EXELON CORP
Form 10-Q
August 02, 2018
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended June 30, 2018
or

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

Commission File Number	Name of Registrant; State or Other Jurisdiction of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street P.O. Box 805379 Chicago, Illinois 60680-5379 (800) 483-3220	23-2990190
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348-2473 (610) 765-5959	23-3064219
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605-1028 (312) 394-4321	36-0938600
000-16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY (a Maryland corporation) 2 Center Plaza 110 West Fayette Street Baltimore, Maryland 21201-3708 (410) 234-5000	52-0280210
001-31403	PEPCO HOLDINGS LLC (a Delaware limited liability company)	52-2297449

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The number of shares outstanding of each registrant’s common stock as of June 30, 2018 was:

Exelon Corporation Common Stock, without par value	965,906,701
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,021,285
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000
Pepco Holdings LLC	not applicable
Potomac Electric Power Company Common Stock, $0.01 par value	100
Delmarva Power & Light Company Common Stock, $2.25 par value	1,000
Atlantic City Electric Company Common Stock, $3.00 par value	8,546,017

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GLOSSARY OF TERMS AND ABBREVIATIONS

Exelon Corporation and Related Entities

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
MDE	Maryland Department of the Environment
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.
mmcf	Million Cubic Feet
Moody's	Moody's Investor Service
MOPR	Minimum Offer Price Rule
MRV	Market-Related Value
MW	Megawatt
MWh	Megawatt hour
n.m.	not meaningful
NAAQS	National Ambient Air Quality Standards
NAV	Net Asset Value
NDT	Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NGS	Natural Gas Supplier
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NLRB	National Labor Relations Board
Non-Regulatory Agreements Units	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
NOSA	Nuclear Operating Services Agreement
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NUGs	Non-utility generators
NWPA	Nuclear Waste Policy Act of 1982
NYMEX	New York Mercantile Exchange
NYPSC	New York Public Service Commission
OCI	Other Comprehensive Income
OIESO	Ontario Independent Electricity System Operator
OPC	Office of People's Counsel
OPEB	Other Postretirement Employee Benefits
PA DEP	Pennsylvania Department of Environmental Protection
PAPUC	Pennsylvania Public Utility Commission
PGC	Purchased Gas Cost Clause
PJM	PJM Interconnection, LLC
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Power Purchase Agreement
Price-Anderson Act	Price-Anderson Nuclear Industries Indemnity Act of 1957

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GLOSSARY OF TERMS AND ABBREVIATIONS

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

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FILING FORMAT

This combined Form 10-Q is being filed separately by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company and Atlantic City Electric Company (Registrants). Information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf. No Registrant makes any representation as to information relating to any other Registrant.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by the Registrants include those factors discussed herein, as well as the items discussed in (1) the Registrants' combined 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) this Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17, Commitments and Contingencies; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

The public may read and copy any reports or other information that the Registrants file with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services, the website maintained by the SEC at www.sec.gov and the Registrants’ websites at www.exeloncorp.com. Information contained on the Registrants’ websites shall not be deemed incorporated into, or to be a part of, this Report.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2018	2017	2018	2017
Operating revenues				
Competitive businesses revenues	$4,305	$3,950	$9,417	$8,500
Rate-regulated utility revenues	3,797	3,657	8,368	7,776
Revenues from alternative revenue programs	(26)	58	(16)	137
Total operating revenues	8,076	7,665	17,769	16,413
Operating expenses				
Competitive businesses purchased power and fuel	2,277	2,158	5,566	4,952
Rate-regulated utility purchased power and fuel	1,038	928	2,476	2,033
Operating and maintenance	2,307	2,945	4,691	5,383
Depreciation and amortization	1,088	915	2,179	1,811
Taxes other than income	428	420	874	857
Total operating expenses	7,138	7,366	15,786	15,036
Gain on sales of assets and businesses	4	1	60	5
Bargain purchase gain	—	—	—	226
Operating income	942	300	2,043	1,608
Other income and (deductions)				
Interest expense, net	(367)	(426)	(732)	(789)
Interest expense to affiliates	(6)	(10)	(13)	(20)
Other, net	44	177	17	434
Total other income and (deductions)	(329)	(259)	(728)	(375)
Income before income taxes	613	41	1,315	1,233
Income taxes	66	(62)	125	149
Equity in losses of unconsolidated affiliates	(5)	(9)	(11)	(18)
Net income	542	94	1,179	1,066
Net income (loss) attributable to noncontrolling interests	3	(1)	54	(20)
Net income attributable to common shareholders	$539	$95	$1,125	$1,086
Comprehensive income, net of income taxes				
Net income	$542	$94	$1,179	$1,066
Other comprehensive income (loss), net of income taxes				
Pension and non-pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost	(17)	(14)	(33)	(28)
Actuarial loss reclassified to periodic benefit cost	61	49	123	98
Pension and non-pension postretirement benefit plan valuation adjustment	(1)	(2)	18	(58)
Unrealized gain (loss) on cash flow hedges	4	(1)	12	5
Unrealized gain on investments in unconsolidated affiliates	2	—	3	3
Unrealized (loss) gain on foreign currency translation	(5)	2	(6)	3
Unrealized gain on marketable securities	—	1	—	2
Other comprehensive income (loss)	44	35	117	25
Comprehensive income	586	129	1,296	1,091
Comprehensive income (loss) attributable to noncontrolling interests	4	(1)	56	(22)

Comprehensive income attributable to common shareholders	$582	$130	$1,240	$1,113
Average shares of common stock outstanding:				
Basic	967	934	967	931
Diluted	969	936	968	932
Earnings per average common share:				
Basic	$0.56	$0.10	$1.16	$1.17
Diluted	$0.56	$0.10	$1.16	$1.17
Dividends declared per common share	$0.35	$0.33	$0.69	$0.66

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2018	2017
Cash flows from operating activities		
Net income	$1,179	$1,066
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	3,000	2,591
Impairment of long-lived assets and losses on regulatory assets	41	445
Gain on sales of assets and businesses	(60)	(5)
Bargain purchase gain	—	(226)
Deferred income taxes and amortization of investment tax credits	(2)	113
Net fair value changes related to derivatives	151	230
Net realized and unrealized losses (gains) on nuclear decommissioning trust fund investments	80	(284)
Other non-cash operating activities	479	415
Changes in assets and liabilities:		
Accounts receivable	(105)	301
Inventories	60	(23)
Accounts payable and accrued expenses	(342)	(810)
Option premiums paid, net	(36)	(8)
Collateral received (posted), net	81	(173)
Income taxes	129	58
Pension and non-pension postretirement benefit contributions	(345)	(325)
Other assets and liabilities	(441)	(470)
Net cash flows provided by operating activities	3,869	2,895
Cash flows from investing activities		
Capital expenditures	(3,807)	(3,845)
Proceeds from nuclear decommissioning trust fund sales	3,822	5,213
Investment in nuclear decommissioning trust funds	(3,924)	(5,339)
Acquisition of assets and businesses, net	(57)	(212)
Proceeds from sales of assets and businesses	89	211
Other investing activities	31	(9)
Net cash flows used in investing activities	(3,846)	(3,981)
Cash flows from financing activities		
Changes in short-term borrowings	200	422
Proceeds from short-term borrowings with maturities greater than 90 days	126	576
Repayments on short-term borrowings with maturities greater than 90 days	(1)	(510)
Issuance of long-term debt	1,488	981
Retirement of long-term debt	(1,309)	(1,049)
Dividends paid on common stock	(666)	(607)
Common stock issued from treasury stock	—	1,150
Proceeds from employee stock plans	27	43
Other financing activities	(50)	(23)
Net cash flows (used in) provided by financing activities	(185)	983
Decrease in cash, cash equivalents and restricted cash	(162)	(103)

Cash, cash equivalents and restricted cash at beginning of period	1,190	914
Cash, cash equivalents and restricted cash at end of period	$1,028	$811

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$694	$898
Restricted cash and cash equivalents	206	207
Accounts receivable, net		
Customer	4,094	4,445
Other	1,407	1,132
Mark-to-market derivative assets	799	976
Unamortized energy contract assets	46	60
Inventories, net		
Fossil fuel and emission allowances	270	340
Materials and supplies	1,320	1,311
Regulatory assets	1,293	1,267
Other	1,360	1,260
Total current assets	11,489	11,896
Property, plant and equipment, net	75,284	74,202
Deferred debits and other assets		
Regulatory assets	8,023	8,021
Nuclear decommissioning trust funds	13,110	13,272
Investments	636	640
Goodwill	6,677	6,677
Mark-to-market derivative assets	457	337
Unamortized energy contract assets	379	395
Other	1,194	1,330
Total deferred debits and other assets	30,476	30,672
Total assets[(a)]	$117,249	$116,770

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$1,252	$929
Long-term debt due within one year	1,158	2,088
Accounts payable	3,113	3,532
Accrued expenses	1,665	1,837
Payables to affiliates	5	5
Regulatory liabilities	701	523
Mark-to-market derivative liabilities	268	232
Unamortized energy contract liabilities	171	231
Renewable energy credit obligation	257	352
PHI merger related obligation	63	87
Other	973	982
Total current liabilities	9,626	10,798
Long-term debt	33,179	32,176
Long-term debt to financing trusts	389	389
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	11,484	11,235
Asset retirement obligations	10,222	10,029
Pension obligations	3,412	3,736
Non-pension postretirement benefit obligations	2,132	2,093
Spent nuclear fuel obligation	1,157	1,147
Regulatory liabilities	9,677	9,865
Mark-to-market derivative liabilities	507	409
Unamortized energy contract liabilities	538	609
Other	2,087	2,097
Total deferred credits and other liabilities	41,216	41,220
Total liabilities[(a)]	84,410	84,583
Commitments and contingencies		
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 966 shares and 963 shares outstanding at June 30, 2018 and December 31, 2017, respectively)	19,008	18,964
Treasury stock, at cost (2 shares at June 30, 2018 and December 31, 2017)	(123)	(123)
Retained earnings	14,551	14,081
Accumulated other comprehensive loss, net	(2,921)	(3,026)
Total shareholders' equity	30,515	29,896
Noncontrolling interests	2,324	2,291
Total equity	32,839	32,187
Total liabilities and shareholders' equity	$117,249	$116,770

(a) Exelon's consolidated assets include $9,612 million and $9,597 million at June 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include $3,544 million and $3,618 million at June 30, 2018 and December 31, 2017, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 — Variable Interest Entities for additional information.

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

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interests	Total Shareholders' Equity
Balance, December 31, 2017	965,168	$ 18,964	$ (123)	$ 14,081	$ (3,026)	$ 2,291	$ 32,187
Net income	—	—	—	1,125	—	54	1,179
Long-term incentive plan activity	1,868	17	—	—	—	—	17
Employee stock purchase plan issuances	703	27	—	—	—	—	27
Changes in equity of noncontrolling interests	—	—	—	—	—	(23)	(23)
Common stock dividends	—	—	—	(669)	—	—	(669)
Other comprehensive income, net of income taxes	—	—	—	—	115	2	117
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	—	—	14	(10)	—	4
Balance, June 30, 2018	967,739	$ 19,008	$ (123)	$ 14,551	$ (2,921)	$ 2,324	$ 32,839

See the Combined Notes to Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Operating revenues	$4,306	$3,948	$9,419	$8,495
Operating revenues from affiliates	273	268	671	598
Total operating revenues	4,579	4,216	10,090	9,093
Operating expenses				
Purchased power and fuel	2,277	2,156	5,566	4,952
Purchased power and fuel from affiliates	3	1	7	3
Operating and maintenance	1,247	1,826	2,425	3,138
Operating and maintenance from affiliates	171	186	331	365
Depreciation and amortization	466	334	914	637
Taxes other than income	134	140	272	282
Total operating expenses	4,298	4,643	9,515	9,377
Gain on sales of assets and businesses	1	—	54	4
Bargain purchase gain	—	—	—	226
Operating income (loss)	282	(427)	629	(54)
Other income and (deductions)				
Interest expense, net	(93)	(120)	(184)	(209)
Interest expense to affiliates	(9)	(9)	(18)	(19)
Other, net	29	181	(15)	440
Total other income and (deductions)	(73)	52	(217)	212
Income (loss) before income taxes	209	(375)	412	158
Income taxes	23	(148)	32	(25)
Equity in losses of unconsolidated affiliates	(5)	(9)	(12)	(19)
Net income (loss)	181	(236)	368	164
Net income (loss) attributable to noncontrolling interests	3	(1)	54	(20)
Net income (loss) attributable to membership interest	$178	$(235)	$314	$184
Comprehensive income, net of income taxes				
Net income (loss)	$181	$(236)	$368	$164
Other comprehensive income (loss), net of income taxes				
Unrealized gain (loss) on cash flow hedges	5	(1)	12	5
Unrealized gain on investments in unconsolidated affiliates	2	—	3	4
Unrealized (loss) gain on foreign currency translation	(5)	2	(6)	3
Other comprehensive income	2	1	9	12
Comprehensive income (loss)	183	(235)	377	176
Comprehensive income (loss) attributable to noncontrolling interests	4	(1)	56	(22)
Comprehensive income (loss) attributable to membership interest	$179	$(234)	$321	$198

