

EXELON Corp
Form 10-Q
May 02, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2019

or

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

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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

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
EXELON CORPORATION;		
Common Stock, without par value	EXC	New York and Chicago
Series A Junior Debt Subordinated Debentures	EXC22	New York
PECO ENERGY COMPANY:		
Trust Receipts of PECO Energy Capital Trust III, each representing a 7.38% Cumulative Preferred Security, Series D, \$25 stated value, issued by PECO Energy Capital, L.P. and unconditionally guaranteed by PECO Energy Company	EXC/28	New York

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
 Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>				
Exelon Generation Company, LLC			<input checked="" type="checkbox"/>		
Commonwealth Edison Company			<input checked="" type="checkbox"/>		
PECO Energy Company			<input checked="" type="checkbox"/>		
Baltimore Gas and Electric Company			<input checked="" type="checkbox"/>		
Pepco Holdings LLC			<input checked="" type="checkbox"/>		
Potomac Electric Power Company			<input checked="" type="checkbox"/>		
Delmarva Power & Light Company			<input checked="" type="checkbox"/>		
Atlantic City Electric Company			<input checked="" type="checkbox"/>		

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.

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

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The number of shares outstanding of each registrant's common stock as of March 31, 2019 was:

Exelon Corporation Common Stock, without par value	970,954,879
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,021,331
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
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
Constellation	Constellation Energy Group, Inc.
EGR IV	ExGen Renewables IV, LLC
EGRP	ExGen Renewables Partners, LLC
Exelon Corporate	Exelon in its corporate capacity as a holding company
FitzPatrick	James A. FitzPatrick nuclear generating station
PCI	Potomac Capital Investment Corporation and its subsidiaries
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
SolGen	SolGen, LLC
TMI	Three Mile Island nuclear facility

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

Note "—" of the 2018 Form 10-K	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2018 Annual Report on Form 10-K
AESO	Alberta Electric Systems Operator
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income
ARC	Asset Retirement Cost
ARO	Asset Retirement Obligation
BGS	Basic Generation Service
CAISO	California Independent System Operator
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
CODM	Chief operating decision maker(s)
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
DOE	United States Department of Energy
DOEE	Department of Energy & Environment
DOJ	United States Department of Justice
DPSC	Delaware Public Service Commission
DSP	Default Service Provider
EDF	Electricite de France SA and its subsidiaries
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
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
IBEW	International Brotherhood of Electrical Workers
ICC	Illinois Commerce Commission
ICE	Intercontinental Exchange

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and
Abbreviations

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
LIBOR	London Interbank Offered Rate
MATS	U.S. EPA Mercury and Air Toxics Rule
MBR	Market Based Rates Incentive
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
MW	Megawatt
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
NJBPU	New Jersey Board of Public Utilities
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
NYMEX	New York Mercantile Exchange
NYPSC	New York Public Service Commission
OCI	Other Comprehensive Income
OIESO	Ontario Independent Electricity System Operator
OPEB	Other Postretirement Employee Benefits
Oyster Creek	Oyster Creek Generating Station
PA DEP	Pennsylvania Department of Environmental Protection
PAPUC	Pennsylvania Public Utility Commission
PGC	Purchased Gas Cost Clause
PJM	PJM Interconnection, LLC

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and
Abbreviations

POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Power Purchase Agreement
Price-Anderson Act	Price-Anderson Nuclear Industries Indemnity Act of 1957
PRP	Potentially Responsible Parties
PSEG	Public Service Enterprise Group Incorporated
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
Rider	Reconcilable Surcharge Recovery Mechanism
RMC	Risk Management Committee
ROE	Return on equity
ROU	Right-of-use
RPS	Renewable Energy Portfolio Standards
RSSA	Reliability Support Services Agreement
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)
SNF	Spent Nuclear Fuel
SOS	Standard Offer Service
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 2018 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22, 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 16, 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 SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information that the Registrants file electronically with the SEC. These documents are also available to the public from commercial document retrieval services and the Registrants' website at www.exeloncorp.com. Information contained on the Registrants' website 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 March 31,	
(In millions, except per share data)	2019	2018
Operating revenues		
Competitive businesses revenues	\$4,979	\$5,113
Rate-regulated utility revenues	4,503	4,570
Revenues from alternative revenue programs	(5)	10
Total operating revenues	9,477	9,693
Operating expenses		
Competitive businesses purchased power and fuel	3,204	3,289
Rate-regulated utility purchased power and fuel	1,349	1,438
Operating and maintenance	2,189	2,384
Depreciation and amortization	1,075	1,091
Taxes other than income	445	446
Total operating expenses	8,262	8,648
Gain on sales of assets and businesses	3	56
Operating income	1,218	1,101
Other income and (deductions)		
Interest expense, net	(397)	(365)
Interest expense to affiliates	(6)	(6)
Other, net	467	(28)
Total other income and (deductions)	64	(399)
Income before income taxes	1,282	702
Income taxes	310	59
Equity in losses of unconsolidated affiliates	(6)	(7)
Net income	966	636
Net income attributable to noncontrolling interests	59	51
Net income attributable to common shareholders	\$907	\$585
Comprehensive income, net of income taxes		
Net income	\$966	\$636
Other comprehensive (loss) income, net of income taxes		
Pension and non-pension postretirement benefit plans:		
Prior service benefit reclassified to periodic benefit cost	(16)	(17)
Actuarial loss reclassified to periodic benefit cost	36	61
Pension and non-pension postretirement benefit plan valuation adjustment	(38)	18
Unrealized gain on cash flow hedges	—	8
Unrealized (loss) gain on investments in unconsolidated affiliates	(2)	1
Unrealized gain on foreign currency translation	2	1
Other comprehensive (loss) income	(18)	72
Comprehensive income	948	708
Comprehensive income attributable to noncontrolling interests	58	52
Comprehensive income attributable to common shareholders	\$890	\$656

Average shares of common stock outstanding:

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Basic	971	966
Assumed exercise and/or distributions of stock-based awards	1	2
Diluted ^(a)	972	968

Earnings per average common share:

Basic	\$0.93	\$0.61
Diluted	\$0.93	\$0.60

The number of stock options not included in the calculation of diluted common shares outstanding due to their (a)antidilutive effect was immaterial for the three months ended March 31, 2019 and approximately 5 million for the three months ended March 31, 2018.

See the Combined Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$966	\$636
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	1,460	1,501
Impairment of long-lived assets	7	—
Gain on sales of assets and businesses	—	(56)
Deferred income taxes and amortization of investment tax credits	187	(14)
Net fair value changes related to derivatives	31	259
Net realized and unrealized (gains) losses on NDT funds	(308)	68
Other non-cash operating activities	127	240
Changes in assets and liabilities:		
Accounts receivable	79	133
Inventories	128	167
Accounts payable and accrued expenses	(764)	(451)
Option premiums received (paid), net	6	(27)
Collateral posted, net	(101)	(214)
Income taxes	141	86
Pension and non-pension postretirement benefit contributions	(328)	(331)
Other assets and liabilities	(587)	(495)
Net cash flows provided by operating activities	1,044	1,502
Cash flows from investing activities		
Capital expenditures	(1,873)	(1,880)
Proceeds from NDT fund sales	3,713	1,189
Investment in NDT funds	(3,666)	(1,248)
Proceeds from sales of assets and businesses	8	79
Other investing activities	32	3
Net cash flows used in investing activities	(1,786)	(1,857)
Cash flows from financing activities		
Changes in short-term borrowings	540	726
Proceeds from short-term borrowings with maturities greater than 90 days	—	1
Repayments on short-term borrowings with maturities greater than 90 days	—	(1)
Issuance of long-term debt	402	1,130
Retirement of long-term debt	(352)	(1,241)
Dividends paid on common stock	(352)	(333)
Proceeds from employee stock plans	51	12
Other financing activities	(14)	(30)
Net cash flows provided by financing activities	275	264
Decrease in cash, cash equivalents and restricted cash	(467)	(91)
Cash, cash equivalents and restricted cash at beginning of period	1,781	1,190
Cash, cash equivalents and restricted cash at end of period	\$1,314	\$1,099

See the Combined Notes to Consolidated Financial Statements

Table of ContentsEXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 880	\$ 1,349
Restricted cash and cash equivalents	223	247
Accounts receivable, net		
Customer	4,564	4,607
Other	1,062	1,256
Mark-to-market derivative assets	652	804
Unamortized energy contract assets	49	48
Inventories, net		
Fossil fuel and emission allowances	179	334
Materials and supplies	1,380	1,351
Regulatory assets	1,191	1,222
Assets held for sale	890	904
Other	1,406	1,238
Total current assets	12,476	13,360
Property, plant and equipment, net	77,460	76,707
Deferred debits and other assets		
Regulatory assets	8,222	8,237
Nuclear decommissioning trust funds	12,302	11,661
Investments	620	625
Goodwill	6,677	6,677
Mark-to-market derivative assets	454	452
Unamortized energy contract assets	365	372
Other	3,017	1,575
Total deferred debits and other assets	31,657	29,599
Total assets ^(a)	\$ 121,593	\$ 119,666

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$1,254	\$ 714
Long-term debt due within one year	2,508	1,349
Accounts payable	3,327	3,800
Accrued expenses	1,725	2,112
Payables to affiliates	5	5
Regulatory liabilities	522	644
Mark-to-market derivative liabilities	345	475
Unamortized energy contract liabilities	151	149
Renewable energy credit obligation	348	344
Liabilities held for sale	799	777
Other	1,245	1,035
Total current liabilities	12,229	11,404
Long-term debt	32,960	34,075
Long-term debt to financing trusts	390	390
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	11,642	11,330
Asset retirement obligations	9,967	9,679
Pension obligations	3,734	3,988
Non-pension postretirement benefit obligations	1,984	1,928
Spent nuclear fuel obligation	1,178	1,171
Regulatory liabilities	9,781	9,559
Mark-to-market derivative liabilities	434	479
Unamortized energy contract liabilities	432	463
Other	3,158	2,130
Total deferred credits and other liabilities	42,310	40,727
Total liabilities ^(a)	87,889	86,596
Commitments and contingencies		
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 971 shares and 968 shares outstanding at March 31, 2019 and December 31, 2018, respectively)	19,171	19,116
Treasury stock, at cost (2 shares at March 31, 2019 and December 31, 2018)	(123)	(123)
Retained earnings	15,321	14,766
Accumulated other comprehensive loss, net	(3,012)	(2,995)
Total shareholders' equity	31,357	30,764
Noncontrolling interests	2,347	2,306
Total equity	33,704	33,070
Total liabilities and shareholders' equity	\$121,593	\$ 119,666

(a) Exelon's consolidated assets include \$9,546 million and \$9,667 million at March 31, 2019 and December 31, 2018, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include \$3,572 million and \$3,548 million at March 31, 2019 and December 31, 2018, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 2 — Variable Interest Entities for

additional information.

