the FERC approval of the settlement and the expected refund or recovery of the associated amounts from electric distribution customers, in the second quarter of 2018 and as adjusted in the third quarter of 2018, the Utility Registrants recorded the following payables to/receivables from PJM and related regulatory assets/liabilities. Generation recorded a $41 million net payable to PJM and a pre-tax charge within Purchased power and fuel expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

	PJM Receivable	PJM Payable	Regulatory Asset	Regulatory Liability
Exelon	$ 220	$ 176	$ 136	$ 221
Generation	—	41	—	—
ComEd	122	—	—	122
PECO	85	—	—	85
BGE	—	51	51	—
PHI[(a)]	13	84	85	14
Pepco	—	84	84	—
DPL	10	—	—	10
ACE	3	—	1	4

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(a) PHI reflects the consolidated impacts of Pepco, DPL, and ACE.

Operating License Renewals (Exelon and Generation). On August 29, 2012, Generation submitted a hydroelectric license application to FERC for a 46-year license for the Conowingo Hydroelectric Project (Conowingo). In connection with Generation’s efforts to obtain a water quality certification pursuant to Section 401 of the Clean Water Act (401 Certification) with Maryland Department of the Environment (MDE) for Conowingo, Generation continues to work with MDE and other stakeholders to resolve water quality licensing issues, including: (1) water quality, (2) fish habitat, and (3) sediment.

On April 21, 2016, Generation and the U.S. Fish and Wildlife Service of the U.S. Department of the Interior executed a Settlement Agreement resolving all fish passage issues between the parties. The financial impact of the Settlement Agreement is estimated to be $3 million to $7 million per year, on average, over the life of the new license, including both capital and operating costs. The actual timing and amount of these costs are not currently fixed and may vary significantly from year to year throughout the life of the new license.

On April 27, 2018, the MDE issued its 401 Certification for Conowingo. As issued, the 401 Certification contains numerous conditions, including those relating to reduction of nutrients from upstream sources, removal of all visible trash and debris from upstream sources, and implementation of measures relating to fish passage, which could have a material, unfavorable impact on Exelon’s and Generation’s results of operations, cash flows and financial positions through an increase in capital expenditures and operating costs if implemented. On May 25, 2018, Generation filed complaints in federal and state court, along with a petition for reconsideration with MDE, alleging that the conditions are unfair and onerous violating MDE regulations, state, federal, and constitutional law. Generation also requested that FERC defer action on the federal license while these significant state and federal law issues are pending. On July 9, 2018, MDE filed a motion to dismiss Generation's complaint in state court, which was granted without prejudice on October 9, 2018. The court found MDE's Certification was not a "final decision" of Exelon's rights and that because Exelon's motion for reconsideration remains pending, as does its administrative appeal of the 401 Certification, there was no final administrative decision for the court to review at this time. Exelon continues to challenge the 401 Certification through the administrative process and in federal court. Exelon and Generation cannot predict the final outcome or its financial impact, if any, on Exelon or Generation.

As of September 30, 2018, $35 million of direct costs associated with Conowingo licensing efforts have been capitalized. See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on Generation's operating license renewal efforts.

On July 10, 2018, Generation submitted a second 20-year license renewal application with the NRC for Peach Bottom Units 2 and 3. Generation anticipates the second license renewal process to take approximately 2 years from the application submission until completion of the NRC’s review process. Peach Bottom Units 2 and 3 are licensed to operate through 2033 and 2034, respectively.

Regulatory Assets and Liabilities (Exelon and the Utility Registrants)

Exelon and the Utility Registrants each prepare their consolidated financial statements in accordance with the authoritative guidance for accounting for certain types of regulation. Under this guidance, regulatory assets represent incurred costs that have been deferred because of their probable future recovery from customers through regulated rates. Regulatory liabilities represent the excess recovery of costs or accrued credits that have been deferred because it is probable such amounts will be returned to customers through future regulated rates or represent billings in advance of expenditures for approved regulatory programs.

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

The following tables provide information about the regulatory assets and liabilities of Exelon and the Utility Registrants as of September 30, 2018 and December 31, 2017. See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on the specific regulatory assets and liabilities.

September 30, 2018	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Regulatory assets								