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

	Six Months Ended June 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$368	$164
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization	1,735	1,415
Impairment of long-lived assets	41	445
Gain on sales of assets and businesses	(54)	(4)
Bargain purchase gain	—	(226)
Deferred income taxes and amortization of investment tax credits	(149)	(167)
Net fair value changes related to derivatives	158	235
Net realized and unrealized losses (gains) on nuclear decommissioning trust fund investments	80	(284)
Other non-cash operating activities	85	121
Changes in assets and liabilities:		
Accounts receivable	258	151
Receivables from and payables to affiliates, net	7	8
Inventories	34	(5)
Accounts payable and accrued expenses	(272)	(327)
Option premiums paid, net	(36)	(8)
Collateral received (posted), net	91	(163)
Income taxes	58	(99)
Pension and non-pension postretirement benefit contributions	(129)	(116)
Other assets and liabilities	(212)	(166)
Net cash flows provided by operating activities	2,063	974
Cash flows from investing activities		
Capital expenditures	(1,298)	(1,189)
Proceeds from nuclear decommissioning trust fund sales	3,822	5,213
Investment in nuclear decommissioning trust funds	(3,924)	(5,339)
Acquisition of assets and businesses, net	(57)	(212)
Proceeds from sales of assets and businesses	89	210
Changes in Exelon intercompany money pool	(185)	—
Other investing activities	4	(32)
Net cash flows used in investing activities	(1,549)	(1,349)
Cash flows from financing activities		
Changes in short-term borrowings	—	(51)
Proceeds from short-term borrowings with maturities greater than 90 days	1	76
Repayments of short-term borrowings with maturities greater than 90 days	(1)	(10)
Issuance of long-term debt	13	779
Retirement of long-term debt	(76)	(295)
Changes in Exelon intercompany money pool	(54)	196
Distributions to member	(377)	(330)
Other financing activities	(24)	(7)
Net cash flows (used in) provided by financing activities	(518)	358

Decrease in cash, cash equivalents and restricted cash	(4)	(17)
Cash, cash equivalents and restricted cash at beginning of period	554	448
Cash, cash equivalents and restricted cash at end of period	$550	$431

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$420	$ 416
Restricted cash and cash equivalents	130	138
Accounts receivable, net		
Customer	2,435	2,697
Other	276	321
Mark-to-market derivative assets	799	976
Receivables from affiliates	146	140
Unamortized energy contract assets	46	60
Inventories, net		
Fossil fuel and emission allowances	214	264
Materials and supplies	953	937
Other	1,148	933
Total current assets	6,567	6,882
Property, plant and equipment, net	24,479	24,906
Deferred debits and other assets		
Nuclear decommissioning trust funds	13,110	13,272
Investments	423	433
Goodwill	47	47
Mark-to-market derivative assets	457	334
Prepaid pension asset	1,522	1,502
Unamortized energy contract assets	378	395
Deferred income taxes	6	16
Other	679	670
Total deferred debits and other assets	16,622	16,669
Total assets[(a)]	$47,668	$ 48,457

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	$—	$2
Long-term debt due within one year	321	346
Accounts payable	1,264	1,773
Accrued expenses	976	1,022
Payables to affiliates	128	123
Borrowings from Exelon intercompany money pool	—	54
Mark-to-market derivative liabilities	245	211
Unamortized energy contract liabilities	36	43
Renewable energy credit obligation	257	352
Other	295	265
Total current liabilities	3,522	4,191
Long-term debt	7,661	7,734
Long-term debt to affiliate	904	910
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,673	3,811
Asset retirement obligations	10,037	9,844
Non-pension postretirement benefit obligations	907	916
Spent nuclear fuel obligation	1,157	1,147
Payables to affiliates	2,916	3,065
Mark-to-market derivative liabilities	270	174
Unamortized energy contract liabilities	34	48
Other	648	658
Total deferred credits and other liabilities	19,642	19,663
Total liabilities[(a)]	31,729	32,498
Commitments and contingencies		
Equity		
Member's equity		
Membership interest	9,357	9,357
Undistributed earnings	4,292	4,349
Accumulated other comprehensive loss, net	(33)	(37)
Total member's equity	13,616	13,669
Noncontrolling interests	2,323	2,290
Total equity	15,939	15,959
Total liabilities and equity	$47,668	$48,457

(a) Generation's consolidated assets include $9,575 million and $9,556 million at June 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation's consolidated liabilities include $3,456 million and $3,516 million at June 30, 2018 and December 31, 2017, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 3 — Variable Interest Entities for additional information.

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

(In millions)	Member's Equity				
	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interests	Total Equity
Balance, December 31, 2017	$9,357	$ 4,349	$ (37)	$ 2,290	$15,959
Net income	—	314	—	54	368
Changes in equity of noncontrolling interests	—	—	—	(23)	(23)
Distributions to member	—	(377)	—	—	(377)
Other comprehensive income, net of income taxes	—	—	7	2	9
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	6	(3)	—	3
Balance, June 30, 2018	$9,357	$ 4,292	$ (33)	$ 2,323	$15,939

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$1,410	$1,336	$2,903	$2,615
Revenues from alternative revenue programs	(17)	18	(12)	32
Operating revenues from affiliates	5	3	19	9
Total operating revenues	1,398	1,357	2,910	2,656
Operating expenses				
Purchased power	373	360	784	689
Purchased power from affiliate	104	18	298	24
Operating and maintenance	255	312	509	620
Operating and maintenance from affiliate	69	65	129	127
Depreciation and amortization	231	211	459	419
Taxes other than income	79	72	156	144
Total operating expenses	1,111	1,038	2,335	2,023
Gain on sales of assets	1	—	5	—
Operating income	288	319	580	633
Other income and (deductions)				
Interest expense, net	(82)	(98)	(168)	(179)
Interest expense to affiliates	(3)	(3)	(7)	(6)
Other, net	4	4	12	8
Total other income and (deductions)	(81)	(97)	(163)	(177)
Income before income taxes	207	222	417	456
Income taxes	43	104	88	197
Net income	$164	$118	$329	$259
Comprehensive income	$164	$118	$329	$259

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

(In millions)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities		
Net income	$329	$259
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	459	419
Deferred income taxes and amortization of investment tax credits	84	235
Other non-cash operating activities	117	58
Changes in assets and liabilities:		
Accounts receivable	(133)	12
Receivables from and payables to affiliates, net	15	(4)
Inventories	5	(2)
Accounts payable and accrued expenses	(41)	(182)
Collateral posted, net	(13)	(8)
Income taxes	(15)	4
Pension and non-pension postretirement benefit contributions	(39)	(37)
Other assets and liabilities	(166)	34
Net cash flows provided by operating activities	602	788
Cash flows from investing activities		
Capital expenditures	(1,026)	(1,168)
Other investing activities	17	12
Net cash flows used in investing activities	(1,009)	(1,156)
Cash flows from financing activities		
Changes in short-term borrowings	320	389
Issuance of long-term debt	800	—
Retirement of long-term debt	(700)	—
Contributions from parent	225	184
Dividends paid on common stock	(229)	(211)
Other financing activities	(10)	(1)
Net cash flows provided by financing activities	406	361
Decrease in cash, cash equivalents and restricted cash	(1)	(7)
Cash, cash equivalents and restricted cash at beginning of period	144	58
Cash, cash equivalents and restricted cash at end of period	$143	$51

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$30	$ 76
Restricted cash	5	5
Accounts receivable, net		
Customer	579	559
Other	376	266
Receivables from affiliates	21	13
Inventories, net	146	152
Regulatory assets	237	225
Other	86	68
Total current assets	1,480	1,364
Property, plant and equipment, net	21,323	20,723
Deferred debits and other assets		
Regulatory assets	1,134	1,054
Investments	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,430	2,528
Prepaid pension asset	1,130	1,188
Other	318	238
Total deferred debits and other assets	7,643	7,639
Total assets	$30,446	$ 29,726

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$320	$—
Long-term debt due within one year	440	840
Accounts payable	547	568
Accrued expenses	285	327
Payables to affiliates	97	74
Customer deposits	111	112
Regulatory liabilities	287	249
Mark-to-market derivative liability	23	21
Other	81	103
Total current liabilities	2,191	2,294
Long-term debt	7,255	6,761
Long-term debt to financing trust	205	205
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	3,597	3,469
Asset retirement obligations	111	111
Non-pension postretirement benefits obligations	210	219
Regulatory liabilities	6,221	6,328
Mark-to-market derivative liability	229	235
Other	560	562
Total deferred credits and other liabilities	10,928	10,924
Total liabilities	20,579	20,184
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid-in capital	7,047	6,822
Retained deficit unappropriated	(1,639)	(1,639)
Retained earnings appropriated	2,871	2,771
Total shareholders' equity	9,867	9,542
Total liabilities and shareholders' equity	$30,446	$29,726

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

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Total Shareholders' Equity
Balance, December 31, 2017	$ 1,588	$ 6,822	$ (1,639)	$ 2,771	$ 9,542
Net income	—	—	329	—	329
Appropriation of retained earnings for future dividends	—	—	(329)	329	—
Common stock dividends	—	—	—	(229)	(229)
Contributions from parent	—	225	—	—	225
Balance, June 30, 2018	$ 1,588	$ 7,047	$ (1,639)	$ 2,871	$ 9,867

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$556	$548	$1,189	$1,138
Natural gas operating revenues	93	80	325	285
Revenues from alternative revenue programs	2	—	1	—
Operating revenues from affiliates	2	2	3	3
Total operating revenues	653	630	1,518	1,426
Operating expenses				
Purchased power	161	136	361	292
Purchased fuel	37	27	134	113
Purchased power from affiliate	24	34	60	79
Operating and maintenance	153	153	387	326
Operating and maintenance from affiliates	38	37	79	72
Depreciation and amortization	74	71	149	141
Taxes other than income	39	35	79	74
Total operating expenses	526	493	1,249	1,097
Operating income	127	137	269	329
Other income and (deductions)				
Interest expense, net	(28)	(28)	(57)	(56)
Interest expense to affiliates	(4)	(3)	(7)	(6)
Other, net	—	2	2	3
Total other income and (deductions)	(32)	(29)	(62)	(59)
Income before income taxes	95	108	207	270
Income taxes	(1)	20	(3)	55
Net income	$96	$88	$210	$215
Comprehensive income	$96	$88	$210	$215

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

	Six Months Ended June 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$210	$215
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	149	141
Deferred income taxes and amortization of investment tax credits	(10)	39
Other non-cash operating activities	22	22
Changes in assets and liabilities:		
Accounts receivable	(43)	26
Receivables from and payables to affiliates, net	(4)	(10)
Inventories	4	7
Accounts payable and accrued expenses	(18)	(30)
Income taxes	19	51
Pension and non-pension postretirement benefit contributions	(25)	(23)
Other assets and liabilities	(50)	(70)
Net cash flows provided by operating activities	254	368
Cash flows from investing activities		
Capital expenditures	(411)	(367)
Changes in Exelon intercompany money pool	—	121
Other investing activities	5	4
Net cash flows used in investing activities	(406)	(242)
Cash flows from financing activities		
Changes in short-term borrowings	50	—
Issuance of long-term debt	375	—
Retirement of long-term debt	(500)	—
Changes in Exelon intercompany money pool	233	—
Contributions from parent	41	—
Dividends paid on common stock	(293)	(144)
Other financing activities	(6)	—
Net cash flows used in financing activities	(100)	(144)
Decrease in cash, cash equivalents and restricted cash	(252)	(18)
Cash, cash equivalents and restricted cash at beginning of period	275	67
Cash, cash equivalents and restricted cash at end of period	$23	$49

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$18	$ 271
Restricted cash and cash equivalents	5	4
Accounts receivable, net		
Customer	285	327
Other	178	105
Receivable from affiliates	—	—
Inventories, net		
Fossil fuel	24	31
Materials and supplies	33	30
Prepaid utility taxes	72	8
Regulatory assets	75	29
Other	25	17
Total current assets	715	822
Property, plant and equipment, net	8,307	8,053
Deferred debits and other assets		
Regulatory assets	427	381
Investments	25	25
Receivable from affiliates	485	537
Prepaid pension asset	355	340
Other	31	12
Total deferred debits and other assets	1,323	1,295
Total assets	$10,345	$ 10,170

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$50	$ —
Long-term debt due within one year	—	500
Accounts payable	349	370
Accrued expenses	118	114
Payables to affiliates	48	53
Borrowings from Exelon intercompany money pool	233	—
Customer deposits	67	66
Regulatory liabilities	168	141
Other	32	23
Total current liabilities	1,065	1,267
Long-term debt	2,773	2,403
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,854	1,789
Asset retirement obligations	27	27
Non-pension postretirement benefits obligations	288	288
Regulatory liabilities	545	549
Other	74	86
Total deferred credits and other liabilities	2,788	2,739
Total liabilities	6,810	6,593
Commitments and contingencies		
Shareholder’s equity		
Common stock	2,530	2,489
Retained earnings	1,005	1,087
Accumulated other comprehensive income, net	—	1
Total shareholder’s equity	3,535	3,577
Total liabilities and shareholder's equity	$10,345	$ 10,170

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

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholder's Equity
Balance, December 31, 2017	$ 2,489	$ 1,087	$ 1	$ 3,577
Net income	—	210	—	210
Common stock dividends	—	(293)	—	(293)
Contributions from parent	41	—	—	41
Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard	—	1	(1)	—
Balance, June 30, 2018	$ 2,530	$ 1,005	$ —	$ 3,535