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In millions, shares in thousands)	Three Months Ended March 31, 2019							Total Shareholders' Equity
	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interests		
Balance, December 31, 2018	970,020	\$19,116	\$(123)	\$14,766	\$(2,995)	\$ 2,306	\$ 33,070	
Net income	—	—	—	907	—	59	966	
Long-term incentive plan activity	2,446	(3)	—	—	—	—	(3)	
Employee stock purchase plan issuances	320	51	—	—	—	—	51	
Changes in equity of noncontrolling interests	—	—	—	—	—	(17)	(17)	
Sale of noncontrolling interests	—	7	—	—	—	—	7	
Common stock dividends (\$0.36/common share)	—	—	—	(352)	—	—	(352)	
Other comprehensive income, net of income taxes	—	—	—	—	(17)	(1)	(18)	
Balance, March 31, 2019	972,786	\$19,171	\$(123)	\$15,321	\$(3,012)	\$ 2,347	\$ 33,704	
(In millions, shares in thousands)	Three Months Ended March 31, 2018							Total Shareholders' Equity
	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interests		
Balance, December 31, 2017	965,168	\$18,964	\$(123)	\$14,081	\$(3,026)	\$ 2,291	\$ 32,187	
Net income	—	—	—	585	—	51	636	
Long-term incentive plan activity	1,685	(3)	—	—	—	—	(3)	
Employee stock purchase plan issuances	361	12	—	—	—	—	12	
Changes in equity of noncontrolling interests	—	—	—	—	—	(9)	(9)	
Common stock dividends (\$0.35/common share)	—	—	—	(334)	—	—	(334)	
Other comprehensive income, net of income taxes	—	—	—	—	71	1	72	
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	—	—	14	(10)	—	4	
Balance, March 31, 2018	967,214	\$18,973	\$(123)	\$14,346	\$(2,965)	\$ 2,334	\$ 32,565	

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

(In millions)	Three Months Ended March 31,	
	2019	2018
Operating revenues		
Operating revenues	\$4,979	\$5,114
Operating revenues from affiliates	317	398
Total operating revenues	5,296	5,512
Operating expenses		
Purchased power and fuel	3,204	3,289
Purchased power and fuel from affiliates	1	4
Operating and maintenance	1,068	1,178
Operating and maintenance from affiliates	150	161
Depreciation and amortization	405	448
Taxes other than income	135	138
Total operating expenses	4,963	5,218
Gain on sales of assets and businesses	—	53
Operating income	333	347
Other income and (deductions)		
Interest expense, net	(102)	(91)
Interest expense to affiliates	(9)	(10)
Other, net	430	(44)
Total other income and (deductions)	319	(145)
Income before income taxes	652	202
Income taxes	224	9
Equity in losses of unconsolidated affiliates	(6)	(7)
Net income	422	186
Net income attributable to noncontrolling interests	59	50
Net income attributable to membership interest	\$363	\$136
Comprehensive income, net of income taxes		
Net income	\$422	\$186
Other comprehensive income (loss), net of income taxes		
Unrealized gain on cash flow hedges	1	7
Unrealized (loss) gain on investments in unconsolidated affiliates	(2)	1
Unrealized gain (loss) on foreign currency translation	2	(1)
Other comprehensive income	1	7
Comprehensive income	423	193
Comprehensive income attributable to noncontrolling interests	58	51
Comprehensive income attributable to membership interest	\$365	\$142

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$422	\$186
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	789	858
Impairment of long-lived assets	7	—
Gain on sales of assets and businesses	—	(53)
Deferred income taxes and amortization of investment tax credits	108	(68)
Net fair value changes related to derivatives	33	264
Net realized and unrealized (gains) losses on NDT funds	(308)	68
Other non-cash operating activities	(90)	45
Changes in assets and liabilities:		
Accounts receivable	197	194
Receivables from and payables to affiliates, net	(5)	(15)
Inventories	103	122
Accounts payable and accrued expenses	(411)	(317)
Option premiums received (paid), net	6	(27)
Collateral posted, net	(87)	(214)
Income taxes	146	79
Pension and non-pension postretirement benefit contributions	(141)	(125)
Other assets and liabilities	(187)	(142)
Net cash flows provided by operating activities	582	855
Cash flows from investing activities		
Capital expenditures	(511)	(628)
Proceeds from NDT fund sales	3,713	1,189
Investment in NDT funds	(3,666)	(1,248)
Proceeds from sales of assets and businesses	8	79
Other investing activities	23	(7)
Net cash flows used in investing activities	(433)	(615)
Cash flows from financing activities		
Changes in short-term borrowings	—	165
Proceeds from short-term borrowings with maturities greater than 90 days	—	1
Repayments of short-term borrowings with maturities greater than 90 days	—	(1)
Issuance of long-term debt	2	4
Retirement of long-term debt	(47)	(29)
Changes in Exelon intercompany money pool	(100)	—
Distributions to member	(225)	(188)
Other financing activities	(6)	(9)
Net cash flows used in financing activities	(376)	(57)
(Decrease) increase in cash, cash equivalents and restricted cash	(227)	183
Cash, cash equivalents and restricted cash at beginning of period	903	554
Cash, cash equivalents and restricted cash at end of period	\$676	\$737

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Table of ContentsEXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 537	\$ 750
Restricted cash and cash equivalents	139	153
Accounts receivable, net		
Customer	2,800	2,941
Other	367	562
Mark-to-market derivative assets	652	804
Receivables from affiliates	163	173
Unamortized energy contract assets	49	49
Inventories, net		
Fossil fuel and emission allowances	146	251
Materials and supplies	965	963
Assets held for sale	890	904
Other	1,013	883
Total current assets	7,721	8,433
Property, plant and equipment, net	24,034	23,981
Deferred debits and other assets		
Nuclear decommissioning trust funds	12,302	11,661
Investments	404	414
Goodwill	47	47
Mark-to-market derivative assets	454	452
Prepaid pension asset	1,525	1,421
Unamortized energy contract assets	364	371
Deferred income taxes	18	21
Other	1,813	755
Total deferred debits and other assets	16,927	15,142
Total assets ^(a)	\$ 48,682	\$ 47,556

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Table of ContentsEXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities		
Long-term debt due within one year	\$2,365	\$ 906
Accounts payable	1,566	1,847
Accrued expenses	675	898
Payables to affiliates	136	139
Borrowings from Exelon intercompany money pool	—	100
Mark-to-market derivative liabilities	318	449
Unamortized energy contract liabilities	28	31
Renewable energy credit obligation	348	343
Liabilities held for sale	799	777
Other	425	279
Total current liabilities	6,660	5,769
Long-term debt	5,487	6,989
Long-term debt to affiliates	895	898
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,502	3,383
Asset retirement obligations	9,737	9,450
Non-pension postretirement benefit obligations	894	900
Spent nuclear fuel obligation	1,178	1,171
Payables to affiliates	2,870	2,606
Mark-to-market derivative liabilities	219	252
Unamortized energy contract liabilities	16	20
Other	1,528	610
Total deferred credits and other liabilities	19,944	18,392
Total liabilities ^(a)	32,986	32,048
Commitments and contingencies		
Equity		
Member's equity		
Membership interest	9,525	9,518
Undistributed earnings	3,862	3,724
Accumulated other comprehensive loss, net	(36) (38
Total member's equity	13,351	13,204
Noncontrolling interests	2,345	2,304
Total equity	15,696	15,508
Total liabilities and equity	\$48,682	\$ 47,556

Generation's consolidated assets include \$9,515 million and \$9,634 million at March 31, 2019 and December 31, 2018, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation's (a) consolidated liabilities include \$3,508 million and \$3,480 million at March 31, 2019 and December 31, 2018, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 2 — Variable Interest Entities for additional information.

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

(In millions)	Three Months Ended March 31, 2019				
	Member's Equity				
	Member's	Undistributed	Other	Noncontrolling	Total
	Interest	Earnings	Comprehensive	Interests	Equity
			Loss, net		
Balance, December 31, 2018	\$9,518	\$ 3,724	\$ (38)	\$ 2,304	\$15,508
Net income	—	363	—	59	422
Changes in equity of noncontrolling interests	—	—	—	(17)	(17)
Sale of noncontrolling interests	7	—	—	—	7
Distributions to member	—	(225)	—	—	(225)
Other comprehensive income (loss), net of income taxes	—	—	2	(1)	1
Balance, March 31, 2019	\$9,525	\$ 3,862	\$ (36)	\$ 2,345	\$15,696

(In millions)	Three Months Ended March 31, 2018				
	Member's Equity				
	Member's	Undistributed	Other	Noncontrolling	Total
	Interest	Earnings	Comprehensive	Interests	Equity
			Loss, net		
Balance, December 31, 2017	\$9,357	\$ 4,349	\$ (37)	\$ 2,290	\$15,959
Net income	—	136	—	50	186
Changes in equity of noncontrolling interests	—	—	—	(9)	(9)
Distributions to member	—	(188)	—	—	(188)
Other comprehensive income, net of income taxes	—	—	6	1	7
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	6	(3)	—	3
Balance, March 31, 2018	\$9,357	\$ 4,303	\$ (34)	\$ 2,332	\$15,958

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

(In millions)	Three Months Ended March 31,	
	2019	2018
Operating revenues		
Electric operating revenues	\$1,432	\$1,493
Revenues from alternative revenue programs	(28)	5
Operating revenues from affiliates	4	14
Total operating revenues	1,408	1,512
Operating expenses		
Purchased power	388	411
Purchased power from affiliate	97	194
Operating and maintenance	259	253
Operating and maintenance from affiliate	62	60
Depreciation and amortization	251	228
Taxes other than income	78	77
Total operating expenses	1,135	1,223
Gain on sales of assets	3	3
Operating income	276	292
Other income and (deductions)		
Interest expense, net	(84)	(86)
Interest expense to affiliates	(3)	(3)
Other, net	8	8
Total other income and (deductions)	(79)	(81)
Income before income taxes	197	211
Income taxes	40	46
Net income	\$157	\$165
Comprehensive income	\$157	\$165

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$ 157	\$ 165
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	251	228
Deferred income taxes and amortization of investment tax credits	34	50
Other non-cash operating activities	56	46
Changes in assets and liabilities:		
Accounts receivable	14	39
Receivables from and payables to affiliates, net	(34)	(19)
Inventories	(3)	5
Accounts payable and accrued expenses	(188)	(158)
Collateral posted, net	(13)	(3)
Income taxes	5	(5)
Pension and non-pension postretirement benefit contributions	(67)	(38)
Other assets and liabilities	(121)	(176)
Net cash flows provided by operating activities	91	134
Cash flows from investing activities		
Capital expenditures	(503)	(531)
Other investing activities	11	8
Net cash flows used in investing activities	(492)	(523)
Cash flows from financing activities		
Changes in short-term borrowings	322	317
Issuance of long-term debt	400	800
Retirement of long-term debt	(300)	(700)
Contributions from parent	63	113
Dividends paid on common stock	(127)	(114)
Other financing activities	(9)	(9)
Net cash flows provided by financing activities	349	407
(Decrease) increase in cash, cash equivalents and restricted cash	(52)	18
Cash, cash equivalents and restricted cash at beginning of period	330	144
Cash, cash equivalents and restricted cash at end of period	\$278	\$162

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CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 68	\$ 135
Restricted cash	17	29
Accounts receivable, net		
Customer	539	539
Other	336	320
Receivables from affiliates	21	20
Inventories, net	152	148
Regulatory assets	285	293
Other	89	86
Total current assets	1,507	1,570
Property, plant and equipment, net	22,274	22,058
Deferred debits and other assets		
Regulatory assets	1,338	1,307
Investments	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,412	2,217
Prepaid pension asset	1,073	1,035
Other	347	395
Total deferred debits and other assets	7,801	7,585
Total assets	\$ 31,582	\$ 31,213