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$542	$545	$1,196	$1,186
Natural gas operating revenues	118	94	448	365
Revenues from alternative revenue programs	(4)	32	(17)	66
Operating revenues from affiliates	6	3	12	8
Total operating revenues	662	674	1,639	1,625
Operating expenses				
Purchased power	135	115	327	248
Purchased fuel	32	22	155	105
Purchased power from affiliate	62	97	127	231
Operating and maintenance	135	135	318	284
Operating and maintenance from affiliates	41	39	79	73
Depreciation and amortization	114	112	248	239
Taxes other than income	59	56	124	119
Total operating expenses	578	576	1,378	1,299
Gain on sales of assets	1	—	1	—
Operating income	85	98	262	326
Other income and (deductions)				
Interest expense, net	(25)	(22)	(51)	(46)
Interest expense to affiliates	—	(4)	—	(8)
Other, net	4	4	9	8
Total other income and (deductions)	(21)	(22)	(42)	(46)
Income before income taxes	64	76	220	280
Income taxes	13	31	41	111
Net income	$51	$45	$179	$169
Comprehensive income	$51	$45	$179	$169

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

	Six Months Ended June 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$179	$169
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	248	239
Deferred income taxes and amortization of investment tax credits	39	99
Other non-cash operating activities	27	35
Changes in assets and liabilities:		
Accounts receivable	73	77
Receivables from and payables to affiliates, net	(4)	(7)
Inventories	5	(5)
Accounts payable and accrued expenses	(48)	(83)
Income taxes	(45)	26
Pension and non-pension postretirement benefit contributions	(49)	(47)
Other assets and liabilities	39	(34)
Net cash flows provided by operating activities	464	469
Cash flows from investing activities		
Capital expenditures	(434)	(405)
Other investing activities	6	4
Net cash flows used in investing activities	(428)	(401)
Cash flows from financing activities		
Changes in short-term borrowings	59	40
Retirement of long-term debt	—	(41)
Dividends paid on common stock	(105)	(99)
Net cash flows used in financing activities	(46)	(100)
Decrease in cash, cash equivalents and restricted cash	(10)	(32)
Cash, cash equivalents and restricted cash at beginning of period	18	50
Cash, cash equivalents and restricted cash at end of period	$8	$18

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$7	$ 17
Restricted cash and cash equivalents	1	1
Accounts receivable, net		
Customer	300	375
Other	89	94
Receivables from affiliates	—	1
Inventories, net		
Gas held in storage	27	37
Materials and supplies	45	40
Prepaid utility taxes	—	69
Regulatory assets	185	174
Other	4	3
Total current assets	658	811
Property, plant and equipment, net	7,864	7,602
Deferred debits and other assets		
Regulatory assets	405	397
Investments	6	5
Prepaid pension asset	302	285
Other	6	4
Total deferred debits and other assets	719	691
Total assets	$9,241	$ 9,104

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities		
Short-term borrowings	$136	$ 77
Accounts payable	249	265
Accrued expenses	95	164
Payables to affiliates	48	52
Customer deposits	120	116
Regulatory liabilities	106	62
Other	23	24
Total current liabilities	777	760
Long-term debt	2,578	2,577
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,306	1,244
Asset retirement obligations	23	23
Non-pension postretirement benefits obligations	199	202
Regulatory liabilities	1,070	1,101
Other	73	56
Total deferred credits and other liabilities	2,671	2,626
Total liabilities	6,026	5,963
Commitments and contingencies		
Shareholders’ equity		
Common stock	1,605	1,605
Retained earnings	1,610	1,536
Total shareholders' equity	3,215	3,141
Total liabilities and shareholders’ equity	$9,241	$ 9,104

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 2017	$ 1,605	$ 1,536	$ 3,141
Net income	—	179	179
Common stock dividends	—	(105)	(105)
Balance, June 30, 2018	$ 1,605	$ 1,610	$ 3,215

See the Combined Notes to Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$1,052	$1,032	$2,202	$2,100
Natural gas operating revenues	28	22	106	87
Revenues from alternative revenue programs	(7)	8	12	38
Operating revenues from affiliates	3	12	7	23
Total operating revenues	1,076	1,074	2,327	2,248
Operating expenses				
Purchased power	288	259	662	547
Purchased fuel	12	9	53	39
Purchased power and fuel from affiliates	81	115	186	259
Operating and maintenance	218	231	489	454
Operating and maintenance from affiliates	37	38	74	70
Depreciation, amortization and accretion	180	165	363	332
Taxes other than income	107	110	221	221
Total operating expenses	923	927	2,048	1,922
Gain on sales of assets	—	1	—	1
Operating income	153	148	279	327
Other income and (deductions)				
Interest expense, net	(65)	(59)	(128)	(122)
Other, net	11	13	22	26
Total other income and (deductions)	(54)	(46)	(106)	(96)
Income before income taxes	99	102	173	231
Income taxes	15	36	24	26
Net income	$84	$66	$149	$205
Comprehensive income	$84	$66	$149	$205

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2018	2017
Cash flows from operating activities		
Net income	$149	$205
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	363	332
Gain on sales of long-lived assets	—	(1)
Deferred income taxes and amortization of investment tax credits	14	59
Other non-cash operating activities	71	28
Changes in assets and liabilities:		
Accounts receivable	(28)	(3)
Receivables from and payables to affiliates, net	4	(7)
Inventories	8	(19)
Accounts payable and accrued expenses	66	(61)
Income taxes	13	87
Pension and non-pension postretirement benefit contributions	(62)	(68)
Other assets and liabilities	(111)	(149)
Net cash flows provided by operating activities	487	403
Cash flows from investing activities		
Capital expenditures	(629)	(671)
Proceeds from sales of long-lived assets	—	1
Other investing activities	2	—
Net cash flows used in investing activities	(627)	(670)
Cash flows from financing activities		
Changes in short-term borrowings	(228)	45
Proceeds from short-term borrowings with maturities greater than 90 days	125	—
Repayments of short-term borrowings with maturities greater than 90 days	—	(500)
Issuance of long-term debt	300	202
Retirement of long-term debt	(25)	(120)
Distributions to member	(109)	(131)
Contributions from member	235	751
Change in Exelon intercompany money pool	7	—
Other financing activities	(7)	(2)
Net cash flows provided by financing activities	298	245
Increase (Decrease) in cash, cash equivalents and restricted cash	158	(22)
Cash, cash equivalents and restricted cash at beginning of period	95	236
Cash, cash equivalents and restricted cash at end of period	$253	$214

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$195	$ 30
Restricted cash and cash equivalents	38	42
Accounts receivable, net		
Customer	495	486
Other	201	206
Inventories, net		
Gas held in storage	5	7
Materials and supplies	145	151
Regulatory assets	512	554
Other	81	75
Total current assets	1,672	1,551
Property, plant and equipment, net	12,929	12,498
Deferred debits and other assets		
Regulatory assets	2,439	2,493
Investments	133	132
Goodwill	4,005	4,005
Long-term note receivable	—	4
Prepaid pension asset	513	490
Deferred income taxes	5	4
Other	70	70
Total deferred debits and other assets	7,165	7,198
Total assets[(a)]	$21,766	$ 21,247

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Short-term borrowings	$247	$ 350
Long-term debt due within one year	379	396
Accounts payable	514	348
Accrued expenses	220	261
Payables to affiliates	94	90
Borrowings from Exelon intercompany money pool	7	—
Unamortized energy contract liabilities	134	188
Customer deposits	111	119
Merger related obligation	38	42
Regulatory liabilities	125	56
Other	57	81
Total current liabilities	1,926	1,931
Long-term debt	5,737	5,478
Deferred credits and other liabilities		
Regulatory liabilities	1,834	1,872
Deferred income taxes and unamortized investment tax credits	2,146	2,070
Asset retirement obligations	16	16
Non-pension postretirement benefit obligations	100	105
Unamortized energy contract liabilities	504	561
Other	403	389
Total deferred credits and other liabilities	5,003	5,013
Total liabilities[(a)]	12,666	12,422
Commitments and contingencies		
Member's equity		
Membership interest	9,070	8,835
Undistributed earnings (losses)	30	(10)
Total member's equity	9,100	8,825
Total liabilities and member's equity	$21,766	$ 21,247

(a) PHI’s consolidated total assets include $37 million and $41 million at June 30, 2018 and December 31, 2017, respectively, of PHI's consolidated VIE that can only be used to settle the liabilities of the VIE. PHI’s consolidated total liabilities include $88 million and $102 million at June 30, 2018 and December 31, 2017, respectively, of PHI's consolidated VIE for which the VIE creditors do not have recourse to PHI. See Note 3 — Variable Interest Entities for additional information.

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

(In millions)	Membership Interest	Undistributed Earnings (Losses)	Member's Equity
Balance, December 31, 2017	$ 8,835	$ (10)	$ 8,825
Net income	—	149	149
Distribution to member	—	(109)	(109)
Contribution from member	235	—	235
Balance, June 30, 2018	$ 9,070	$ 30	$ 9,100

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$531	$508	$1,067	$1,022
Revenues from alternative revenue programs	(10)	5	10	20
Operating revenues from affiliates	2	1	3	3
Total operating revenues	523	514	1,080	1,045
Operating expenses				
Purchased power	94	74	224	157
Purchased power from affiliates	46	69	98	152
Operating and maintenance	60	106	133	208
Operating and maintenance from affiliates	56	14	113	26
Depreciation and amortization	92	78	188	160
Taxes other than income	90	90	183	180
Total operating expenses	438	431	939	883
Gain on sales of assets	—	1	—	1
Operating income	85	84	141	163
Other income and (deductions)				
Interest expense, net	(32)	(28)	(63)	(58)
Other, net	8	7	16	15
Total other income and (deductions)	(24)	(21)	(47)	(43)
Income before income taxes	61	63	94	120
Income taxes	7	20	9	19
Net income	$54	$43	$85	$101
Comprehensive income	$54	$43	$85	$101

See the Combined Notes to Consolidated Financial Statements

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POTOMAC ELECTRIC POWER COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$85	$101
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	188	160
Deferred income taxes and amortization of investment tax credits	(8)	35
Gain on sales of long-lived assets	—	(1)
Other non-cash operating activities	24	—
Changes in assets and liabilities:		
Accounts receivable	(31)	(33)
Receivables from and payables to affiliates, net	(11)	(4)
Inventories	2	(10)
Accounts payable and accrued expenses	77	(45)
Income taxes	3	46
Pension and non-pension postretirement benefit contributions	(11)	(65)
Other assets and liabilities	(91)	(55)
Net cash flows provided by operating activities	227	129
Cash flows from investing activities		
Capital expenditures	(287)	(291)
Proceeds from sales of long-lived assets	—	1
Other investing activities	2	(2)
Net cash flows used in investing activities	(285)	(292)
Cash flows from financing activities		
Changes in short-term borrowings	(26)	(23)
Issuance of long-term debt	100	202
Retirement of long-term debt	(7)	(7)
Dividends paid on common stock	(50)	(58)
Contribution from parent	85	161
Other financing activities	(4)	(1)
Net cash flows provided by financing activities	98	274
Increase in cash, cash equivalents and restricted cash	40	111
Cash, cash equivalents and restricted cash at beginning of period	40	42
Cash, cash equivalents and restricted cash at end of period	$80	$153

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POTOMAC ELECTRIC POWER COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 47	$ 5
Restricted cash and cash equivalents	33	35
Accounts receivable, net		
Customer	272	250
Other	91	87
Inventories, net	85	87
Regulatory assets	248	213
Other	11	33
Total current assets	787	710
Property, plant and equipment, net	6,207	6,001
Deferred debits and other assets		
Regulatory assets	682	678
Investments	105	102
Prepaid pension asset	321	322
Other	21	19
Total deferred debits and other assets	1,129	1,121
Total assets	$ 8,123	$ 7,832

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POTOMAC ELECTRIC POWER COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ —	$ 26
Long-term debt due within one year	20	19
Accounts payable	245	139
Accrued expenses	137	137
Payables to affiliates	63	74
Customer deposits	51	54
Regulatory liabilities	30	3
Merger related obligation	38	42
Current portion of DC PLUG obligation	30	28
Other	10	28
Total current liabilities	624	550
Long-term debt	2,611	2,521
Deferred credits and other liabilities		
Regulatory liabilities	791	829
Deferred income taxes and unamortized investment tax credits	1,101	1,063
Non-pension postretirement benefit obligations	32	36
Other	311	300
Total deferred credits and other liabilities	2,235	2,228
Total liabilities	5,470	5,299
Commitments and contingencies		
Shareholder's equity		
Common stock	1,555	1,470
Retained earnings	1,098	1,063
Total shareholder's equity	2,653	2,533
Total liabilities and shareholder's equity	$ 8,123	$ 7,832

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

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 1,470	$ 1,063	$ 2,533
Net income	—	85	85
Common stock dividends	—	(50)	(50)
Contributions from parent	85	—	85
Balance, June 30, 2018	$ 1,555	$ 1,098	$ 2,653

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$255	$258	$558	$544
Natural gas operating revenues	28	22	106	87
Revenues from alternative revenue programs	4	—	5	9
Operating revenues from affiliates	2	2	4	4
Total operating revenues	289	282	673	644
Operating expenses				
Purchased power	72	64	162	141
Purchased fuel	12	9	53	38
Purchased power from affiliate	30	40	76	91
Operating and maintenance	36	66	94	133
Operating and maintenance from affiliates	41	8	81	15
Depreciation and amortization	43	40	88	79
Taxes other than income	13	14	28	28
Total operating expenses	247	241	582	525
Operating income	42	41	91	119
Other income and (deductions)				
Interest expense, net	(14)	(13)	(27)	(25)
Other, net	3	3	5	6
Total other income and (deductions)	(11)	(10)	(22)	(19)
Income before income taxes	31	31	69	100
Income taxes	5	12	12	24
Net income	$26	$19	$57	$76
Comprehensive income	$26	$19	$57	$76

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

(In millions)	Six Months Ended June 30, 2018	2017
Cash flows from operating activities		
Net income	$57	$76
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	88	79
Deferred income taxes and amortization of investment tax credits	9	33
Other non-cash operating activities	14	(3)
Changes in assets and liabilities:		
Accounts receivable	18	12
Receivables from and payables to affiliates, net	(22)	(2)
Inventories	4	(3)
Accounts payable and accrued expenses	10	18
Income taxes	16	13
Other assets and liabilities	22	(29)
Net cash flows provided by operating activities	216	194
Cash flows from investing activities		
Capital expenditures	(166)	(192)
Other investing activities	1	1
Net cash flows used in investing activities	(165)	(191)
Cash flows from financing activities		
Changes in short-term borrowings	(216)	25
Issuance of long-term debt	200	—
Retirement of long-term debt	(4)	(14)
Dividends paid on common stock	(40)	(54)
Contribution from parent	150	—
Other financing activities	(2)	—
Net cash flows provided by (used in) financing activities	88	(43)
Increase (Decrease) in cash, cash equivalents and restricted cash	139	(40)
Cash, cash equivalents and restricted cash at beginning of period	2	46
Cash, cash equivalents and restricted cash at end of period	$141	$6

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DELMARVA POWER & LIGHT COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 141	$ 2
Accounts receivable, net		
Customer	119	146
Other	43	38
Receivables from affiliates	1	—
Inventories, net		
Gas held in storage	5	7
Materials and supplies	34	36
Regulatory assets	64	69
Other	18	27
Total current assets	425	325
Property, plant and equipment, net	3,689	3,579
Deferred debits and other assets		
Regulatory assets	242	245
Goodwill	8	8
Prepaid pension asset	189	193
Other	9	7
Total deferred debits and other assets	448	453
Total assets	$ 4,562	$ 4,357

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DELMARVA POWER & LIGHT COMPANY
BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ —	$ 216
Long-term debt due within one year	79	83
Accounts payable	111	82
Accrued expenses	45	35
Payables to affiliates	25	46
Customer deposits	34	35
Regulatory liabilities	67	42
Other	6	8
Total current liabilities	367	547
Long-term debt	1,415	1,217
Deferred credits and other liabilities		
Regulatory liabilities	588	593
Deferred income taxes and unamortized investment tax credits	626	603
Non-pension postretirement benefit obligations	13	14
Other	51	48
Total deferred credits and other liabilities	1,278	1,258
Total liabilities	3,060	3,022
Commitments and contingencies		
Shareholder's equity		
Common stock	914	764
Retained earnings	588	571
Total shareholder's equity	1,502	1,335
Total liabilities and shareholder's equity	$ 4,562	$ 4,357

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

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 764	$ 571	$ 1,335
Net income	—	57	57
Common stock dividends	—	(40)	(40)
Contribution from parent	150	—	150
Balance, June 30, 2018	$ 914	$ 588	$ 1,502

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Operating revenues				
Electric operating revenues	$265	$266	$576	$534
Revenues from alternative revenue programs	(1)	3	(3)	9
Operating revenues from affiliates	1	1	2	1
Total operating revenues	265	270	575	544
Operating expenses				
Purchased power	122	121	277	250
Purchased power from affiliates	6	7	12	16
Operating and maintenance	40	71	95	139
Operating and maintenance from affiliates	35	7	70	13
Depreciation and amortization	36	37	69	72
Taxes other than income	1	2	3	4
Total operating expenses	240	245	526	494
Operating income	25	25	49	50
Other income and (deductions)				
Interest expense, net	(16)	(15)	(32)	(30)
Other, net	1	2	1	4
Total other income and (deductions)	(15)	(13)	(31)	(26)
Income before income taxes	10	12	18	24
Income taxes	2	4	3	(12)
Net income	$8	$8	$15	$36
Comprehensive income	$8	$8	$15	$36

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

	Six Months Ended June 30,	
(In millions)	2018	2017
Cash flows from operating activities		
Net income	$15	$36
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	69	72
Deferred income taxes and amortization of investment tax credits	6	(8)
Other non-cash operating activities	12	7
Changes in assets and liabilities:		
Accounts receivable	(13)	18
Receivables from and payables to affiliates, net	(4)	(6)
Inventories	4	(3)
Accounts payable and accrued expenses	14	3
Income taxes	3	11
Pension and non-pension postretirement benefit contributions	(6)	—
Other assets and liabilities	(33)	(53)
Net cash flows provided by operating activities	67	77
Cash flows from investing activities		
Capital expenditures	(170)	(175)
Other investing activities	(2)	—
Net cash flows used in investing activities	(172)	(175)
Cash flows from financing activities		
Changes in short-term borrowings	14	42
Proceeds from short-term borrowings with maturities greater than 90 days	125	—
Retirement of long-term debt	(15)	(17)
Dividends paid on common stock	(19)	(22)
Other financing activities	—	(1)
Net cash flows provided by financing activities	105	2
Increase (Decrease) in cash, cash equivalents and restricted cash	—	(96)
Cash, cash equivalents and restricted cash at beginning of period	31	133
Cash, cash equivalents and restricted cash at end of period	$31	$37

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

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 6	$ 2
Restricted cash and cash equivalents	5	6
Accounts receivable, net		
Customer	103	92
Other	50	56
Inventories, net	25	29
Prepaid utility taxes	36	—
Regulatory assets	60	71
Other	7	2
Total current assets	292	258
Property, plant and equipment, net	2,831	2,706
Deferred debits and other assets		
Regulatory assets	381	359
Long-term note receivable	—	4
Prepaid pension asset	73	73
Other	42	45
Total deferred debits and other assets	496	481
Total assets[a]	$ 3,619	$ 3,445

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term borrowings	$ 247	$ 108
Long-term debt due within one year	275	281
Accounts payable	143	118
Accrued expenses	35	33
Payables to affiliates	25	29
Customer deposits	26	31
Regulatory liabilities	29	11
Other	9	8
Total current liabilities	789	619
Long-term debt	832	840
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	501	493
Non-pension postretirement benefit obligations	14	14
Regulatory liabilities	418	411
Other	26	25
Total deferred credits and other liabilities	959	943
Total liabilities[(a)]	2,580	2,402
Commitments and contingencies		
Shareholder's equity		
Common stock	912	912
Retained earnings	127	131
Total shareholder's equity	1,039	1,043
Total liabilities and shareholder's equity	$ 3,619	$ 3,445

(a) ACE’s consolidated total assets include $25 million and $29 million at June 30, 2018 and December 31, 2017, respectively, of ACE's consolidated VIE that can only be used to settle the liabilities of the VIE. ACE’s consolidated total liabilities include $76 million and $90 million at June 30, 2018 and December 31, 2017, respectively, of ACE's consolidated VIE for which the VIE creditors do not have recourse to ACE. See Note 3 — Variable Interest Entities for additional information.

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

(In millions)	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance, December 31, 2017	$ 912	$ 131	$ 1,043
Net income	—	15	15
Common stock dividends	—	(19)	(19)
Balance, June 30, 2018	$ 912	$ 127	$ 1,039

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

Index to Combined Notes To Consolidated Financial Statements

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

Applicable Notes																				
Registrant	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Exelon Corporation	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Exelon Generation Company, LLC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•
Commonwealth Edison Company	•	•	•		•	•			•	•	•	•		•			•	•	•	
PECO Energy Company	•	•	•		•	•			•	•	•	•		•	•		•	•	•	
Baltimore Gas and Electric Company	•	•	•		•	•			•	•	•	•		•			•	•	•	
Pepco Holdings LLC	•	•	•		•	•			•	•	•	•		•			•	•	•	
Potomac Electric Power Company	•	•	•		•	•			•	•	•	•		•			•	•	•	
Delmarva Power & Light Company	•	•	•		•	•			•	•	•	•		•			•	•	•	
Atlantic City Electric Company	•	•	•		•	•			•	•	•	•		•			•	•	•	

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

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

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

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

Basis of Presentation (All Registrants)

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

The accompanying consolidated financial statements as of June 30, 2018 and 2017 and for the three and six months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants’ respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2017 revised Consolidated Balance Sheets were derived from audited financial statements. Financial results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2018. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

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Prior Period Adjustments and Reclassifications (All Registrants)

Certain prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018.

Beginning on January 1, 2018, Exelon adopted the following new accounting standards requiring reclassification or adjustments to previously reported information as follows:

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

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

Three Months Ended June 30, 2017	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating Revenues - As reported									
Competitive business revenues	$3,908	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	3,715	—	—	—	—	—	—	—	—
Operating revenues	—	3,906	—	—	—	—	—	—	—
Electric operating revenues	—	—	1,354	548	569	1,040	513	258	269
Natural gas operating revenues	—	—	—	80	102	22	—	22	—
Operating revenues from affiliates	—	268	3	2	3	12	1	2	1
Total operating revenues	$7,623	$ 4,174	$1,357	$630	$674	$1,074	$514	$282	$270
Operating Revenues - Adjustments									
Competitive business revenues	$42	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	(58)	—	—	—	—	—	—	—	—
Operating revenues	—	42	—	—	—	—	—	—	—
Electric operating revenues	—	—	(18)	—	(24)	(8)	(5)	—	(3)
Natural gas operating revenues	—	—	—	—	(8)	—	—	—	—
Revenues from alternative revenue programs	58	—	18	—	32	8	5	—	3
Operating revenues from affiliates	—	—	—	—	—	—	—	—	—
Total operating revenues	$42	$ 42	$—	$—	$—	$—	$—	$—	$—
Operating Revenues - Retrospective application									
Competitive business revenues	$3,950	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	3,657	—	—	—	—	—	—	—	—
Operating revenues	—	3,948	—	—	—	—	—	—	—
Electric operating revenues	—	—	1,336	548	545	1,032	508	258	266
Natural gas operating revenues	—	—	—	80	94	22	—	22	—
Revenues from alternative revenue programs	58	—	18	—	32	8	5	—	3
Operating revenues from affiliates	—	268	3	2	3	12	1	2	1
Total operating revenues	$7,665	$ 4,216	$1,357	$630	$674	$1,074	$514	$282	$270

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

Six Months Ended June 30, 2017	Exelon	Generation	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Operating Revenues - As reported									
Competitive business revenues	$8,468	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	7,913	—	—	—	—	—	—	—	—
Operating revenues	—	8,463	—	—	—	—	—	—	—
Electric operating revenues	—	—	2,647	1,138	1,234	2,138	1,042	553	543
Natural gas operating revenues	—	—	—	285	383	87	—	87	—
Operating revenues from affiliates	—	598	9	3	8	23	3	4	1
Total operating revenues	$16,381	$ 9,061	$2,656	$1,426	$1,625	$2,248	$1,045	$644	$544
Operating Revenues - Adjustments									
Competitive business revenues	$32	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	(137)	—	—	—	—	—	—	—	—
Operating revenues	—	32	—	—	—	—	—	—	—
Electric operating revenues	—	—	(32)	—	(48)	(38)	(20)	(9)	(9)
Natural gas operating revenues	—	—	—	—	(18)	—	—	—	—
Revenues from alternative revenue programs	137	—	32	—	66	38	20	9	9
Operating revenues from affiliates	—	—	—	—	—	—	—	—	—
Total operating revenues	$32	$ 32	$—	$—	$—	$—	$—	$—	$—
Operating Revenues - Retrospective application									
Competitive business revenues	$8,500	$ —	$—	$—	$—	$—	$—	$—	$—
Rate-regulated utility revenues	7,776	—	—	—	—	—	—	—	—
Operating revenues	—	8,495	—	—	—	—	—	—	—
Electric operating revenues	—	—	2,615	1,138	1,186	2,100	1,022	544	534
Natural gas operating revenues	—	—	—	285	365	87	—	87	—
Revenues from alternative revenue programs	137	—	32	—	66	38	20	9	9
Operating revenues from affiliates	—	598	9	3	8	23	3	4	1
Total operating revenues	$16,413	$ 9,093	$2,656	$1,426	$1,625	$2,248	$1,045	$644	$544

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

Revenues (All Registrants)

Operating Revenues. The Registrants’ operating revenues generally consist of revenues from contracts with customers involving the sale and delivery of energy commodities and related products and services, utility revenues from alternative revenue programs (ARP), and realized and unrealized revenues recognized under mark-to-market energy commodity derivative contracts. The Registrants recognize revenue from contracts with customers to depict the transfer of goods or services to customers in an amount that the entities expect to be entitled to in exchange for those goods or services. Generation’s primary sources of revenue include competitive sales of power, natural gas, and other energy-related products and services. The Utility Registrants’ primary sources of revenue include regulated electric and natural gas tariff sales, distribution and transmission services. At the end of each month, the Registrants accrue an estimate for the unbilled amount of energy delivered or services provided to customers.