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Table of ContentsCOMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 322	\$ —
Long-term debt due within one year	—	300
Accounts payable	491	607
Accrued expenses	229	373
Payables to affiliates	74	119
Customer deposits	112	111
Regulatory liabilities	241	293
Mark-to-market derivative liability	27	26
Other	98	96
Total current liabilities	1,594	1,925
Long-term debt	8,194	7,801
Long-term debt to financing trust	205	205
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,870	3,813
Asset retirement obligations	119	118
Non-pension postretirement benefits obligations	196	201
Regulatory liabilities	6,269	6,050
Mark-to-market derivative liability	213	223
Other	582	630
Total deferred credits and other liabilities	11,249	11,035
Total liabilities	21,242	20,966
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid-in capital	7,385	7,322
Retained deficit unappropriated	(1,639)	(1,639)
Retained earnings appropriated	3,006	2,976
Total shareholders' equity	10,340	10,247
Total liabilities and shareholders' equity	\$ 31,582	\$ 31,213

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 (Unaudited)

(In millions)	Three Months Ended March 31, 2019				
	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Total Shareholders' Equity
Balance, December 31, 2018	\$1,588	\$7,322	\$ (1,639)	\$ 2,976	\$ 10,247
Net income	—	—	157	—	157
Appropriation of retained earnings for future dividends	—	—	(157)	157	—
Common stock dividends	—	—	—	(127)	(127)
Contributions from parent	—	63	—	—	63
Balance, March 31, 2019	\$1,588	\$7,385	\$ (1,639)	\$ 3,006	\$ 10,340

(In millions)	Three Months Ended March 31, 2018				
	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	—	—	165	—	165
Appropriation of retained earnings for future dividends	—	—	(165)	165	—
Common stock dividends	—	—	—	(114)	(114)
Contributions from parent	—	113	—	—	113
Balance, March 31, 2018	\$1,588	\$6,935	\$ (1,639)	\$ 2,822	\$ 9,706

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Operating revenues		
Electric operating revenues	\$622	\$633
Natural gas operating revenues	280	232
Revenues from alternative revenue programs	(3)	(1)
Operating revenues from affiliates	1	2
Total operating revenues	900	866
Operating expenses		
Purchased power	152	199
Purchased fuel	135	98
Purchased power from affiliate	44	36
Operating and maintenance	187	233
Operating and maintenance from affiliates	38	42
Depreciation and amortization	81	75
Taxes other than income	41	41
Total operating expenses	678	724
Operating income	222	142
Other income and (deductions)		
Interest expense, net	(30)	(30)
Interest expense to affiliates	(3)	(3)
Other, net	4	2
Total other income and (deductions)	(29)	(31)
Income before income taxes	193	111
Income taxes	25	(2)
Net income	\$168	\$113
Comprehensive income	\$168	\$113

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$ 168	\$ 113
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	81	75
Deferred income taxes and amortization of investment tax credits	5	(4)
Other non-cash operating activities	16	21
Changes in assets and liabilities:		
Accounts receivable	(86)	(51)
Receivables from and payables to affiliates, net	7	7
Inventories	23	12
Accounts payable and accrued expenses	(13)	6
Income taxes	20	5
Pension and non-pension postretirement benefit contributions	(25)	(24)
Other assets and liabilities	(119)	(141)
Net cash flows provided by operating activities	77	19
Cash flows from investing activities		
Capital expenditures	(222)	(217)
Other investing activities	2	2
Net cash flows used in investing activities	(220)	(215)
Cash flows from financing activities		
Changes in short-term borrowings	—	220
Issuance of long-term debt	—	325
Retirement of long-term debt	—	(500)
Changes in Exelon intercompany money pool	—	194
Contributions from parent	145	—
Dividends paid on common stock	(90)	(287)
Other financing activities	—	(5)
Net cash flows provided by (used in) financing activities	55	(53)
Decrease in cash, cash equivalents and restricted cash	(88)	(249)
Cash, cash equivalents and restricted cash at beginning of period	135	275
Cash, cash equivalents and restricted cash at end of period	\$ 47	\$ 26

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CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 41	\$ 130
Restricted cash and cash equivalents	6	5
Accounts receivable, net		
Customer	394	321
Other	148	151
Inventories, net		
Fossil fuel	15	38
Materials and supplies	37	37
Prepaid utility taxes	100	—
Regulatory assets	54	81
Other	21	19
Total current assets	816	782
Property, plant and equipment, net	8,766	8,610
Deferred debits and other assets		
Regulatory assets	491	460
Investments	25	25
Receivable from affiliates	457	389
Prepaid pension asset	372	349
Other	29	27
Total deferred debits and other assets	1,374	1,250
Total assets	\$ 10,956	\$ 10,642

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

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable	379	370
Accrued expenses	119	113
Payables to affiliates	66	59
Customer deposits	68	68
Regulatory liabilities	123	175
Other	32	24
Total current liabilities	787	809
Long-term debt	3,084	3,084
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,974	1,933
Asset retirement obligations	27	27
Non-pension postretirement benefits obligations	288	288
Regulatory liabilities	488	421
Other	81	76
Total deferred credits and other liabilities	2,858	2,745
Total liabilities	6,913	6,822
Commitments and contingencies		
Shareholder's equity		
Common stock	2,723	2,578
Retained earnings	1,320	1,242
Total shareholder's equity	4,043	3,820
Total liabilities and shareholder's equity	\$ 10,956	\$ 10,642

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(In millions)	Three months ended March 31, 2019			
	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholder's Equity
Balance, December 31, 2018	\$2,578	\$ 1,242	\$ —	\$ 3,820
Net income	—	168	—	168
Common stock dividends	—	(90)	—	(90)
Contributions from parent	145	—	—	145
Balance, March 31, 2019	\$2,723	\$ 1,320	\$ —	\$ 4,043

(In millions)	Three months ended March 31, 2018			
	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	—	113	—	113
Common stock dividends	—	(287)	—	(287)
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities Standard	—	1	(1)	—
Balance, March 31, 2018	\$2,489	\$ 914	\$ —	\$ 3,403

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

(In millions)	Three Months Ended March 31,	
	2019	2018
Operating revenues		
Electric operating revenues	\$652	\$654
Natural gas operating revenues	308	330
Revenues from alternative revenue programs	10	(13)
Operating revenues from affiliates	6	6
Total operating revenues	976	977
Operating expenses		
Purchased power	190	192
Purchased fuel	95	123
Purchased power from affiliate	75	65
Operating and maintenance	153	184
Operating and maintenance from affiliates	39	37
Depreciation and amortization	136	134
Taxes other than income	68	65
Total operating expenses	756	800
Operating income	220	177
Other income and (deductions)		
Interest expense, net	(29)	(25)
Other, net	5	4
Total other income and (deductions)	(24)	(21)
Income before income taxes	196	156
Income taxes	36	28
Net income	\$160	\$128
Comprehensive income	\$160	\$128

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$ 160	\$ 128
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	136	134
Deferred income taxes and amortization of investment tax credits	28	22
Other non-cash operating activities	27	20
Changes in assets and liabilities:		
Accounts receivable	(39)	(32)
Receivables from and payables to affiliates, net	(10)	—
Inventories	17	20
Accounts payable and accrued expenses	(27)	(9)
Collateral posted, net	(1)	—
Income taxes	8	14
Pension and non-pension postretirement benefit contributions	(40)	(45)
Other assets and liabilities	(14)	61
Net cash flows provided by operating activities	245	313
Cash flows from investing activities		
Capital expenditures	(258)	(224)
Other investing activities	1	1
Net cash flows used in investing activities	(257)	(223)
Cash flows from financing activities		
Changes in short-term borrowings	71	(32)
Dividends paid on common stock	(56)	(52)
Net cash flows provided by (used in) financing activities	15	(84)
Increase in cash, cash equivalents and restricted cash	3	6
Cash, cash equivalents and restricted cash at beginning of period	13	18
Cash, cash equivalents and restricted cash at end of period	\$ 16	\$ 24

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BALTIMORE GAS AND ELECTRIC COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12	\$ 7
Restricted cash and cash equivalents	4	6
Accounts receivable, net		
Customer	385	353
Other	89	90
Receivables from affiliates	—	1
Inventories, net		
Fossil fuel	16	36
Materials and supplies	42	39
Prepaid utility taxes	38	74
Regulatory assets	161	177
Other	6	3
Total current assets	753	786
Property, plant and equipment, net	8,408	8,243
Deferred debits and other assets		
Regulatory assets	395	398
Investments	5	5
Prepaid pension asset	301	279
Other	105	5
Total deferred debits and other assets	806	687
Total assets	\$ 9,967	\$ 9,716

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BALTIMORE GAS AND ELECTRIC COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 106	\$ 35
Accounts payable	291	295
Accrued expenses	142	155
Payables to affiliates	54	65
Customer deposits	120	120
Regulatory liabilities	67	77
Other	54	27
Total current liabilities	834	774
Long-term debt	2,876	2,876
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,275	1,222
Asset retirement obligations	24	24
Non-pension postretirement benefits obligations	198	201
Regulatory liabilities	1,172	1,192
Other	130	73
Total deferred credits and other liabilities	2,799	2,712
Total liabilities	6,509	6,362
Commitments and contingencies		
Shareholders' equity		
Common stock	1,714	1,714
Retained earnings	1,744	1,640
Total shareholders' equity	3,458	3,354
Total liabilities and shareholders' equity	\$ 9,967	\$ 9,716

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BALTIMORE GAS AND ELECTRIC COMPANY
 STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
 (Unaudited)

(In millions)	Three Months Ended March 31, 2019		
	Common Stock	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 2018	\$1,714	\$1,640	\$ 3,354
Net income	—	160	160
Common stock dividends	—	(56)	(56)
Balance, March 31, 2019	\$1,714	\$1,744	\$ 3,458

(In millions)	Three Months Ended March 31, 2018		
	Common Stock	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 2017	\$1,605	\$1,536	\$ 3,141
Net income	—	128	128
Common stock dividends	—	(52)	(52)
Balance, March 31, 2018	\$1,605	\$1,612	\$ 3,217

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

(In millions)	Three Months Ended March 31,	
	2019	2018
Operating revenues		
Electric operating revenues	\$1,139	\$1,151
Natural gas operating revenues	71	78
Revenues from alternative revenue programs	15	18
Operating revenues from affiliates	3	4
Total operating revenues	1,228	1,251
Operating expenses		
Purchased power	355	374
Purchased fuel	34	41
Purchased power and fuel from affiliates	101	105
Operating and maintenance	239	271
Operating and maintenance from affiliates	33	38
Depreciation, amortization and accretion	180	183
Taxes other than income	111	113
Total operating expenses	1,053	1,125
Operating income	175	126
Other income and (deductions)		
Interest expense, net	(65)	(63)
Other, net	12	11
Total other income and (deductions)	(53)	(52)
Income before income taxes	122	74
Income taxes	5	9
Net income	\$117	\$65
Comprehensive income	\$117	\$65