ComEd records ARP revenue for its best estimate of the electric distribution, energy efficiency, and transmission revenue impacts resulting from future changes in rates that ComEd believes are probable of approval by the ICC and FERC in accordance with its formula rate mechanisms. BGE, Pepco and DPL record ARP revenue for their best estimate of the electric and natural gas distribution revenue impacts resulting from future changes in rates that they believe are probable of approval by the MDPSC and/or DCPSC in accordance with their revenue decoupling mechanisms. PECO, BGE, Pepco, DPL and ACE record ARP revenue for their best estimate of the transmission revenue impacts resulting from future changes in rates that they believe are probable of approval by FERC in accordance with their formula rate mechanisms. See Note 5 — Revenue from Contracts with Customers and Note 6 —Regulatory Matters for additional information.

RTOs and ISOs. In RTO and ISO markets that facilitate the dispatch of energy and energy-related products, the Registrants generally report sales and purchases conducted on a net hourly basis in either revenues or purchased power on their Consolidated Statements of Operations and Comprehensive Income, the classification of which depends on the net hourly sale or purchase position. In addition, capacity revenue and expense classification is based on the net sale or purchase position of the Registrants in the different RTOs and ISOs.

Option Contracts, Swaps and Commodity Derivatives. Certain option contracts and swap arrangements that meet the definition of derivative instruments are recorded at fair value with subsequent changes in fair value recognized as revenue or expense. The classification of revenue or expense is based on the intent of the transaction. For example, gas transactions may be used to hedge the sale of power. This will result in the change in fair value recorded through revenue. To the extent a Utility Registrant receives full cost recovery for energy procurement and related costs from retail customers, it records the fair value of its energy swap contracts with unaffiliated suppliers as well as an offsetting regulatory asset or liability on its Consolidated Balance Sheets. See Note 6 — Regulatory Matters and Note 10 — Derivative Financial Instruments for additional information.

Taxes Directly Imposed on Revenue-Producing Transactions. The Registrants collect certain taxes from customers such as sales and gross receipts taxes, along with other taxes, surcharges and fees that are levied by state or local governments on the sale or distribution of natural gas and electricity. Some of these taxes are imposed on the customer, but paid by the Registrants, while others are imposed directly on the Registrants. The Registrants do not recognize revenue or expense in their Consolidated Statements of Operations and Comprehensive Income when these taxes are imposed on the customer, such as sales taxes. However, when these taxes are imposed directly on the Registrants, such as gross receipts taxes or other surcharges or fees, the Registrants recognize revenue for the taxes collected from customers along with an offsetting expense. See Note 18 — Supplemental Financial Information for Generation’s, ComEd’s, PECO’s, BGE’s, Pepco’s, DPL’s and ACE’s utility taxes that are presented on a gross basis.

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2. New Accounting Standards (All Registrants)

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

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

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

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

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

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

The standard provides a number of transition practical expedients that entities may elect. These include a "package of three" expedients that must be taken together and allow entities to (1) not reassess

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whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. The Registrants expect to elect this practical expedient.

In January 2018, the FASB issued additional guidance which provides another optional transition practical expedient. This practical expedient allows entities to not evaluate land easements under the new guidance at adoption if they were not previously accounted for as leases.

The Registrants have assessed the lease standard and are executing a detailed implementation plan in preparation for adoption on January 1, 2019. Key activities in the implementation plan include:

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

Impairment of Financial Instruments (Issued June 2016): Provides for a new Current Expected Credit Loss (CECL) impairment model for specified financial instruments including loans, trade receivables, debt securities classified as held-to-maturity investments and net investments in leases recognized by a lessor. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects the entity’s current estimate of credit losses expected to be incurred over the life of the financial instrument. The standard does not make changes to the existing impairment models for non-financial assets such as fixed assets, intangibles and goodwill. The standard will be effective January 1, 2020 (with early adoption as of January 1, 2019 permitted) and requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

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 June 30, 2018. This updated guidance is not currently expected to impact the Registrants’ financial reporting. The standard is effective January 1, 2020, with early adoption permitted, and must be applied on a prospective basis.

Derivatives and Hedging (Issued September 2017): Allows more financial and nonfinancial hedging strategies to be eligible for hedge accounting. The amendments are intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. There are also amendments related to effectiveness testing and disclosure requirements. The guidance is effective January 1, 2019 and early adoption is permitted with a modified retrospective transition approach. The Registrants are currently assessing this standard but do not currently expect a significant impact given the limited activity for which the Registrants elect hedge accounting and because the Registrants do not anticipate increasing their use of hedge accounting as a result of this standard.

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3. Variable Interest Entities (All Registrants)

A VIE is a legal entity that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest) or equity owners who do not have the obligation to absorb expected losses or the right to receive the expected residual returns of the entity. Companies are required to consolidate a VIE if they are its primary beneficiary, which is the enterprise that has the power to direct the activities that most significantly affect the entity's economic performance.

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

Consolidated Variable Interest Entities

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

- energy related companies involved in distributed generation, backup generation and energy development
- renewable energy project companies formed by Generation to build, own and operate renewable power facilities
- certain retail power and gas companies for which Generation is the sole supplier of energy, and
- CENG.

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

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

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

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

- Generation provides operating and capital funding to the renewable energy project companies and there is limited recourse to Generation related to certain renewable energy project companies.
- Generation provides operating and capital funding to one of the energy related companies involved in backup generation.
- Generation provides approximately $34 million in credit support for the retail power and gas companies for which Generation is the sole supplier of energy.

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- Exelon and Generation, where indicated, provide the following support to CENG (see Note 26 — Related Party Transactions of the Exelon 2017 Form 10-K for additional information regarding Generation's and Exelon's transactions with CENG):
- under power purchase agreements with CENG, Generation purchased or will purchase 50.01% of the available output generated by the CENG nuclear plants not subject to other contractual agreements from January 2015 through the end of the operating life of each respective plant. However, pursuant to amendments dated March 31, 2015, the energy obligations under the Ginna Nuclear Power Plant (Ginna) PPAs were suspended during the term of the Reliability Support Services Agreement (RSSA), through the end of March 31, 2017. With the expiration of the RSSA, the PPA was reinstated beginning April 1, 2017,
- Generation provided a $400 million loan to CENG. As of June 30, 2018, the remaining obligation is $191 million,
- Generation executed an Indemnity Agreement pursuant to which Generation agreed to indemnify EDF against third-party claims that may arise from any future nuclear incident (as defined in the Price-Anderson Act) in connection with the CENG nuclear plants or their operations. Exelon guarantees Generation's obligations under this Indemnity Agreement. (See Note 17 — Commitments and Contingencies for additional information),
- Generation and EDF share in the $637 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance,
- Exelon has executed an agreement to provide up to $245 million to support the operations of CENG as well as a $165 million guarantee of CENG's cash pooling agreement with its subsidiaries.

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

- In the case of ATF, proceeds from the sale of each series of transition bonds by ATF were transferred to ACE in exchange for the transfer by ACE to ATF of the right to collect a non-bypassable Transition Bond Charge from ACE customers pursuant to bondable stranded costs rate orders issued by the NJBPU in an amount sufficient to fund the principal and interest payments on transition bonds and related taxes, expenses and fees. During the three and six months ended June 30, 2018, ACE transferred $6 million and $14 million to ATF, respectively. During the three and six months ended June 30, 2017, ACE transferred $8 million and $27 million to ATF, respectively.

For each of the consolidated VIEs, except as otherwise noted:

- the assets of the VIEs are restricted and can only be used to settle obligations of the respective VIE;
- Exelon, Generation, PHI and ACE did not provide any additional material financial support to the VIEs;
- Exelon, Generation, PHI and ACE did not have any material contractual commitments or obligations to provide financial support to the VIEs; and

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

- 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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018				December 31, 2017			
	Exelon[(a)]	Generation	PHI[(a)]	ACE	Exelon[(a)]	Generation	PHI[(a)]	ACE
Current assets	$744	$ 735	$ 9	$ 5	$662	$ 652	$ 10	$ 6
Noncurrent assets	9,234	9,206	28	20	9,317	9,286	31	23
Total assets	$9,978	$ 9,941	$ 37	$ 25	$9,979	$ 9,938	$ 41	$ 29
Current liabilities	$268	$ 238	$ 30	$ 26	$308	$ 272	$ 36	$ 32
Noncurrent liabilities	3,284	3,226	58	50	3,316	3,250	66	58
Total liabilities	$3,552	$ 3,464	$ 88	$ 76	$3,624	$ 3,522	$ 102	$ 90

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

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

Assets and Liabilities of Consolidated VIEs
Included within the balances above are assets and liabilities of certain consolidated VIEs for which the assets can only be used to settle obligations of those VIEs, and liabilities that creditors or beneficiaries do not have recourse to the general credit of the Registrants. As of June 30, 2018 and December 31, 2017, these assets and liabilities primarily consisted of the following:

	June 30, 2018				December 31, 2017			
	Exelon (a)	Generation	PHI (a)	ACE	Exelon (a)	Generation	PHI (a)	ACE
Cash and cash equivalents	$205	$ 205	$—	$ —	$126	$ 126	$ —	$ —
Restricted cash	77	72	5	5	64	58	6	6
Accounts receivable, net								
Customer	149	149	—	—	170	170	—	—
Other	32	32	—	—	25	25	—	—
Inventory, net								
Materials and supplies	208	208	—	—	205	205	—	—
Other current assets	47	43	4	—	45	41	4	—
Total current assets	718	709	9	5	635	625	10	6
Property, plant and equipment, net	6,157	6,157	—	—	6,186	6,186	—	—
Nuclear decommissioning trust funds	2,483	2,483	—	—	2,502	2,502	—	—
Other noncurrent assets	254	226	28	20	274	243	31	23
Total noncurrent assets	8,894	8,866	28	20	8,962	8,931	31	23
Total assets	$9,612	$ 9,575	$37	$ 25	$9,597	$ 9,556	$ 41	$ 29
Long-term debt due within one year	$95	$ 66	$29	$ 25	$102	$ 67	$ 35	$ 31
Accounts payable	74	74	—	—	114	114	—	—
Accrued expenses	81	80	1	1	67	66	1	1
Unamortized energy contract liabilities	16	16	—	—	18	18	—	—
Other current liabilities	2	2	—	—	7	7	—	—
Total current liabilities	268	238	30	26	308	272	36	32
Long-term debt	1,119	1,061	58	50	1,154	1,088	66	58
Asset retirement obligations	2,088	2,088	—	—	2,035	2,035	—	—
Other noncurrent liabilities	69	69	—	—	121	121	—	—
Total noncurrent liabilities	3,276	3,218	58	50	3,310	3,244	66	58
Total liabilities	$3,544	$ 3,456	$88	$ 76	$3,618	$ 3,516	$ 102	$ 90

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

Unconsolidated Variable Interest Entities
Exelon’s and Generation’s variable interests in unconsolidated VIEs generally include equity investments and energy purchase and sale contracts. For the equity investments, the carrying amount of the investments is reflected on Exelon’s and Generation’s Consolidated Balance Sheets in Investments. For the energy purchase and sale contracts (commercial agreements), the carrying amount of assets and liabilities in Exelon’s and Generation’s Consolidated Balance Sheets that relate to their involvement with the VIEs are predominately related to working capital accounts and generally represent the amounts owed by, or owed to, Exelon and Generation for the deliveries associated with the current billing cycles under the commercial agreements. Further, Exelon and Generation have not provided

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material debt or equity support, liquidity arrangements or performance guarantees associated with these commercial agreements.

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

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

As of June 30, 2018 and December 31, 2017, ComEd, PECO, BGE, PHI, Pepco, ACE and DPL did not have any material unconsolidated VIEs.

As of June 30, 2018 and December 31, 2017, Exelon and Generation had significant unconsolidated variable interests in seven VIEs for which Exelon or Generation, as applicable, was not the primary beneficiary; including certain equity investments and certain commercial agreements. Exelon and Generation only include unconsolidated VIEs that are individually material in the tables below. However, Generation has several individually immaterial VIEs that in aggregate represent a total investment of $9 million. These immaterial VIEs are equity and debt securities in energy development companies. The maximum exposure to loss related to these securities is limited to the $9 million included in Investments on Exelon’s and Generation’s Consolidated Balance Sheets. The risk of a loss was assessed to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss.

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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:

June 30, 2018	Commercial Agreement VIEs	Equity Investment VIEs	Total
Total assets[(a)]	$ 620	$ 491	$1,111
Total liabilities[(a)]	37	224	261
Exelon's ownership interest in VIE[(a)]	—	238	238
Other ownership interests in VIE[(a)]	583	29	612
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments	—	238	238
Contract intangible asset	8	—	8
Net assets pledged for Zion Station decommissioning[(b)]	1	—	1

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

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

(b) These items represent amounts on Exelon's and Generation's Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of $21 million and $39 million as of June 30, 2018 and December 31, 2017, respectively; offset by payables to ZionSolutions, LLC of $20 million and $37 million as of June 30, 2018 and December 31, 2017, respectively. These items are included to provide information regarding the relative size of the ZionSolutions, LLC unconsolidated VIE. See Note 13 — Nuclear Decommissioning for additional information.