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Cash flows from operating activities		
Net income	\$117	\$65
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	180	183
Deferred income taxes and amortization of investment tax credits	—	17
Other non-cash operating activities	35	53
Changes in assets and liabilities:		
Accounts receivable	(11)	(9)
Receivables from and payables to affiliates, net	(8)	10
Inventories	(12)	4
Accounts payable and accrued expenses	(9)	44
Income taxes	4	(9)
Pension and non-pension postretirement benefit contributions	(6)	(55)
Other assets and liabilities	(61)	(24)
Net cash flows provided by operating activities	229	279
Cash flows from investing activities		
Capital expenditures	(358)	(258)
Other investing activities	1	—
Net cash flows used in investing activities	(357)	(258)
Cash flows from financing activities		
Changes in short-term borrowings	147	57
Retirement of long-term debt	(5)	(12)
Distributions to member	(128)	(71)
Contributions from member	19	—
Change in Exelon intercompany money pool	—	13
Net cash flows provided by (used in) financing activities	33	(13)
(Decrease) increase in cash, cash equivalents and restricted cash	(95)	8
Cash, cash equivalents and restricted cash at beginning of period	186	95
Cash, cash equivalents and restricted cash at end of period	\$91	\$103

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

(In millions)	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$33	\$ 124
Restricted cash and cash equivalents	39	43
Accounts receivable, net		
Customer	445	453
Other	189	177
Receivable from affiliates	1	—
Inventories, net		
Fossil Fuel	2	9
Materials and supplies	184	163
Regulatory assets	506	489
Other	54	75
Total current assets	1,453	1,533
Property, plant and equipment, net	13,619	13,446
Deferred debits and other assets		
Regulatory assets	2,236	2,312
Investments	132	130
Goodwill	4,005	4,005
Prepaid pension asset	467	486
Deferred income taxes	12	12
Other	370	60
Total deferred debits and other assets	7,222	7,005
Total assets ^(a)	\$22,294	\$ 21,984

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

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Short-term borrowings	\$326	\$ 179
Long-term debt due within one year	125	125
Accounts payable	441	496
Accrued expenses	253	256
Payables to affiliates	87	94
Regulatory liabilities	76	84
Unamortized energy contract liabilities	123	119
Customer deposits	117	116
Other	127	123
Total current liabilities	1,675	1,592
Long-term debt	6,119	6,134
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,182	2,146
Asset retirement obligations	52	52
Non-pension postretirement benefit obligations	101	103
Regulatory liabilities	1,829	1,864
Unamortized energy contract liabilities	416	442
Other	630	369
Total deferred credits and other liabilities	5,210	4,976
Total liabilities ^(a)	13,004	12,702
Commitments and contingencies		
Member's equity		
Membership interest	9,239	9,220
Undistributed earnings	51	62
Total member's equity	9,290	9,282
Total liabilities and member's equity	\$22,294	\$ 21,984

PHI's consolidated total assets include \$31 million and \$33 million at March 31, 2019 and December 31, 2018, respectively, of PHI's consolidated VIE that can only be used to settle the liabilities of the VIE. PHI's consolidated (a) total liabilities include \$64 million and \$69 million at March 31, 2019 and December 31, 2018, respectively, of PHI's consolidated VIE for which the VIE creditors do not have recourse to PHI. See Note 2 — Variable Interest Entities for additional information.

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

(In millions)	Three Months Ended March 31, 2019		
	Membership Interest	Undistributed Earnings (Losses)	Member's Equity
Balance, December 31, 2018	\$9,220	\$ 62	\$ 9,282
Net income	—	117	117
Distributions to member	—	(128)	(128)
Contributions from member	19	—	19
Balance, March 31, 2019	\$9,239	\$ 51	\$ 9,290

(In millions)	Three Months Ended March 31, 2018		
	Membership Interest	Undistributed Earnings (Losses)	Member's Equity
Balance, December 31, 2017	\$8,835	\$ (10)	\$ 8,825
Net income	—	65	65
Distributions to member	—	(71)	(71)
Balance, March 31, 2018	\$8,835	\$ (16)	\$ 8,819

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Operating revenues		
Electric operating revenues	\$559	\$536
Revenues from alternative revenue programs	14	19
Operating revenues from affiliates	2	2
Total operating revenues	575	557
Operating expenses		
Purchased power	117	130
Purchased power from affiliates	70	52
Operating and maintenance	64	73
Operating and maintenance from affiliates	54	57
Depreciation and amortization	94	96
Taxes other than income	92	93
Total operating expenses	491	501
Operating income	84	56
Other income and (deductions)		
Interest expense, net	(34)	(31)
Other, net	7	8
Total other income and (deductions)	(27)	(23)
Income before income taxes	57	33
Income taxes	2	2
Net income	\$55	\$31
Comprehensive income	\$55	\$31

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POTOMAC ELECTRIC POWER COMPANY
 STATEMENTS OF CASH FLOWS
 (Unaudited)

(In millions)	Three Months Ended March 31, 2019 2018	
Cash flows from operating activities		
Net income	\$55	\$31
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	94	96
Deferred income taxes and amortization of investment tax credits	(2)	4
Other non-cash operating activities	3	10
Changes in assets and liabilities:		
Accounts receivable	(19)	—
Receivables from and payables to affiliates, net	3	(18)
Inventories	(14)	(2)
Accounts payable and accrued expenses	(2)	36
Income taxes	4	(3)
Pension and non-pension postretirement benefit contributions	(4)	(7)
Other assets and liabilities	(37)	(21)
Net cash flows provided by operating activities	81	126
Cash flows from investing activities		
Capital expenditures	(144)	(127)
Other investing activities	1	—
Net cash flows used in investing activities	(143)	(127)
Cash flows from financing activities		
Changes in short-term borrowings	65	34
Dividends paid on common stock	(24)	(25)
Contributions from parent	14	—
Net cash flows provided by financing activities	55	9
(Decrease) increase in cash, cash equivalents and restricted cash	(7)	8
Cash, cash equivalents and restricted cash at beginning of period	53	40
Cash, cash equivalents and restricted cash at end of period	\$46	\$48

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POTOMAC ELECTRIC POWER COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11	\$ 16
Restricted cash and cash equivalents	35	37
Accounts receivable, net		
Customer	219	225
Other	102	81
Receivables from affiliates	1	1
Inventories, net	109	93
Regulatory assets	270	270
Other	22	37
Total current assets	769	760
Property, plant and equipment, net	6,534	6,460
Deferred debits and other assets		
Regulatory assets	620	643
Investments	106	105
Prepaid pension asset	311	316
Other	80	15
Total deferred debits and other assets	1,117	1,079
Total assets	\$ 8,420	\$ 8,299

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POTOMAC ELECTRIC POWER COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	\$ 105	\$ 40
Long-term debt due within one year	15	15
Accounts payable	188	214
Accrued expenses	139	126
Payables to affiliates	65	62
Customer deposits	55	54
Regulatory liabilities	6	7
Merger related obligation	38	38
Current portion of DC PLUG obligation	30	30
Other	17	42
Total current liabilities	658	628
Long-term debt	2,705	2,704
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,081	1,064
Non-pension postretirement benefit obligations	26	29
Regulatory liabilities	805	822
Other	360	312
Total deferred credits and other liabilities	2,272	2,227
Total liabilities	5,635	5,559
Commitments and contingencies		
Shareholder's equity		
Common stock	1,650	1,636
Retained earnings	1,135	1,104
Total shareholder's equity	2,785	2,740
Total liabilities and shareholder's equity	\$ 8,420	\$ 8,299

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

(In millions)	Three Months Ended March 31, 2019		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2018	\$1,636	\$ 1,104	\$ 2,740
Net income	—	55	55
Common stock dividends	—	(24)	(24)
Contributions from parent	14	—	14
Balance, March 31, 2019	\$1,650	\$ 1,135	\$ 2,785

(In millions)	Three Months Ended March 31, 2018		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	\$1,470	\$ 1,063	\$ 2,533
Net income	—	31	31
Common stock dividends	—	(25)	(25)
Balance, March 31, 2018	\$1,470	\$ 1,069	\$ 2,539

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

	Three Months Ended March 31,	
(In millions)	2019	2018
Operating revenues		
Electric operating revenues	\$307	\$303
Natural gas operating revenues	71	78
Revenues from alternative revenue programs	—	1
Operating revenues from affiliates	2	2
Total operating revenues	380	384
Operating expenses		
Purchased power	107	90
Purchased fuel	34	41
Purchased power from affiliate	23	46
Operating and maintenance	45	57
Operating and maintenance from affiliates	39	41
Depreciation and amortization	46	45
Taxes other than income	14	15
Total operating expenses	308	335
Operating income	72	49
Other income and (deductions)		
Interest expense, net	(15)	(13)
Other, net	3	2
Total other income and (deductions)	(12)	(11)
Income before income taxes	60	38
Income taxes	7	7
Net income	\$53	\$31
Comprehensive income	\$53	\$31

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

	Three Months Ended March 31, 2019 2018	
(In millions)		
Cash flows from operating activities		
Net income	\$53	\$31
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	46	45
Deferred income taxes and amortization of investment tax credits	1	10
Other non-cash operating activities	11	19
Changes in assets and liabilities:		
Accounts receivable	(5)	(1)
Receivables from and payables to affiliates, net	(15)	(16)
Inventories	1	7
Accounts payable and accrued expenses	11	18
Income taxes	5	(5)
Other assets and liabilities	(10)	7
Net cash flows provided by operating activities	98	115
Cash flows from investing activities		
Capital expenditures	(78)	(65)
Net cash flows used in investing activities	(78)	(65)
Cash flows from financing activities		
Changes in short-term borrowings	5	(5)
Retirement of long-term debt	—	(4)
Dividends paid on common stock	(41)	(36)
Net cash flows used in financing activities	(36)	(45)
(Decrease) increase in cash, cash equivalents and restricted cash	(16)	5
Cash, cash equivalents and restricted cash at beginning of period	24	2
Cash, cash equivalents and restricted cash at end of period	\$8	\$7

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DELMARVA POWER & LIGHT COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31,	December 31,
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7	\$ 23
Restricted cash and cash equivalents	1	1
Accounts receivable, net		
Customer	141	134
Other	39	46
Receivables from affiliates	2	—
Inventories, net		
Fossil Fuel	2	9
Materials and supplies	43	37
Regulatory assets	60	59
Other	21	27
Total current assets	316	336
Property, plant and equipment, net	3,848	3,821
Deferred debits and other assets		
Regulatory assets	225	231
Goodwill	8	8
Prepaid pension asset	182	186
Other	81	6
Total deferred debits and other assets	496	431
Total assets	\$ 4,660	\$ 4,588

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DELMARVA POWER & LIGHT COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	\$ 5	\$ —
Long-term debt due within one year	91	91
Accounts payable	98	111
Accrued expenses	50	39
Payables to affiliates	21	33
Customer deposits	36	35
Regulatory liabilities	49	59
Other	16	7
Total current liabilities	366	375
Long-term debt	1,404	1,403
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	643	628
Non-pension postretirement benefits obligations	16	17
Regulatory liabilities	596	606
Other	114	50
Total deferred credits and other liabilities	1,369	1,301
Total liabilities	3,139	3,079
Commitments and contingencies		
Shareholder's equity		
Common stock	914	914
Retained earnings	607	595
Total shareholder's equity	1,521	1,509
Total liabilities and shareholder's equity	\$ 4,660	\$ 4,588

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

(In millions)	Three Months Ended March 31, 2019		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2018	\$914	\$ 595	\$ 1,509
Net income	—	53	53
Common stock dividends	—	(41)	(41)
Balance, March 31, 2019	\$914	\$ 607	\$ 1,521

(In millions)	Three Months Ended March 31, 2018		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	\$764	\$ 571	\$ 1,335
Net income	—	31	31
Common stock dividends	—	(36)	(36)
Balance, March 31, 2018	\$764	\$ 566	\$ 1,330

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

(In millions)	Three Months Ended March 31,	
	2019	2018
Operating revenues		
Electric operating revenues	\$271	\$311
Revenues from alternative revenue programs	1	(2)
Operating revenues from affiliates	1	1
Total operating revenues	273	310
Operating expenses		
Purchased power	131	155
Purchased power from affiliates	8	6
Operating and maintenance	47	54
Operating and maintenance from affiliates	34	36
Depreciation and amortization	31	33
Taxes other than income	1	3
Total operating expenses	252	287
Operating income	21	23
Other income and (deductions)		
Interest expense, net	(14)	(16)
Other, net	3	1
Total other income and (deductions)	(11)	(15)
Income before income taxes	10	8
Income taxes	—	1
Net income	\$10	\$7
Comprehensive income	\$10	\$7

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

	Three Months Ended March 31, 2019 2018	
(In millions)		
Cash flows from operating activities		
Net income	\$10	\$7
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	31	33
Deferred income taxes and amortization of investment tax credits	—	2
Other non-cash operating activities	5	9
Changes in assets and liabilities:		
Accounts receivable	13	(5)
Receivables from and payables to affiliates, net	(4)	(4)
Inventories	1	—
Accounts payable and accrued expenses	12	30
Income taxes	(1)	—
Pension and non-pension postretirement benefit contributions	—	(6)
Other assets and liabilities	(7)	(7)
Net cash flows provided by operating activities	60	59
Cash flows from investing activities		
Capital expenditures	(128)	(63)
Other investing activities	—	(1)
Net cash flows used in investing activities	(128)	(64)
Cash flows from financing activities		
Changes in short-term borrowings	77	28
Retirement of long-term debt	(4)	(8)
Dividends paid on common stock	(12)	(9)
Contributions from parent	5	—
Net cash flows provided by financing activities	66	11
(Decrease) increase in cash, cash equivalents and restricted cash	(2)	6
Cash, cash equivalents and restricted cash at beginning of period	30	31
Cash, cash equivalents and restricted cash at end of period	\$28	\$37

See the Combined Notes to Consolidated Financial Statements

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Table of ContentsATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6	\$ 7
Restricted cash and cash equivalents	3	4
Accounts receivable, net		
Customer	85	95
Other	52	55
Receivables from affiliates	1	1
Inventories, net	32	33
Regulatory assets	53	40
Other	6	5
Total current assets	238	240
Property, plant and equipment, net	3,041	2,966
Deferred debits and other assets		
Regulatory assets	377	386
Prepaid pension asset	63	67
Other	64	40
Total deferred debits and other assets	504	493
Total assets ^(a)	\$ 3,783	\$ 3,699

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)	March 31, December 31,	
	2019	2018
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	\$ 216	\$ 139
Long-term debt due within one year	19	18
Accounts payable	139	154
Accrued expenses	38	35
Payables to affiliates	24	28
Customer deposits	26	26
Regulatory liabilities	20	18
Other	10	4
Total current liabilities	492	422
Long-term debt	1,165	1,170
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	539	535
Non-pension postretirement benefit obligations	17	17
Regulatory liabilities	395	402
Other	46	27
Total deferred credits and other liabilities	997	981
Total liabilities ^(a)	2,654	2,573
Commitments and contingencies		
Shareholder's equity		
Common stock	984	979
Retained earnings	145	147
Total shareholder's equity	1,129	1,126
Total liabilities and shareholder's equity	\$ 3,783	\$ 3,699

ACE's consolidated total assets include \$22 million and \$23 million at March 31, 2019 and December 31, 2018, respectively, of ACE's consolidated VIE that can only be used to settle the liabilities of the VIE.

- (a) ACE's consolidated total liabilities include \$54 million and \$59 million at March 31, 2019 and December 31, 2018, respectively, of ACE's consolidated VIE for which the VIE creditors do not have recourse to ACE. See Note 2 — Variable Interest Entities for additional information.

See the Combined Notes to Consolidated Financial Statements

Table of ContentsATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(In millions)	Three Months Ended March 31, 2019		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2018	\$979	\$ 147	\$ 1,126
Net income	—	10	10
Common stock dividends	—	(12)	(12)
Contributions from parent	5	—	5
Balance, March 31, 2019	\$984	\$ 145	\$ 1,129

(In millions)	Three Months Ended March 31, 2018		
	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	\$912	\$ 131	\$ 1,043
Net income	—	7	7
Common stock dividends	—	(9)	(9)
Balance, March 31, 2018	\$912	\$ 129	\$ 1,041

See the Combined Notes to Consolidated Financial Statements

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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	
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 in the generation, delivery and marketing of energy through Generation and the energy distribution and transmission businesses through ComEd, PECO, BGE, Pepco, DPL and ACE.

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.	Five reportable segments: Mid-Atlantic, Midwest, New York, ERCOT and Other Power Regions
Commonwealth Edison Company	Purchase and regulated retail sale of electricity Transmission and distribution of electricity to retail customers	Northern Illinois, including the City of Chicago
PECO Energy Company	Purchase and regulated retail sale of electricity and natural gas Transmission and distribution of electricity and distribution of natural gas to retail customers	Southeastern Pennsylvania, including the City of Philadelphia (electricity) Pennsylvania counties surrounding the City of Philadelphia (natural gas) Central Maryland, including the City of Baltimore (electricity and natural gas)
Baltimore Gas and Electric Company	Purchase and regulated retail sale of electricity and natural gas Transmission and distribution of electricity and distribution of natural gas to retail customers	Central Maryland, including the City of Baltimore (electricity and natural gas)
Pepco Holdings LLC	Utility services holding company engaged, through its reportable segments Pepco, DPL and ACE Purchase and regulated retail sale of electricity	Service Territories of Pepco, DPL and ACE

Potomac Electric Power Company		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)
Atlantic City Electric Company	Purchase and regulated retail sale of electricity	Portions of Southern New Jersey
	Transmission and distribution of electricity to retail customers	

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.

Through its business services subsidiary, BSC, Exelon provides its subsidiaries with a variety of support services at cost, including legal, human resources, financial, information technology and supply management services. PHI also has a business services subsidiary, PHISCO, which provides a variety of support services at cost, including legal, accounting, engineering, customer operations, distribution and transmission planning, asset management, system operations, and power procurement, to PHI operating companies. The costs of BSC and PHISCO are directly charged or allocated to the applicable subsidiaries. The results of Exelon's corporate operations are presented as "Other" within the consolidated financial statements and include intercompany eliminations unless otherwise disclosed.

The accompanying consolidated financial statements as of March 31, 2019 and 2018 and for the three 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, 2018 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, 2019. 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

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

New Accounting Standards (All Registrants)

New Accounting Standards Adopted in 2019: In 2019, the Registrants have adopted the following new authoritative accounting guidance issued by the FASB.

Leases. The Registrants applied the new guidance with the following transition practical expedients:

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 reassess initial direct costs associated with existing leases,

an implementation expedient which allows the requirements of the standard in the period of adoption with no restatement of prior periods, and

a land easement expedient which allows entities to not evaluate land easements under the new standard at adoption if they were not previously accounted for as leases.

The standard materially impacted the Registrants' Consolidated Balance Sheets but did not have a material impact in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and Consolidated Statements of Changes in Shareholders' Equity. The most significant impact was the recognition of the ROU assets and lease liabilities for operating leases. The operating ROU assets and lease liabilities recognized upon adoption are materially consistent with the balances presented in the Combined Notes to the Consolidated Financial Statements. See Note 5 - Leases for additional information.

See Note 1 — Significant Accounting Policies of the Exelon 2018 Form 10-K for additional information on new accounting standards issued and adopted as of January 1, 2019.

New Accounting Standards Issued and Not Yet Adopted as of March 31, 2019: 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 March 31, 2019. Unless otherwise indicated, the Registrants are currently assessing the impacts such guidance may have (which could be material) in 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.

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 March 31, 2019. 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.

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.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Leases (All Registrants)

The Registrants recognize a ROU asset and lease liability for operating leases with a term of greater than one year. The ROU asset is included in Other deferred debits and other assets and the lease liability is included in Other current liabilities and Other deferred credits and other liabilities on the Consolidated Balance Sheets. The ROU asset is measured as the sum of (1) the present value of all remaining fixed and in-substance fixed payments using each Registrant's incremental borrowing rate, (2) any lease payments made at or before the commencement date (less any lease incentives received) and (3) any initial direct costs incurred. The lease liability is measured the same as the ROU asset, but excludes any payments made before the commencement date and initial direct costs incurred. Lease terms include options to extend or terminate the lease if it is reasonably certain they will be exercised. The Registrants include non-lease components, which are service-related costs that are not integral to the use of the asset, in the measurement of the ROU asset and lease liability.

Expense for operating leases and leases with a term of one year or less is recognized on a straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the derivation of benefit from use of the leased property. Variable lease payments are recognized in the period in which the related obligation is incurred and consist primarily of payments for purchases of electricity under contracted generation and are based on the electricity produced by those generating assets. Operating lease expense and variable lease payments are recorded to Purchased power and fuel expense for contracted generation or Operating and maintenance expense for all other lease agreements on the Registrants' Statements of Operations and Comprehensive Income.

Income from operating leases, including subleases, is recognized on a straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the pattern in which income is earned over the term of the lease. Variable lease payments are recognized in the period in which the related obligation is performed and consist primarily of payments received from sales of electricity under contracted generation and are based on the electricity produced by those generating assets. Operating lease income and variable lease payments are recorded to Operating revenues on the Registrants' Statements of Operations and Comprehensive Income.

The Registrants' operating leases consist primarily of contracted generation, real estate including office buildings, and vehicles and equipment. The Registrants generally account for contracted generation in which the generating asset is not renewable as a lease if the customer has dispatch rights and obtains substantially all of the economic benefits. For new agreements entered after January 1, 2019, the Registrants will generally not account for contracted generation in which the generating asset is renewable as a lease if the customer does not design the generating asset. The Registrants account for land right arrangements that provide for exclusive use as leases while shared use land arrangements are generally not leases. The Registrants do not account for secondary use pole attachments as leases. See Note 5 —Leases for additional information.

2. 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 March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018, 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).

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Consolidated Variable Interest Entities

As of March 31, 2019 and December 31, 2018, 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 certain retail power and gas companies for which Generation is the sole supplier of energy, and CENG.

As of March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018, ComEd, PECO, BGE, Pepco and DPL did not have any material consolidated VIEs.

As of March 31, 2019 and December 31, 2018, 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 approximately \$32 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 PPAs 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. The loan balance was fully repaid by CENG in January 2019.

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 16 — Commitments and Contingencies for additional information),

Generation and EDF share in the \$688 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance, and

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

As of March 31, 2019 and December 31, 2018, 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

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

NJBPU in an amount sufficient to fund the principal and interest payments on transition bonds and related taxes, expenses and fees. During the three months ended March 31, 2019, ACE transferred \$4 million to ATF. During the three months ended March 31, 2018, ACE transferred \$8 million to ATF.