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

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

Acquisition of Handley Generating Station

On November 7, 2017, EGTP and all of its wholly owned subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware, which resulted in Exelon and Generation deconsolidating EGTP's assets and liabilities from their consolidated financial statements in the fourth quarter of 2017. Concurrently with the

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Chapter 11 filings, Generation entered into an asset purchase agreement to acquire one of EGTP's generating plants, the Handley Generating Station, subject to a potential adjustment for fuel oil and assumption of certain liabilities. In the Chapter 11 Filings, EGTP requested that the proposed acquisition of the Handley Generating Station be consummated through a court-approved and supervised sales process. The acquisition was approved by the Bankruptcy Court in January 2018 and closed on April 4, 2018 for a purchase price of $62 million. The Chapter 11 bankruptcy proceedings were finalized on April 17, 2018, resulting in the ownership of EGTP assets (other than the Handley Generating Station) being transferred to EGTP's lenders.

Acquisition of James A. FitzPatrick Nuclear Generating Station

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

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

For the three months ended March 31, 2017, an after-tax bargain purchase gain of $226 million is included within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and primarily reflects differences in strategies between Generation and Entergy for the intended use and ultimate decommissioning of the plant. During the third quarter of 2017, Exelon and Generation recorded an additional after-tax bargain purchase gain of $7 million for the three months ended September 30, 2017. The total after tax bargain purchase gain recorded at Exelon and Generation was $233 million for the twelve months ended December 31, 2017. See Note 13 — Nuclear Decommissioning and Note 14 — Retirement Benefits for additional information regarding the FitzPatrick decommissioning ARO and pension and OPEB updates.

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

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

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

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

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

Asset Disposition

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

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5. Revenue from Contracts with Customers (All Registrants)

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

Unless otherwise noted, for each of the significant revenue categories and related performance obligations described below, the Registrants have the right to consideration from the customer in an amount that corresponds directly with the value transferred to the customer for the performance completed to date. Therefore, the Registrant's have elected to use the right to invoice practical expedient for the contracts within these revenue categories and generally recognize revenue in the amount for which they have the right to invoice the customer. As a result, there are generally no significant judgments used in determining or allocating the transaction price.

Competitive Power Sales (Exelon and Generation)

Generation sells power and other energy-related commodities to both wholesale and retail customers across multiple geographic regions through its customer-facing business, Constellation. Power sale contracts generally contain various performance obligations including the delivery of power and other energy-related commodities such as capacity, ZECs, RECs or other ancillary services. Revenues related to such contracts are generally recognized over time as the power is generated and simultaneously delivered to the customer. However, revenues related to the sale of any goods or services that are not simultaneously received and consumed by the customer are recognized as the performance obligations are satisfied at a point in time. Payment terms generally require that the customers pay for the power or the energy-related commodity within the month following delivery to the customer and there are generally no significant financing components.

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

Competitive Natural Gas Sales (Exelon and Generation)

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

Other Competitive Products and Services (Exelon and Generation)

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

Regulated Electric and Gas Tariff Sales (Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE)

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

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

Regulated Transmission Services (Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE)

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

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

Generation incurs incremental costs in order to execute certain retail power and gas sales contracts. These costs primarily relate to retail broker fees and sales commissions. Generation has capitalized such contract acquisition costs in the amount of $28 million and $26 million as of June 30, 2018 and December 31, 2017, respectively, within Other current assets and Other deferred debits in Exelon’s and Generation’s Consolidated Balance Sheets. These costs are capitalized when incurred and amortized using the straight-line method over the average length of such retail contracts, which is approximately 2 years. Exelon and Generation recognized amortization expense associated with these costs in the amount of $5 million and $11 million for the three and six months ended June 30, 2018, respectively, and $8 million and $17 million for the three and six months ended June 30, 2017, respectively, within Operating and maintenance expense in Exelon’s and Generation’s Consolidated Statements of Operations and Comprehensive Income. Generation does not incur material costs to fulfill contracts with customers that are not already capitalized under existing guidance. In addition, the Utility Registrants do not incur any material costs to obtain or fulfill contracts with customers.

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

Contract Balances (All Registrants)

Contract Assets

Generation records contract assets for the revenue recognized on the construction and installation of energy efficiency assets and new power generating facilities before Generation has an unconditional right to bill for and receive the consideration from the customer. These contract assets are subsequently reclassified to receivables when the right to payment becomes unconditional. Generation records contract assets and contract receivables within Other current assets and Accounts receivable, net - Customer, respectively, within Exelon’s and Generation’s Consolidated Balance Sheets. The following table provides a rollforward of the contract assets reflected on Exelon's and Generation's Consolidated Balance Sheets from January 1, 2018 to June 30, 2018:

Contract Assets	Exelon and Generation
Balance as of January 1, 2018	$ 283
Increases as a result of changes in the estimate of the stage of completion	28
Amounts reclassified to receivables	(68)
Balance at June 30, 2018	$ 243

The Utility Registrants do not have any contract assets.

Contract Liabilities

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

Contract Liabilities	Exelon and Generation
Balance as of January 1, 2018	$ 35
Increases as a result of additional cash received or due	298
Amounts recognized into revenues	(305)
Balance at June 30, 2018	$ 28

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

Transaction Price Allocated to Remaining Performance Obligations (All Registrants)

The following table shows the amounts of future revenues expected to be recorded in each year for performance obligations that are unsatisfied or partially unsatisfied as of June 30, 2018. Generation has elected the exemption which permits the exclusion from this disclosure of certain variable contract consideration. As such, the majority of Generation’s power and gas sales contracts are excluded from this disclosure as they contain variable volumes and/or variable pricing. Thus, this disclosure only

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includes contracts for which the total consideration is fixed and determinable at contract inception. The average contract term varies by customer type and commodity but ranges from one month to several years.

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

	2019	2020	2021	2022	2023 and thereafter	Total
Exelon	$574	$279	$113	$46	$ 128	$1,140
Generation	574	279	113	46	128	$1,140

Revenue Disaggregation (All Registrants)

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

6. Regulatory Matters (All Registrants)

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

Illinois Regulatory Matters

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

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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assets associated with its electric distribution formula rate. See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on ComEd's distribution formula rate filings.

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

Energy Efficiency Formula Rate (Exelon and ComEd). On June 1, 2018, ComEd filed its annual energy efficiency formula rate update with the ICC. The filing establishes the 2019 application year revenue requirement used to set the rates that will take effect in January 2019 after the ICC’s review and approval, which is due by December 2018. The revenue requirement requested is based on 2017 actual costs plus projected 2018 and 2019 expenditures as well as an annual reconciliation of the revenue requirement in effect in 2017 to the actual costs incurred that year. ComEd's 2018 filing request includes a total increase to the revenue requirement of $39 million, reflecting an increase of $38 million for the initial revenue requirement for 2018 and an increase of $1 million related to the annual reconciliation for 2017. The revenue requirement for the 2019 application year provides for a weighted average debt and equity return on rate base of 6.52% inclusive of an allowed ROE of 8.69%, reflecting the average rate on 30-year treasury notes plus 580 basis points.

Zero Emission Standard (Exelon, Generation and ComEd). Pursuant to FEJA, on January 25, 2018, the ICC announced that Generation’s Clinton unit 1, Quad Cities unit 1 and Quad Cities unit 2 nuclear plants were selected as the winning bidders through the IPA's ZEC procurement event. Generation executed the ZEC procurement contracts with Illinois utilities, including ComEd, effective January 26, 2018 and began recognizing revenue. Winning bidders are entitled to compensation for the sale of ZECs retroactive to the June 1, 2017 effective date of FEJA. During the three months ended June 30, 2018, Generation recognized revenue of $52 million. During the six months ended June 30, 2018, Generation recognized revenue of $254 million, of which $150 million related to ZECs generated from June 1, 2017 through December 31, 2017.

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

On February 14, 2017, two lawsuits were filed in the Northern District of Illinois against the IPA alleging that the state’s ZEC program violates certain provisions of the U.S. Constitution. One lawsuit was filed by customers of ComEd, led by the Village of Old Mill Creek, and the other was brought by the EPSA and three other electric suppliers. Both lawsuits argue that the Illinois ZEC program will distort PJM's FERC-approved energy and capacity market auction system of setting wholesale prices, and seek a permanent injunction preventing the implementation of the program. Exelon intervened and filed motions to dismiss in both lawsuits. In addition, on March 31, 2017, plaintiffs in both lawsuits filed motions for preliminary injunction with the court; the court stayed briefing on the motions for preliminary injunction until the resolution of the motions to dismiss. On July 14, 2017, the district court granted the motions to dismiss. On July 17, 2017, the plaintiffs appealed the decision to the Seventh Circuit. Briefs were fully submitted on December 12, 2017, the Court heard oral argument on January 3, 2018. At the argument, the Court asked for supplemental briefing, which was filed on January 26, 2018. On February 21, 2018, the Seventh Circuit issued an order inviting the Solicitor General to express the views of the United States on the matter. On May 29, 2018, the Solicitor General and FERC filed its brief in the Seventh Circuit Court of Appeals stating that the Illinois ZEC program does not violate federal law or interfere

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with FERC's authority to regulate wholesale power markets. The Illinois Attorney General, EPSA and Exelon have all filed responses to the Solicitor General's brief. The appeal of the Illinois ZEC program remains pending in the Seventh Circuit. Exelon cannot predict the outcome of these lawsuits. It is possible that resolution of these matters could have a material, unfavorable impact on Exelon's and Generation's results of operations, cash flows, and financial positions.
See Note 8 — Early Plant Retirements for additional information regarding the economic challenges facing Generation's Clinton and Quad Cities nuclear plants and the expected benefits of the ZES.

Pennsylvania Regulatory Matters

2018 Pennsylvania Electric Distribution Base Rate Case (Exelon and PECO). On March 29, 2018, PECO filed a request with the PAPUC seeking approval to increase its electric distribution base rates by $82 million beginning January 1, 2019. This requested amount includes the effect of an approximately $71 million reduction as a result of the ongoing annual tax savings beginning January 1, 2019 associated with the TCJA. The requested ROE is 10.95%. PECO expects a decision on its electric distribution rate case proceeding in the fourth quarter of 2018 but cannot predict what increase, if any, the PAPUC will approve.

Tax Cuts and Jobs Act (Exelon and PECO). As part of the rate case filing referenced above, PECO is seeking approval to pass back to electric distribution customers $68 million in 2018 TCJA tax savings, which would be an additional offset to the proposed increase to its electric distribution rates. The amounts being proposed to be passed back to customers reflect the respective annual benefits of lower income tax rates established upon enactment of the TCJA. PECO cannot predict the amount or timing of the refunds the PAPUC will ultimately approve.

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

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

Maryland Regulatory Matters

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

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

2018 included a request to provide to customers the natural gas portion of the January 2018 TCJA savings over a 5-year period.

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

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

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

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

2018 Maryland Natural Gas Distribution Base Rates (Exelon and BGE). On June 8, 2018, BGE filed an application with the MDPSC to increase natural gas revenues by $63 million, reflecting a requested ROE of 10.5%. BGE expects a decision in the first quarter of 2019 but cannot predict how much of the requested increase the MDPSC will approve.

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

2017 Maryland Electric Distribution Base Rates (Exelon, PHI and DPL). On July 14, 2017, DPL filed an application with the MDPSC to increase its annual electric distribution base rates by $27

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million, which was updated to $19 million on November 16, 2017, reflecting a requested ROE of 10.1%. On December 18, 2017, a settlement agreement was filed with the MDPSC wherein DPL will be granted a base rate increase of $13 million, and a ROE of 9.5% solely for purposes of calculating AFUDC and regulatory asset carrying costs. On February 9, 2018, the MDPSC approved the settlement agreement and the new rates became effective.

In the second quarter of 2018, DPL discovered a rate design issue in Maryland such that the current rates are not sufficient to collect the full amount of the $13 million revenue increase agreed to by the parties in the recent settlement. DPL is in discussion with the parties to determine the appropriate resolution to this issue but cannot predict when it will be decided.

Delaware Regulatory Matters

Tax Cuts and Jobs Act (Exelon, PHI and DPL). On January 16, 2018, the DPSC opened a docket indicating that DPL’s TCJA tax savings would be addressed in its pending rate cases. See discussion below for further information on the proposed treatment of the TCJA tax savings in DPL’s pending electric and natural gas distribution base rate cases.

2017 Delaware Electric and Natural Gas Distribution Base Rates (Exelon, PHI and DPL). In 2017 (as updated on February 9, 2018 to reflect $19 million and $7 million of ongoing annual TCJA tax savings for electric and natural gas, respectively), DPL filed applications with the DPSC to increase its annual electric and natural gas distribution base rates by $12 million and $4 million, respectively, reflecting a requested ROE of 10.1%. The ongoing annual TCJA tax savings reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. Of the proposed electric and natural gas rate increases, $2.5 million of each were put into effect in the fourth quarter 2017 and an additional $3 million and $1 million, respectively, were put into effect in the first quarter 2018, all of which are subject to refund based on the final DPSC order.

On June 27, 2018, DPL entered into a settlement agreement with all active parties in the proceeding related to its pending electric distribution base rate case. The settlement agreement provides for a net decrease to annual electric distribution base rates of $7 million, which includes annual ongoing TCJA tax savings, and reflects a ROE of 9.7%. In addition, the settlement agreement separately provides a one-time bill credit to customers of approximately $3 million representing the TCJA tax savings from February 1, 2018 through March 17, 2018, when full interim rates were put into effect. A decision is expected on the matter in the third quarter of 2018, with a rate refund expected to be issued in the fourth quarter of 2018 if the DPSC approves the settlement agreement as filed. DPL expects a decision on its natural gas distribution base rate proceeding in the fourth quarter of 2018 but cannot predict how much of the requested increase the DPSC will approve.