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 March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019				December 31, 2018			
	Exelon ^(a)	Generation	PHI ^(a)	ACE	Exelon ^(a)	Generation	PHI ^(a)	ACE
Current assets	\$645	\$ 639	\$ 6	\$ 3	\$938	\$ 931	\$ 7	\$ 4
Noncurrent assets	9,235	9,210	25	19	9,071	9,045	26	19
Total assets	\$9,880	\$ 9,849	\$ 31	\$ 22	\$10,009	\$ 9,976	\$ 33	\$ 23
Current liabilities	\$748	\$ 725	\$ 23	\$ 19	\$274	\$ 252	\$ 22	\$ 19
Noncurrent liabilities	2,831	2,790	41	35	3,280	3,233	47	40
Total liabilities	\$3,579	\$ 3,515	\$ 64	\$ 54	\$3,554	\$ 3,485	\$ 69	\$ 59

(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 March 31, 2019 and December 31, 2018, these assets and liabilities primarily consisted of the following:

	March 31, 2019				December 31, 2018			
	Exelon ^(a)	Generation	PHI ^(a)	ACE	Exelon ^(a)	Generation	PHI ^(a)	ACE
Cash and cash equivalents	\$125	\$ 125	\$ —	\$—	\$414	\$ 414	\$ —	\$—
Restricted cash and cash equivalents	58	55	3	3	66	62	4	4
Accounts receivable, net								
Customer	152	152	—	—	146	146	—	—
Other	23	23	—	—	23	23	—	—
Inventory, net								
Materials and supplies	213	213	—	—	212	212	—	—
Other current assets	51	48	3	—	52	49	3	—
Total current assets	622	616	6	3	913	906	7	4
Property, plant and equipment, net	6,147	6,147	—	—	6,145	6,145	—	—
NDT funds	2,520	2,520	—	—	2,351	2,351	—	—
Other noncurrent assets	257	232	25	19	258	232	26	19
Total noncurrent assets	8,924	8,899	25	19	8,754	8,728	26	19
Total assets	\$9,546	\$ 9,515	\$ 31	\$ 22	\$9,667	\$ 9,634	\$ 33	\$ 23
Long-term debt due within one year	\$567	\$ 545	\$ 22	\$ 19	\$87	\$ 66	\$ 21	\$ 18
Accounts payable	120	120	—	—	96	96	—	—
Accrued expenses	42	41	1	—	72	72	1	1
Unamortized energy contract liabilities	13	13	—	—	15	15	—	—
Other current liabilities	6	6	—	—	3	3	—	—
Total current liabilities	748	725	23	19	273	252	22	19
Long-term debt	565	524	41	35	1,072	1,025	47	40
Asset retirement obligations	2,190	2,190	—	—	2,160	2,160	—	—
Unamortized energy contract liabilities	—	—	—	—	1	1	—	—
Other noncurrent liabilities	69	69	—	—	42	42	—	—
Total noncurrent liabilities	2,824	2,783	41	35	3,275	3,228	47	40
Total liabilities	\$3,572	\$ 3,508	\$ 64	\$ 54	\$3,548	\$ 3,480	\$ 69	\$ 59

(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 in Exelon's and Generation's Consolidated Balance Sheets in Investments. For the energy purchase and sale contracts

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

(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 March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018, the Utility Registrants did not have any material unconsolidated VIEs.

As of March 31, 2019 and December 31, 2018, 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, Exelon and Generation have several individually immaterial VIEs that in aggregate represent a total investment of \$16 million and \$12 million, respectively, as of March 31, 2019. These immaterial VIEs are equity and debt securities in energy development companies. As of March 31, 2019, the maximum exposure to loss related to these securities included in Investments in Exelon's and Generation's Consolidated Balance Sheets is limited to \$16 million and \$12 million, respectively. 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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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	Commercial Equity		
	Agreement VIEs	Investment VIEs	Total
March 31, 2019			
Total assets ^(a)	\$ 601	\$ 463	\$1,064
Total liabilities ^(a)	42	223	265
Exelon's ownership interest in VIE ^(a)	—	214	214
Other ownership interests in VIE ^(a)	559	26	585
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments	—	214	214
Contract intangible asset	7	—	7
December 31, 2018			
Total assets ^(a)	\$ 597	\$ 472	\$1,069
Total liabilities ^(a)	37	222	259
Exelon's ownership interest in VIE ^(a)	—	223	223
Other ownership interests in VIE ^(a)	560	27	587
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments	—	223	223
Contract intangible asset	7	—	7

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

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.

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

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 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.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

As a result of the transaction, in the third quarter of 2018, Exelon and Generation reclassified certain Oyster Creek assets and liabilities in Exelon's and Generation's Consolidated Balance Sheets as held for sale at their respective fair values. Exelon and Generation had \$888 million and \$765 million of Assets and Liabilities held for sale, respectively, at March 31, 2019 and \$897 million and \$777 million of Assets and Liabilities held for sale, respectively, at December 31, 2018. 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 a private letter ruling from the IRS, which was received in April 2019. Generation currently anticipates satisfaction of the remaining closing conditions to occur in the second half of 2019.

Other Asset Disposition

On February 28, 2018, Generation completed the sale of its interest in an electrical contracting business that primarily installs, maintains and repairs underground and high-voltage cable transmission and distribution systems for \$87 million, resulting in a pre-tax gain which is included within Gain on sales of assets and businesses in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2018. In June 2018, additional proceeds were received, and a pre-tax gain was recorded within Gain on sales of assets and businesses in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

4. 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.

See Note 3 — Revenue from Contracts with Customers of the Exelon 2018 Form 10-K for additional information regarding the primary sources of revenue for the Registrants.

Contract Balances (All Registrants)**Contract Assets and Liabilities**

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 - Customer, respectively, within Exelon's and Generation's Consolidated Balance Sheets.

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.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

The following table provides a rollforward of the contract assets and liabilities reflected in Exelon's and Generation's Consolidated Balance Sheets from January 1, 2018 to March 31, 2019:

	Contract Assets		Contract Liabilities	
	Exelon	Generation	Exelon	Generation
Balance as of January 1, 2018	\$283	\$ 283	\$35	\$ 35
Increases as a result of changes in the estimate of the stage of completion	50	50	—	—
Increases as a result of additional cash received or due	—	—	179	465
Amounts reclassified into receivables or recognized into revenues	(146)	(146)	(187)	(458)
Balance at December 31, 2018	187	187	27	42
Increases as a result of changes in the estimate of the stage of completion	26	26	—	—
Increases as a result of additional cash received or due	—	—	21	63
Amounts reclassified into receivables or recognized into revenues	(26)	(26)	(23)	(66)
Balance at March 31, 2019	\$187	\$ 187	\$25	\$ 39

The Utility Registrants do not have any contract assets. The Utility Registrants also record contract liabilities when consideration is received prior to the satisfaction of the performance obligations. As of March 31, 2019 and December 31, 2018, 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 March 31, 2019. 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.

This disclosure excludes Generation's power and gas sales contracts as they contain variable volumes and/or variable pricing. This disclosure also excludes the Utility Registrants' gas and electric tariff sales contracts and transmission revenue contracts as they generally have an original expected duration of one year or less and, therefore, do not contain any future, unsatisfied performance obligations to be included in this disclosure.

	2019	2020	2021	2022	2023 and thereafter	Total
Exelon	\$393	\$273	\$112	\$ 50	\$ 142	\$970
Generation	493	331	126	50	142	1,142

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 18 — Segment Information for the presentation of the Registrant's revenue disaggregation.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

5. Leases (All Registrants)

Lessee

The Registrants have operating leases for which they are the lessees. The following tables outline the significant types of operating leases at each registrant and other terms and conditions of the lease agreements. The Registrants do not have material finance leases.

Exelon Generation ComEd PECO BGE PHI Pepco DPL ACE

Contracted generation

Real estate

Vehicles and equipment

(in years)	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Remaining lease terms	1-87	1-37	1-34	1-15	1-87	1-13	1-13	1-13	1-8
Options to extend the term	3-30	3-30	3-10	N/A	N/A	3-30	5	3-30	N/A
Options to terminate within	1-3	2	N/A	N/A	3	N/A	N/A	N/A	N/A

The components of lease costs for the three months ended March 31, 2019 were as follows:

	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating lease costs	\$ 68	\$ 46	\$ 1	\$ —	\$ 8	\$ 10	\$ 3	\$ 3	\$ 1
Variable lease costs	73	68	—	—	—	2	—	1	—
Short-term lease costs	9	8	—	—	—	—	—	—	—
Total lease costs ^(a)	\$ 150	\$ 122	\$ 1	\$ —	\$ 8	\$ 12	\$ 3	\$ 4	\$ 1

^(a) Excludes \$3 million, \$2 million, \$1 million and \$1 million of sublease income recorded at Exelon, Generation, PHI and DPL.

The following table provides additional information regarding the presentation of operating lease ROU assets and lease liabilities within the Registrants' Consolidated Balance Sheets as of March 31, 2019:

	Exelon ^(a)	Generation ^(a)	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating lease ROU assets									
Other deferred debits and other assets	\$ 1,465	\$ 1,027	\$ 5	\$ 2	\$ 97	\$ 314	\$ 67	\$ 75	\$ 26
Operating lease liabilities									
Other current liabilities		249	173	3	1	31	36	8	11
Other deferred credits and other liabilities		1,395	1,023	4	1	66	284	60	72
Total operating lease liabilities		\$ 1,644	\$ 1,196	\$ 7	\$ 2	\$ 97	\$ 320	\$ 68	\$ 83

^(a) Exelon's and Generation's operating ROU assets and lease liabilities include \$631 million and \$778 million, respectively, related to contracted generation.

The weighted average remaining lease terms, in years, and discount rates for operating leases as of March 31, 2019 were as follows:

	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Remaining lease term	10.0	10.7	2.9	4.4	5.6	9.4	9.9	9.8	5.3
Discount rate	4.6 %	4.8 %	3.3 %	3.4 %	3.6 %	4.1 %	3.9 %	3.9 %	3.5 %

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Future minimum lease payments for operating leases as of March 31, 2019 were as follows:

Year	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
2019	\$214	\$ 154	\$ 2	\$ 1	\$ 19	\$33	\$ 8	\$ 7	\$ 5
2020	289	202	2	1	34	43	9	12	5
2021	244	162	2	—	32	42	9	11	5
2022	174	112	1	—	16	40	8	11	4
2023	139	99	—	—	—	39	8	10	3
Remaining years	1,052	840	—	—	18	194	42	52	7
Total	2,112	1,569	7	2	119	391	84	103	29
Interest	468	373	—	—	22	71	16	20	3
Total operating lease liabilities	\$ 1,644	\$ 1,196	\$ 7	\$ 2	\$ 97	\$ 320	\$ 68	\$ 83	\$ 26

Future minimum lease payments for operating leases under the prior lease accounting guidance as of December 31, 2018 were as follows:

	Exelon ^{(a)(b)}	Generation ^{(a)(b)}	ComEd ^{(a)(c)}	PECO ^{(a)(c)}	BGE ^{(a)(c)(d)}	PHI ^(a)	Pepco ^(a)	DPL ^{(a)(c)}	ACE ^(a)
2019	\$ 140	\$ 33	\$ 7	\$ 5	\$ 35	\$48	\$ 11	\$ 14	\$ 7
2020	149	46	5	5	35	46	10	13	6
2021	143	46	4	5	33	43	9	12	5
2022	126	47	4	5	18	42	8	12	5
2023	97	46	3	5	3	39	8	10	4
Remaining years	723	545	—	—	19	159	40	35	5
Total minimum future lease payments	\$ 1,378	\$ 763	\$ 23	\$ 25	\$ 143	\$ 377	\$ 86	\$ 96	\$ 32

(a) Includes amounts related to shared use land arrangements.

(b) Excludes Generation's contingent operating lease payments associated with contracted generation.