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

District of Columbia Regulatory Matters

Tax Cuts and Jobs Act (Exelon, PHI and Pepco). On January 23, 2018, the DCPSC opened a rate proceeding directing Pepco to track the impacts of the TCJA beginning January 1, 2018 and file its plan to reduce the current revenue requirement by customer class by February 12, 2018. The DCPSC stated it will address the impact of the TCJA on future rates within Pepco's pending electric distribution base rate case discussed below.

On February 6, 2018, Pepco filed with the DCPSC seeking approval to pass back to customers $39 million in ongoing annual tax savings resulting from the enactment of the TCJA through a reduction to existing electric distribution base rates beginning in 2018. On April 17, 2018, Pepco entered into a settlement agreement with several parties to resolve all issues in its pending electric distribution base rate case, including the treatment of the annual ongoing TCJA tax savings as well as the TCJA tax savings from January 1, 2018 through the expected effective date of the rate change. See discussion below for additional information.

2017 District of Columbia Electric Distribution Base Rates (Exelon, PHI and Pepco). On December 19, 2017 (and updated on February 9, 2018), Pepco filed an application with the DCPSC to increase its annual electric distribution base rates by $66 million, reflecting a requested ROE of 10.1%. On April 17, 2018, Pepco entered into a settlement agreement with several parties to resolve both the pending electric distribution base rate case and the $39 million rate reduction request in the TCJA proceeding discussed above and filed the settlement agreement with the DCPSC. The settlement agreement provides for a net decrease to annual electric distribution rates of $24 million, which includes annual ongoing TCJA tax savings, and a ROE of 9.525%. The parties to the settlement agreement have requested that Pepco’s new rates be effective on July 1, 2018. In addition, the settlement agreement separately provides a one-time bill credit to customers of approximately $19 million representing the TCJA benefits for the period January 1, 2018 through the expected rate effective date of July 1, 2018. Pepco expects a decision in this matter in the third quarter of 2018.

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

New Jersey Regulatory Matters

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

On March 2, 2018, ACE filed with the NJBPU seeking approval to pass back to customers $23 million in ongoing annual TCJA tax savings through a reduction in electric distribution base rates beginning in 2018. The amounts being passed back to customers would reflect the ongoing annual benefit of lower income tax rates and the settlement of a portion of deferred income tax regulatory liabilities established upon enactment of the TCJA. On March 26, 2018, the NJBPU issued an order accepting ACE’s proposed bill reduction related to the lower income tax rates. A portion of the annual decrease in electric distribution base rates totaling approximately $13 million was effective as of April 1, 2018, but considered interim, and the proposed final annual decrease in electric distribution base rates of $23 million, which includes the settlement of the deferred income tax regulatory liability, is still in settlement discussions. It is expected that the NJBPU will address in a future rate proceeding ACE's treatment of the TCJA tax savings for the period January 1, 2018 through July 1, 2018.

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

ACE Infrastructure Investment Program Filing (Exelon, PHI and ACE). On February 28, 2018, ACE filed with the NJBPU the company’s Infrastructure Investment Program (IIP) proposing to seek recovery of a series of investments through a new rider mechanism, totaling $338 million, between 2019-2022 to provide safe and reliable service for its customers. The IIP will allow for more timely recovery of investments made to modernize and enhance ACE’s electric system. ACE currently expects a decision

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in this matter in the first quarter of 2019 but cannot predict if the NJBPU will approve the application as filed.
Update and Reconciliation of Certain Over and Under Recovered Balances (Exelon, PHI and ACE). On February 5, 2018, ACE submitted its 2018 annual petition with the NJBPU seeking to reconcile and update (i) charges related to the recovery of above-market costs associated with ACE's long-term power purchase contracts with the non-utility generators and (ii) costs related to surcharges for the New Jersey Societal Benefit Program (a statewide public interest program that is intended to benefit low income customers and address other public policy goals) and ACE's uncollectible accounts. As filed, the net impact of adjusting the charges as proposed would have been an overall annual rate decrease of $19 million, including New Jersey sales and use tax. On May 22, 2018, the NJBPU approved a stipulation of settlement among certain interested parties providing for an overall annual rate decrease of $33 million, effective June 1, 2018. The rate decrease was placed into effect provisionally, subject to a review by the NJBPU and the Division of Rate Counsel of the final underlying costs for reasonableness and prudence. This rate decrease will have no effect on ACE's operating income, since these revenues provide for recovery of deferred costs under an approved deferral mechanism. The matter is pending at the NJBPU.
New Jersey Clean Energy Legislation (Exelon, Generation and ACE). On May 23, 2018, the Governor of New Jersey signed new legislation, which became effective immediately, that establishes and modifies New Jersey's clean energy and energy efficiency programs and solar and renewable energy portfolio standards. The new legislation expands the state's renewable portfolio standard to require that 50% of electric generation sold be from renewable energy sources by 2030; modifies the New Jersey solar renewable energy portfolio standard to require that 5.1% of electric generation sold in New Jersey be from solar electric power by 2021, lowers the solar alternative compliance payment amount starting in 2019 and requires the NJBPU to adopt rules to replace the current solar renewable energy credit program; and requires the NJBPU to increase its offshore wind energy credit program to 3,500 MW. The new legislation further imposes an energy efficiency standard that each electric public utility will be required to reduce annual usage by 2% and provides for utilities to annually file for recovery of the costs of the programs, including the revenue impact of sales losses resulting from the programs. The NJBPU is required to initiate a study to determine the savings targets for each public utility, to adopt other rules regarding the programs, and to approve energy efficiency and peak demand reduction programs for each utility. The new legislation also requires the NJBPU to conduct an energy storage analysis including the potential costs and benefits and to initiate a proceeding to establish a goal of achieving 2,000 MW of energy storage by 2030; requires the utilities to conduct a study on voltage optimization on their distribution system; and requires the NJBPU to establish a community solar program to permit customers to participate in a solar project that is not located on the customer's property.
On the same day, the Governor of New Jersey also signed new legislation, which became effective immediately, that will establish a ZEC program providing compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. PSEG's Salem nuclear plant is expected to apply for approval to participate in the ZEC program. Under the new legislation, the NJBPU will issue ZECs to qualifying nuclear power plants and the electric distribution utilities in New Jersey, including ACE, will be required to purchase those ZECs. The NJBPU has 180 days from the effective date to establish procedures for implementation of the ZEC program and 330 days from the effective date to determine which nuclear power plants are selected to receive ZECs under the program. Selected nuclear plants will receive ZEC payments for each energy year (12-month period from June 1 through May 31) within 90 days after the completion of such energy year. The quantity of ZECs issued will be determined based on the greater of 40% of the total number of MWh of electricity distributed by the public electric distribution utilities in New Jersey in the prior year, or the total number of MWh of electricity generated in the prior year by the selected nuclear power plants. The ZEC price is approximately $10 per MWh during the first 3-year eligibility period. For eligibility periods following

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the first 3-year eligibility period, the NJBPU has discretion to reduce the ZEC price. Electric distribution utilities in New Jersey, including ACE, will be authorized to collect from retail distribution customers through a non-bypassable charge all costs associated with the utility's procurement of the ZECs. See Note 8 - Early Plant Retirements for additional information on New Jersey's ZEC program potential impacts to PSEG's Salem nuclear plant.

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

New York Regulatory Matters

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

On October 19, 2016, a coalition of fossil-generation companies filed a complaint in federal district court against the NYPSC alleging that the ZEC program violates certain provisions of the U.S. Constitution; specifically, that the ZEC program interferes with FERC's jurisdiction over wholesale rates and that it discriminates against out of state competitors. On December 9, 2016, Generation and CENG filed a motion to intervene in the case and to dismiss the lawsuit. The State also filed a motion to dismiss. On July 25, 2017, the court granted both motions to dismiss. On August 24, 2017, plaintiffs appealed the decision to the Second Circuit. Plaintiffs-Appellants' initial brief was filed on October 13, 2017. Briefing in the appeal was completed in December 2017 and oral argument was held on March 12, 2018. On May 29, 2018, Generation and CENG provided the court with a copy of the brief submitted by the Solicitor General and FERC in the Seventh Circuit ZEC litigation stating that that the Illinois ZEC program does not violate federal law. The Plaintiffs-Appellants' subsequent response to the brief and our answer to that response also have been provided to the Second Circuit.

In addition, on November 30, 2016, a group of parties, including certain environmental groups and individuals, filed a Petition in New York State court seeking to invalidate the ZEC program. The Petition, which was amended on January 13, 2017, argued that the NYPSC did not have authority to establish the program, that it violated state environmental law and that it violated certain technical provisions of the State Administrative Procedures Act (SAPA) when adopting the ZEC program. On February 15, 2017, Generation and CENG filed a motion to dismiss the state court action. The NYPSC also filed a motion to dismiss the state court action. On March 24, 2017, the plaintiffs filed a memorandum of law opposing the motions to dismiss, and Generation and CENG filed a reply brief on April 28, 2017. Oral argument was held on June 19, 2017. On January 22, 2018, the court dismissed the environmental claims and the majority of the plaintiffs from the case but denied the motions to dismiss with respect to the remaining five plaintiffs and claims, without commenting on the merits of the case. The case is now proceeding to summary judgment with the full record. Exelon's and the state's answers and briefs were filed on March 30, 2018. Plaintiffs' responses were due on May 11, 2018; however, on April 17, 2018, Plaintiffs' filed an order to show cause seeking production of additional documents, including confidential financial information. Exelon and the state filed in opposition to the order to show cause. On July 18, 2018, the court denied the order to show cause and ordered the parties to provide the court within 20 days with an agreed upon final schedule for the remaining brief. After briefing is completed, the court will decide whether or not to set the case for hearing.

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

Federal Regulatory Matters

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

On December 13, 2016 (and as amended on March 13, 2017), BGE filed with FERC to begin recovering certain existing and future transmission-related income tax regulatory assets through its transmission formula rate. BGE’s existing regulatory assets included (1) amounts that, if BGE’s transmission formula rate provided for recovery, would have been previously amortized and (2) amounts that would be amortized and recovered prospectively. 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. On December 18, 2017, BGE filed for clarification and rehearing of FERC’s order, still seeking full recovery of its existing transmission-related income tax regulatory asset amounts.

On February 27, 2018 (and updated on March 26, 2018), BGE submitted a letter to FERC advising that the lower federal corporate income tax rate effective January 1, 2018 provided for in TCJA will be reflected in BGE’s annual formula rate update effective June 1, 2018, but that the deferred income tax benefits will not be passed back to customers unless BGE’s formula rate is revised to provide for pass back and recovery of transmission-related income tax-related regulatory liabilities and assets.

ComEd, Pepco, DPL and ACE have similar transmission-related income tax regulatory liabilities and assets also requiring FERC approval. On February 23, 2018, ComEd, Pepco, DPL, and ACE each filed with FERC to revise their transmission formula rate mechanisms to facilitate passing back to customers ongoing annual TCJA tax savings and to permit recovery of transmission-related income tax regulatory assets. The companies requested the revisions be effective as of April 24, 2018. On April 24, 2018, the FERC issued a letter indicating that the filings were deficient and requiring the parties to file additional information. On July 9, 2018, each of ComEd, Pepco, DPL and ACE submitted such additional information. Similar regulatory assets and liabilities at PECO are not subject to the same FERC transmission rate recovery formula and, thus, are not impacted by BGE’s November 16, 2017 FERC order. See below for additional information regarding PECO's transmission formula rate filing.

Each of BGE, ComEd, Pepco, DPL and ACE believe there is sufficient basis to support full recovery of their existing transmission-related income tax regulatory assets, as evidenced by the further pursuit of full recovery with FERC. However, upon further consideration of the November 16, 2017 FERC order, management of each company concluded that the portion of the total transmission-related income tax regulatory assets that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery was no longer probable of recovery. As a result, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE recorded charges to Income tax expense within their Consolidated Statements of Operations and Comprehensive Income in the fourth quarter of 2017, reducing their associated transmission-related income tax regulatory assets.

If any of the companies are ultimately successful with FERC allowing future recovery of these amounts, the associated regulatory assets will be reestablished, with corresponding decreases to Income

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tax expense. To the extent all or a portion of the prospective amortization amounts were no longer considered probable of recovery, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE would record additional charges to Income tax expense, which could be up to approximately $84 million, $42 million, $23 million, $19 million, $9 million, $7 million and $3 million, respectively, as of June 30, 2018.
The Utility Registrants cannot predict the outcome of these FERC proceedings.
Transmission Formula Rate (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE). The following total (decreases)/increases were included in ComEd's, BGE's, Pepco's, DPL's and ACE's 2018 annual electric transmission formula rate updates.

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

(a) All rates are effective June 2018, subject to review by the FERC and other parties, which is due by fourth quarter 2018.
(b) The initial revenue requirement changes reflect the annual benefit of lower income tax rates effective January 1, 2018 resulting from the enactment of the TCJA of $69 million, $18 million, $13 million, $12 million and $11 million for ComEd, BGE, Pepco, DPL and ACE, respectively. They do not reflect the pass back or recovery of income tax-related regulatory liabilities or assets, including those established upon enactment of the TCJA. See further discussion above.
(c) BGE's transmission revenues include a FERC-approved dedicated facilities charge to recover the costs of providing transmission service to a specifically designated load by BGE.
(d) Represents the weighted average debt and equity return on transmission rate bases.
(e) As part of the FERC-approved settlement of ComEd’s 2007 transmission rate case, the rate of return on common equity is 11.50% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the transmission formula rate is currently capped at 55%. As part of the FERC-approved settlement of the ROE complaint against BGE, Pepco, DPL and ACE, the rate of return on common equity is 10.50%, inclusive of a 50 basis point incentive adder for being a member of a regional transmission organization.