Amounts related to certain real estate leases and railroad licenses effectively have indefinite payment periods. As a result, ComEd, PECO, BGE and DPL have excluded these payments from the remaining years as such amounts (c) would not be meaningful. ComEd's, PECO's, BGE's and DPL's average annual obligation for these arrangements, included in each of the years 2019 - 2023, was \$3 million, \$5 million, \$1 million and \$1 million respectively. Also includes amounts related to shared use land arrangements.

(d) Includes all future lease payments on a 99-year real estate lease that expires in 2106.

The BGE column above includes minimum future lease payments associated with a 6-year lease for the Baltimore City conduit system that became effective during the fourth quarter of 2016. BGE's total commitments under the (e) lease agreement are \$26 million, \$28 million, \$28 million and \$14 million related to years 2019 - 2022, respectively.

Cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2019 were as follows:

	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating cash flows from operating leases	\$ 78	\$ 52	\$ 1	\$ —	\$ 14	\$ 8	\$ 2	\$ 2	\$ 1

ROU assets obtained in exchange for lease obligations for the three months ended March 31, 2019 were as follows:

	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating leases	\$ 20	\$ 9	\$ —	\$ —	\$ 11	\$ 4	\$ 4	\$ 3	

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Lessor

The Registrants have operating leases for which they are the lessors. The following tables outline the significant types of leases at each registrant and other terms and conditions of their lease agreements.

Exelon Generation ComEd PECO BGE PHI Pepco DPL ACE

Contracted generation

Real estate

(in years)

	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Remaining lease terms	1-84	1-33	1-18	1-84	24	1-14	2-7	13-14	1-3
Options to extend the term	1-79	1-5	5-79	5-50	N/A	5	N/A	N/A	N/A

The components of lease income for the three months ended March 31, 2019 were as follows:

Exelon Generation ComEd PECO BGE PHI Pepco DPL ACE

Operating lease income	\$ 4	\$ 3	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 1	\$ —
Variable lease income	\$ 52	\$ 52	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Future minimum lease payments to be recovered under operating leases as of March 31, 2019 were as follows:

Year	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
2019	\$ 47	\$ 43	\$ —	\$ —	\$ —	\$ 4	\$ —	\$ 3	\$ —
2020	51	46	—	—	—	4	—	3	—
2021	50	45	—	—	—	4	—	3	—
2022	50	45	—	—	—	4	—	3	—
2023	49	45	—	—	—	4	—	3	—
Remaining years	315	271	1	3	1	39	1	38	—
Total	\$ 562	\$ 495	\$ 1	\$ 3	\$ 1	\$ 59	\$ 1	\$ 53	\$ —

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

6. Regulatory Matters (All Registrants)

As discussed in Note 4 — Regulatory Matters of the Exelon 2018 Form 10-K, the Registrants are involved in rate and regulatory proceedings at the FERC and their state commissions. The following discusses developments in 2019 and updates to the 2018 Form 10-K.

Utility Regulatory Matters (Exelon and the Utility Registrants)

Distribution Base Rate Case Proceedings

The following tables show the completed and pending distribution base rate case proceedings in 2019.

Completed Distribution Base Rate Case Proceedings

Registrant/Jurisdiction	Filing Date	Requested Revenue Requirement Increase	Approved Revenue Requirement Increase (Decrease)	Approved ROE	Approval Date	Rate Effective Date
BGE - Maryland (Natural Gas)	June 8, 2018 (amended October 12, 2018)	\$ 61	\$ 43	9.8 %	January 4, 2019	January 4, 2019
ACE - New Jersey (Electric)	August 21, 2018 (amended November 19, 2018)	\$ 122	(a) \$ 70	(a) 9.6 %	March 13, 2019	April 1, 2019

(a) Requested and approved increases are before New Jersey sales and use tax.

Pending Distribution Base Rate Case Proceedings

Registrant/Jurisdiction	Filing Date	Requested Revenue Requirement Increase/(Decrease)	Requested ROE	Expected Approval Timing
Pepco - Maryland (Electric)	January 15, 2019 (amended April 30, 2019)	\$ 27	10.3 %	Third quarter of 2019
ComEd - Illinois (Electric) ^(a)	April 8, 2019	\$ (6)	8.91 %	December 2019

Reflects an increase of \$57 million for the initial revenue requirement for 2019 and a decrease of \$63 million related to the annual reconciliation for 2018. The revenue requirement for 2019 and annual reconciliation for 2018 provides for a weighted average debt and equity return on distribution rate base of 6.53%. See Note 4 — Regulatory Matters of the Exelon 2018 Form 10-K for additional information on ComEd's distribution formula rate filings.

Transmission Formula Rates

Pending 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. On February 8, 2019, PECO and the active parties reached an agreement in principle to settle this case. The presiding Administrative Law Judge has since suspended the procedural schedule in order for PECO and the active parties to continue working towards finalizing a settlement. On April 15, 2019, PECO

and the active parties filed a status update with the presiding Administrative

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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Law Judge requesting an additional 45 days to file a settlement. PECO cannot predict the 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.

Other State Regulatory Matters

New Jersey Regulatory Matters

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 allows for more timely recovery of investments made to modernize and enhance ACE's electric system. On April 15, 2019, ACE entered into a settlement agreement with other parties, which allows for a recovery totaling \$96 million of reliability related capital investments from July 1, 2019 through June 30, 2023. On April 18, 2019, the NJBPU approved the settlement agreement.

New Jersey Clean Energy Legislation (Exelon and ACE). On May 23, 2018, New Jersey enacted legislation that established and modified New Jersey's clean energy and energy efficiency programs and solar and renewable energy portfolio standards. On the same day, New Jersey enacted legislation that established a ZEC program that provides 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. Electric distribution utilities in New Jersey, including ACE, must begin collecting from retail distribution customers, through a non-bypassable charge, all costs associated with the utility's procurement of the ZECs effective April 18, 2019. See Generation Regulatory Matters below for additional information.

Other Federal Regulatory Matters

Transmission-Related Income Tax Regulatory Assets (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE). 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. As a result of the FERC's order, ComEd, BGE, Pepco, DPL and ACE took a charge 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 for the portion of the total transmission-related income tax regulatory assets that would have been previously amortized and recovered through rates. Similar regulatory assets and liabilities at PECO are not subject to the same FERC transmission rate recovery formula. See above for additional information regarding PECO's transmission formula rate filing.

On December 18, 2017, BGE filed for clarification and rehearing of FERC's November 16, 2017 order and on February 23, 2018 (as amended on July 9, 2018), ComEd, Pepco, DPL, and ACE each filed with FERC to revise their transmission formula rate mechanisms 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, citing the lack of timeliness of the requests to recover amounts that would have been previously amortized, but indicating

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that ongoing recovery of certain transmission-related income tax regulatory assets would provide for a more accurate revenue requirement, consistent with its November 16, 2017 order.

On October 1, 2018, ComEd, BGE, Pepco, DPL, and ACE submitted 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. In addition, on October 9, 2018, ComEd, Pepco, DPL, and ACE sought rehearing of FERC's September 7, 2018 order. On November 2, 2018, BGE filed an appeal of FERC's September 7, 2018 order to the Court of Appeals for the D.C. Circuit. On April 26, 2019, FERC issued an order accepting ComEd's, BGE's, Pepco's, DPL's, and ACE's October 1, 2018 filings, effective October 1, 2018, subject to refund and established hearing and settlement judge procedures. ComEd, BGE, Pepco, DPL, and ACE cannot predict the outcome of these 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 \$76 million, \$51 million, \$15 million, \$10 million, \$3 million, \$5 million and \$2 million, respectively, as of March 31, 2019.

Regulatory Assets and Liabilities

Regulatory assets and liabilities have not changed materially since December 31, 2018. See Note 4 — Regulatory Matters of the Exelon 2018 Form 10-K for additional information on the specific regulatory assets and liabilities.

Capitalized Ratemaking Amounts Not Recognized (Exelon and the Utility Registrants)

The following table presents authorized amounts capitalized for ratemaking purposes related to earnings on shareholders' investment that are not recognized for financial reporting purposes in Exelon's and the Utility Registrant's Consolidated Balance Sheets. These amounts will be recognized as revenues in the related Consolidated Statements of Operations and Comprehensive Income in the periods they are billable to our customers.

	Exelon	ComEd ^(a)	PECO	BGE ^(b)	PHI	Pepco ^(c)	DPL ^(c)	ACE
March 31, 2019	\$ 64	\$ 7	\$ —	-\$ 49	\$ 8	\$ 5	\$ 3	\$ —
December 31, 2018	\$ 65	\$ 8	\$ —	-\$ 49	\$ 8	\$ 5	\$ 3	\$ —

(a) Reflects ComEd's unrecognized equity returns earned for ratemaking purposes on its electric distribution formula rate regulatory assets.

(b) BGE's authorized amounts capitalized for ratemaking purposes primarily relate to earnings on shareholders' investment on its AMI programs.

(c) Pepco's and DPL's authorized amounts capitalized for ratemaking purposes relate to earnings on shareholders' investment on their respective AMI Programs and Energy Efficiency and Demand Response Programs. The earnings on energy efficiency are on Pepco DC and DPL DE programs only.

Generation Regulatory Matters (Exelon and Generation)**Illinois Regulatory Matters**

Zero Emission Standard. 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 with compensation for the sale of ZECs retroactive to the June 1, 2017 effective date of FEJA. During the three months ended March 31, 2018, Generation recognized \$150 million of revenue related to ZECs generated from June 1, 2017 through December 31, 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. 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. The lawsuits were dismissed by the district court on July 14, 2017. 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 January 7, 2019, plaintiffs filed a petition seeking U.S. Supreme Court review of the case which was denied on April 15, 2019.

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New Jersey Regulatory Matters

New Jersey Clean Energy Legislation. On May 23, 2018, New Jersey enacted legislation that established a ZEC program that will provide 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. Under the 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.

On November 19, 2018, NJBPU issued an order providing for the method and application process for determining the eligibility of nuclear power plants, a draft method and process for ranking and selecting eligible nuclear power plants, and the establishment of a mechanism for each regulated utility to purchase ZECs from selected nuclear power plants. On December 19, 2018, PSEG filed complete applications seeking NJBPU approval for Salem 1 and Salem 2, of which Generation owns a 42.59% ownership interest, to participate in the ZEC program. On the same day, Generation filed certain Supplemental Information with the NJBPU providing proprietary information that was requested in the application but which could not be shared with PSEG. On April 18, 2019, the NJBPU approved the award of ZECs to Salem 1 and Salem 2. See Note 8 — Early Plant Retirements for additional information related to Salem.

New York Regulatory Matters

New York Clean Energy Standard. 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.

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, which was dismissed by the district court on July 25, 2017. 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. On January 7, 2019, the fossil-generation companies filed a petition seeking U.S. Supreme Court review of the case which was denied on April 15, 2019.

In addition, on November 30, 2016 (as amended on January 13, 2017), a group of parties filed a Petition in New York State court seeking to invalidate the ZEC program, which 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 when adopting the ZEC program. Subsequently, Generation, CENG and the NYPSC filed motions to dismiss the state court action, which were later opposed by the plaintiffs. 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.

Generation, CENG and the state's answers and briefs were filed on March 30, 2018. On December 17, 2018, plaintiffs filed a reply brief introducing new arguments and new evidence. The State of New York filed a motion to strike on December 28, 2018. On January 4, 2019, Generation and CENG filed a motion to strike the new arguments and new evidence. The court must now 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

Operating License Renewals

Conowingo Hydroelectric Project. On August 29, 2012, Generation submitted a hydroelectric license application to FERC for a new 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.

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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 in Exelon's and Generation's financial statements 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 the issuance of the federal license while these significant state and federal law issues are pending. On February 28, 2019, Generation filed a Petition for Declaratory Order with FERC requesting that FERC issue an order declaring that MDE waived its right to issue a 401 Certification for Conowingo because it failed to timely act on Conowingo's 401 Certification application and requesting that FERC decline to include the conditions proposed by MDE in April 2018. Exelon also continues to challenge the 401 Certification through the administrative process and in state and federal court. Exelon and Generation cannot predict the final outcome or its financial impact, if any, on Exelon or Generation.

As of March 31, 2019, \$38 million of direct costs associated with Conowingo licensing efforts have been capitalized. See Note 4 — Regulatory Matters of the Exelon 2018 Form 10-K for additional information on Generation's operating license renewal efforts.

7. Impairment of Long-Lived Assets (Exelon and Generation)

Registrants evaluate long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The fair value analysis is primarily based on the income approach using significant unobservable inputs (Level 3) including revenue and generation forecasts, projected capital and maintenance expenditures and discount rates. Changes in those inputs could potentially result in material future impairments of the Registrants' long-lived assets.

Generation's Antelope Valley, a 242 MW solar facility in Lancaster, CA, sells all of its output to Pacific Gas and Electric Company (PG&E) through a PPA. As of March 31, 2019, Generation had approximately \$750 million of net long-lived assets related to Antelope Valley. As a result of the PG&E bankruptcy filing in the first quarter of 2019, Generation completed a comprehensive review of Antelope Valley's estimated undiscounted future cash flows and no impairment charge was recorded. Significant changes in assumptions such as the likelihood of the PPA being rejected as part of the bankruptcy proceedings could potentially result in future impairments of Antelope Valley's net long-lived assets, which could be material.

Antelope Valley is a wholly owned indirect subsidiary of EGR IV, which had approximately \$1,970 million of additional net long-lived assets as of March 31, 2019. EGR IV is a wholly owned indirect subsidiary of Exelon and Generation and includes Generation's interest in EGRP and other projects with non-controlling interests. To date, there have been no indicators to suggest that the carrying amount of other net long-lived assets of EGR IV may not be recoverable.

Generation will continue to monitor the bankruptcy proceedings for any changes in circumstances that may indicate the carrying amount of the net long-lived assets of Antelope Valley or other long-lived assets of EGR IV may not be recoverable.

See Note 11 - Debt and Credit Agreements for additional information on the PG&E bankruptcy.

8. Early Plant Retirements (Exelon and Generation)

Exelon and Generation continuously evaluate factors that affect the current and expected economic value of Generation's plants, including, but not limited to: market power prices, results of capacity auctions, potential legislative and regulatory solutions to ensure plants are fairly compensated for benefits they provide through their carbon-free emissions, reliability, or fuel security, and the impact of potential rules from the EPA requiring reduction of carbon and other emissions and the efforts of states to implement those final rules. The precise timing of an early retirement date for any plant, and the resulting financial statement impacts, may be affected by many factors, including the status of potential regulatory or legislative solutions, results of any transmission system reliability study

assessments, the nature of any co-owner requirements and stipulations, and NDT fund requirements for nuclear plants, among other factors. However, the earliest retirement date for any plant would usually be the first year in

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which the unit does not have capacity or other obligations, and where applicable, just prior to its next scheduled nuclear refueling outage.

Nuclear Generation

In 2015 and 2016, Generation identified the Clinton and Quad Cities nuclear plants in Illinois, Ginna and Nine Mile Point nuclear plants in New York and Three Mile Island nuclear plant in Pennsylvania as having the greatest risk of early retirement based on economic valuation and other factors. In 2017, PSEG made public similar financial challenges facing its New Jersey nuclear plants, including Salem, of which Generation owns a 42.59% ownership interest. PSEG is the operator of Salem and also has the decision making authority to retire Salem.

Assuming the continued effectiveness of the Illinois ZES, New Jersey ZEC program and the New York CES, Generation and CENG, through its ownership of Ginna and Nine Mile Point, no longer consider Clinton, Quad Cities, Salem, Ginna or Nine Mile Point to be at heightened risk for early retirement. However, to the extent the Illinois ZES, New Jersey ZEC program or the New York CES programs do not operate as expected over their full terms, each of these plants could again be at heightened risk for early retirement, which could have a material impact on Exelon's and Generation's future financial statements. See Note 6 — Regulatory Matters for additional information on the Illinois ZES, New Jersey ZEC program and New York CES.

In Pennsylvania, the TMI nuclear plant did not clear in the May 2017 PJM capacity auction for the 2020-2021 planning year, the third consecutive year that TMI failed to clear the PJM base residual capacity auction and on May 30, 2017, based on these capacity auction results, prolonged periods of low wholesale power prices, and the absence of federal or state policies that place a value on nuclear energy for its ability to produce electricity without air pollution, Exelon announced that Generation will permanently cease generation operations at TMI on or about September 30, 2019. TMI is currently committed to operate through May 2019 and is licensed to operate through 2034. Generation has filed the required market and regulatory notifications to shut down the plant. PJM has subsequently notified Generation that it has not identified any reliability issues and has approved the deactivation of TMI as proposed. On April 5, 2019, Generation filed the post shutdown decommissioning activities report (PSDAR) with the NRC detailing the plans for TMI after its final shutdown.

On February 2, 2018, Exelon announced that Generation will permanently cease generation operations at the Oyster Creek nuclear plant at the end of its current operating cycle and permanently ceased generation operations in September 2018.

As a result of these early nuclear plant retirement decisions, Exelon and Generation recognized incremental non-cash charges to earnings stemming from shortening the expected economic useful lives primarily related to accelerated depreciation of plant assets (including any ARC) and accelerated amortization of nuclear fuel, as well as operating and maintenance expenses. See Note 13 — Nuclear Decommissioning for additional information on changes to the nuclear decommissioning ARO balance. The total impact for the three months ended March 31, 2019 and 2018 are summarized in the table below.

	Three Months Ended March 31,	
Income statement expense (pre-tax)	2019	2018
Depreciation and amortization ^(a)		
Accelerated depreciation ^(b)	\$74	\$137
Accelerated nuclear fuel amortization	5	15
Operating and maintenance ^(c)	(83)	26
Total	\$(4)	\$178

(a)

Reflects incremental accelerated depreciation and amortization for TMI for the three months ended March 31, 2019. Reflects incremental accelerated depreciation for TMI and Oyster Creek for the three months ended March 31, 2018. The Oyster Creek amounts are from February 2, 2018 through March 31, 2018.

(b) Reflects incremental accelerated depreciation of plant assets, including any ARC.

In 2019, primarily reflects decrease to estimated decommissioning costs for TMI. See Note 13 — Nuclear

(c) Decommissioning for additional information on the first quarter 2019 TMI ARO update. In 2018, primarily reflects materials and supplies inventory reserve adjustments, employee related costs and CWIP impairments.

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Generation's Dresden, Byron and Braidwood nuclear plants in Illinois are also showing increased signs of economic distress, which could lead to an early retirement, in a market that does not currently compensate them for their unique contribution to grid resiliency and their ability to produce large amounts of energy without carbon and air pollution. The May 2018 PJM capacity auction for the 2021-2022 planning year resulted in the largest volume of nuclear capacity ever not selected in the auction, including all of Dresden, and portions of Byron and Braidwood. Exelon continues to work with stakeholders on state policy solutions, while also advocating for broader market reforms at the regional and federal level.

Other Generation

On March 29, 2018, Generation notified grid operator ISO-NE of its plans to early retire its Mystic Generating Station assets absent regulatory reforms on June 1, 2022, at the end of the current capacity commitment for Mystic Units 7 and 8. Mystic Unit 9 is currently committed through May 2021.

On May 16, 2018, Generation made a filing with FERC to establish cost-of-service compensation and terms and conditions of service for Mystic Units 8 and 9 for the period between June 1, 2022 - May 31, 2024. On December 20, 2018, FERC issued an order accepting the cost of service agreement reflecting a number of adjustments to the annual fixed revenue requirement and allowing for recovery of a substantial portion of the costs associated with the Everett Marine Terminal. Those adjustments were reflected in a compliance filing filed March 1, 2019. In the December 20, 2018 order, FERC also directed a paper hearing on ROE using a new methodology. Initial briefs in the ROE proceeding were filed on April 19, 2019 and reply briefs are due on July 18, 2019. On January 4, 2019, Generation notified ISO-NE that it will participate in the Forward Capacity Market auction for the 2022 - 2023 capacity commitment period. In addition, on January 22, 2019, Exelon and several other parties filed requests for rehearing of certain findings of the December 20, 2018 order, which does not alter Generation's commitment to participate in the Forward Capacity Auction for the 2022-2023 capacity commitment period.

On March 25, 2019, ISO-NE filed the Inventoried Energy Program, which is intended to provide an interim fuel security program pending conclusion of the stakeholder process to develop a long-term, market-based solution to address fuel security. Exelon filed comments on the Inventoried Energy Program proposal on April 15, 2019. FERC has ordered ISO-NE to file the long-term, market-based fuel security rules by October 15, 2019.

The following table provides the balance sheet amounts as of March 31, 2019 for Exelon's and Generation's significant assets and liabilities associated with the Mystic Units 8 and 9 and Everett Marine Terminal assets that would potentially be impacted by a decision to permanently cease generation operations in the absence of long-term market rule changes.

	March 31, 2019
Asset Balances	
Materials and supplies inventory	\$ 30
Fuel inventory	22
Completed plant, net	900
Construction work in progress	2
Liability Balances	
Asset retirement obligation	(1)

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9. Fair Value of Financial Assets and Liabilities (All Registrants)

Fair Value of Financial Liabilities Recorded at Amortized Cost

The following tables present the carrying amounts and fair values of the Registrants' short-term liabilities, long-term debt, SNF obligation and trust preferred securities (long-term debt to financing trusts or junior subordinated debentures) as of March 31, 2019 and December 31, 2018:

Exelon

	March 31, 2019				
	Carrying Amount	Fair Value			
		Level 2	Level 1	Level 3	Total
Short-term liabilities	\$1,254	\$—	\$1,254	\$—	\$1,254
Long-term debt (including amounts due within one year) ^(a)	35,468	—	35,066	2,188	37,254
Long-term debt to financing trusts ^(b)	390	—	—	411	411
SNF obligation	1,178	—	989	—	989
	December 31, 2018				
	Carrying Amount	Fair Value			
		Level 2	Level 1	Level 3	Total
	Short-term liabilities	\$714	\$—	\$714	\$—
Long-term debt (including amounts due within one year) ^(a)	35,424	—	33,711	2,158	35,869
Long-term debt to financing trusts ^(b)	390	—	—	400	400
SNF obligation	1,171	—	949	—	949
Generation					
	March 31, 2019				
	Carrying Amount	Fair Value			
		Level 2	Level 1	Level 3	Total
	Long-term debt (including amounts due within one year) ^(a)	\$8,747	\$—	\$7,641	\$1,443
SNF obligation	1,178	—	989	—	989
	December 31, 2018				
	Carrying Amount	Fair Value			
		Level 2	Level 1	Level 3	Total
	Long-term debt (including amounts due within one year) ^(a)	\$8,793	\$—	\$—	\$—