See Note 3 - Regulatory Matters of the Exelon 2017 Form 10-K for additional information regarding transmission formula rate updates.
Transmission Formula Rate (Exelon and PECO). On May 1, 2017, PECO filed a request with FERC seeking approval to update its transmission rates and change the manner in which PECO’s transmission rate is determined from a fixed rate to a formula rate. The formula rate will be updated annually to ensure that under this rate customers pay the actual costs of providing transmission services. The formula rate filing includes a requested increase of $22 million to PECO’s annual transmission revenues and a requested rate of return on common equity of 11%, inclusive of a 50 basis point adder for being a member of a regional transmission organization. PECO requested that the new transmission rate be effective as of July 2017. On June 27, 2017, FERC issued an Order accepting the filing and suspending the proposed rates until December 1, 2017, subject to refund, and set the matter for hearing and settlement judge procedures. On May 4, 2018, the Chief Administrative Law Judge terminated settlement judge procedures and designated a new presiding judge. PECO cannot predict the final outcome of this proceeding, or the transmission

formula FERC may approve.
On May 11, 2018, pursuant to the transmission formula rate request discussed above, PECO made its first annual formula rate update, which included a revenue decrease of $6 million. The revenue

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decrease of $6 million included an approximately $20 million reduction as a result of the tax savings associated with the TCJA. The updated transmission rate was effective June 1, 2018, subject to refund.

PJM Transmission Rate Design (Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE). On June 15, 2016, a number of parties, including the Utility Registrants, filed a proposed settlement with FERC to resolve outstanding issues related to cost responsibility for charges to transmission customers for certain transmission facilities that operate at or above 500 kV. The settlement included provisions for monthly credits or charges related to the periods prior to January 1, 2016 that are expected to be refunded or recovered through PJM wholesale transmission rates through December 2025.

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

Pursuant to the FERC approval of the settlement and the expected refund or recovery of the associated amounts from electric distribution customers, in the second quarter of 2018, the Utility Registrants recorded the following payables to/receivables from PJM and related regulatory assets/liabilities. Generation recorded a $23 million net payable to PJM and a pre-tax charge within Purchased power and fuel expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

	PJM Receivable	PJM Payable	Regulatory Asset	Regulatory Liability
Exelon	$ 197	$ 158	$ 136	$ 198
Generation	—	23	—	—
ComEd	99	—	—	99
PECO	85	—	—	85
BGE	—	51	51	—
PHI[(a)]	13	84	85	14
Pepco	—	84	84	—
DPL	10	—	—	10
ACE	3	—	1	4

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

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

On April 21, 2016, Generation and the U.S. Fish and Wildlife Service of the U.S. Department of the Interior executed a Settlement Agreement resolving all fish passage issues between the parties. The financial impact of the Settlement Agreement is estimated to be $3 million to $7 million per year, on average, over the 46-year life of the new license, including both capital and operating costs. The actual

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timing and amount of these costs are not currently fixed and may vary significantly from year to year throughout the life of the new license.

On April 27, 2018, the MDE issued its 401 Certification for Conowingo. As issued, the 401 Certification contains numerous conditions, including those relating to reduction of nutrients from upstream sources, removal of all visible trash and debris from upstream sources, and implementation of measures relating to fish passage, which could have a material, unfavorable impact on Exelon’s and Generation’s results of operations, cash flows and financial positions through an increase in capital expenditures and operating costs if implemented. On May 25, 2018, Generation filed complaints in federal and state court, along with a petition for reconsideration with MDE, alleging that the conditions are unfair and onerous violating MDE regulations, state, federal, and constitutional law. Generation also requested that FERC defer action on the federal license while these significant state and federal law issues are pending. Exelon and Generation cannot predict the final outcome or its potential financial impact, if any, on Exelon or Generation.

As of June 30, 2018, $34 million of direct costs associated with Conowingo licensing efforts have been capitalized.

See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on Generation's operating license renewal efforts.

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

Regulatory Assets and Liabilities (Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE)

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

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The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE as of June 30, 2018 and December 31, 2017. See Note 3 — Regulatory Matters of the Exelon 2017 Form 10-K for additional information on the specific regulatory assets and liabilities.

June 30, 2018	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Regulatory assets								
Pension and other postretirement benefits(a)	$3,777	$—	$—	$—	$—	$—	$—	$—
Deferred income taxes	363	—	353	—	10	10	—	—
AMI programs(c)	602	147	30	203	222	149	73	—
Electric distribution formula rate(d)	243	243	—	—	—	—	—	—
Energy efficiency costs	284	284	—	—	—	—	—	—
Debt costs	105	35	1	11	69	14	7	5
Fair value of long-term debt	730	—	—	—	594	—	—	—
Fair value of PHI's unamortized energy contracts	638	—	—	—	638	—	—	—
Asset retirement obligations	113	76	22	15	—	—	—	—
MGP remediation costs	276	257	19	—	—	—	—	—
Under-recovered uncollectible accounts	61	61	—	—	—	—	—	—
Renewable energy	252	252	—	—	—	—	—	—
Energy and transmission programs(e)(f)(g)(h)(i)(j)	249	8	37	75	129	90	14	25
Deferred storm costs	44	—	—	—	44	10	4	30
Energy efficiency and demand response programs	552	—	1	267	284	206	78	—
Merger integration costs(k)(l)(m)	45	—	—	4	41	19	12	10
Under-recovered revenue decoupling(n)	37	—	—	9	28	28	—	—
COPCO acquisition adjustment	4	—	—	—	4	—	4	—
Workers compensation and long-term disability costs	34	—	—	—	34	34	—	—
Vacation accrual	30	—	16	—	14	—	8	6
Securitized stranded costs	64	—	—	—	64	—	—	64
CAP arrearage	11	—	11	—	—	—	—	—
Removal costs	545	—	—	—	545	153	95	298
DC PLUG charge	179	—	—	—	179	179	—	—
Other	78	8	12	6	52	38	11	3
Total regulatory assets	9,316	1,371	502	590	2,951	930	306	441
Less: current portion	1,293	237	75	185	512	248	64	60
Total noncurrent regulatory assets	$8,023	$1,134	$427	$405	$2,439	$682	$242	$381

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June 30, 2018	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Regulatory liabilities								
Other postretirement benefits	$22	$—	$ —	$—	$—	$ —	$—	$—
Deferred income taxes[(b)]	5,118	2,435	—	1,009	1,674	768	497	409
Nuclear decommissioning	2,915	2,430	485	—	—	—	—	—
Removal costs	1,560	1,353	—	79	128	20	108	—
Deferred rent	34	—	—	—	34	—	—	—
Energy efficiency and demand response programs	11	5	4	—	2	—	—	2
DLC program costs	7	—	7	—	—	—	—	—
Electric distribution tax repairs	19	—	19	—	—	—	—	—
Gas distribution tax repairs	7	—	7	—	—	—	—	—
Energy and transmission programs[(e)(f)(g)(h)(i)(j)]	336	154	139	15	28	—	18	10
Over-recovered revenue decoupling[(n)]	19	—	—	19	—	—	—	—
Renewable portfolio standards costs	106	106	—	—	—	—	—	—
Zero emission credit costs	11	11	—	—	—	—	—	—
Over-recovered uncollectible accounts	9	—	—	—	9	—	—	9
Merger integration costs[(l)]	3	—	—	—	3	—	3	—
TCJA income tax benefit over-recoveries[(o)]	94	—	31	18	45	29	7	9
Other	107	14	21	36	36	4	22	8
Total regulatory liabilities	10,378	6,508	713	1,176	1,959	821	655	447
Less: current portion	701	287	168	106	125	30	67	29
Total noncurrent regulatory liabilities	$9,677	$6,221	$ 545	$1,070	$1,834	$ 791	$588	$418

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

December 31, 2017	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Regulatory assets								
Pension and other postretirement benefits[(a)]	$3,848	$—	$—	$—	$—	$—	$—	$—
Deferred income taxes	306	—	297	—	9	9	—	—
AMI programs[(c)]	640	155	36	214	235	158	77	—
Electric distribution formula rate[(d)]	244	244	—	—	—	—	—	—
Energy efficiency costs	166	166	—	—	—	—	—	—
Debt costs	116	37	1	11	73	15	8	5
Fair value of long-term debt	758	—	—	—	619	—	—	—
Fair value of PHI's unamortized energy contracts	750	—	—	—	750	—	—	—
Asset retirement obligations	109	73	22	14	—	—	—	—
MGP remediation costs	295	273	22	—	—	—	—	—
Under-recovered uncollectible accounts	61	61	—	—	—	—	—	—
Renewable energy	258	256	—	—	2	—	1	1
Energy and transmission programs[(e)(g)(h)(i)(j)]	82	6	1	23	52	11	15	26
Deferred storm costs	27	—	—	—	27	7	5	15
Energy efficiency and demand response programs	596	—	1	285	310	229	81	—
Merger integration costs[(k)(l)(m)]	45	—	—	6	39	20	10	9
Under-recovered revenue decoupling[(n)]	55	—	—	14	41	38	3	—
COPCO acquisition adjustment	5	—	—	—	5	—	5	—
Workers compensation and long-term disability costs	35	—	—	—	35	35	—	—
Vacation accrual	19	—	6	—	13	—	8	5
Securitized stranded costs	79	—	—	—	79	—	—	79
CAP arrearage	8	—	8	—	—	—	—	—
Removal costs	529	—	—	—	529	150	93	286
DC PLUG charge	190	—	—	—	190	190	—	—
Other	67	8	16	4	39	29	8	4
Total regulatory assets	9,288	1,279	410	571	3,047	891	314	430
Less: current portion	1,267	225	29	174	554	213	69	71
Total noncurrent regulatory assets	$8,021	$1,054	$381	$397	$2,493	$678	$245	$359

December 31, 2017	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Regulatory liabilities								
Other postretirement benefits	$30	$—	$—	$—	$—	$—	$—	$—
Deferred income taxes[(b)]	5,241	2,479	—	1,032	1,730	809	510	411
Nuclear decommissioning	3,064	2,528	536	—	—	—	—	—
Removal costs	1,573	1,338	—	105	130	20	110	—
Deferred rent	36	—	—	—	36	—	—	—
Energy efficiency and demand response programs	23	4	19	—	—	—	—	—
DLC program costs	7	—	7	—	—	—	—	—
Electric distribution tax repairs	35	—	35	—	—	—	—	—
Gas distribution tax repairs	9	—	9	—	—	—	—	—
Energy and transmission programs[(e)(f)(i)(j)]	111	47	60	—	4	—	1	3
Renewable portfolio standard costs	63	63	—	—	—	—	—	—
Zero emission credit costs	112	112	—	—	—	—	—	—
Over-recovered uncollectible accounts	2	—	—	—	2	—	—	2
Other	82	6	24	26	26	3	14	6

Total regulatory liabilities	10,388	6,577	690	1,163	1,928	832	635	422
Less: current portion	523	249	141	62	56	3	42	11
Total noncurrent regulatory liabilities	$9,865	$6,328	$ 549	$1,101	$1,872	$ 829	$593	$411

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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(a) Includes regulatory assets established at the Constellation and PHI merger dates of $414 million and $915 million, respectively, as of June 30, 2018 and $440 million and $953 million, respectively, as of December 31, 2017 related to the rate regulated portions of the deferred costs associated with legacy Constellation's and PHI's pension and other postretirement benefit plans that are being amortized and recovered over approximately 12 years and 3 to 15 years, respectively (as established at the respective acquisition dates). The Utility Registrants are not earning or paying a return on these amounts.

(b) As of June 30, 2018, includes transmission-related income tax regulatory liabilities that require FERC approval separate from the transmission formula rate of $475 million, $133 million, $136 million, $145 million and $146 million for ComEd, BGE, Pepco, DPL and ACE, respectively. As of December 31, 2017, includes transmission-related income tax regulatory liabilities that require FERC approval separate from the transmission formula rate of $484 million, $137 million, $147 million, $148 million and $147 million for ComEd, BGE, Pepco, DPL and ACE, respectively.

(c) As of June 30, 2018, BGE's regulatory asset of $203 million includes $121 million of unamortized incremental deployment costs under the program, $49 million of unamortized costs of the non-AMI meters replaced under the AMI program, and $33 million related to post-test year incremental program deployment costs incurred prior to approval became effective June 2016. As of December 31, 2017, BGE's regulatory asset of $214 million includes $129 million of unamortized incremental deployment costs under the program, $53 million of unamortized costs of the non-AMI meters replaced under the AMI program, and $32 million related to post-test year incremental program deployment costs incurred prior to approval became effective June 2016. Recovery of the post-test year incremental deployment costs will be addressed in a future base rate proceeding.

(d) As of June 30, 2018, ComEd's regulatory asset of $243 million was comprised of $180 million for the 2016, 2017 and 2018 annual reconciliations and $63 million related to significant one-time events. As of December 31, 2017, ComEd's regulatory asset of $244 million was comprised of $186 million for the 2016 and 2017 annual reconciliations and $58 million related to significant one-time events.

(e) As of June 30, 2018, ComEd's regulatory asset of $8 million represents transmission costs recoverable through its FERC approved formula rate. As of June 30, 2018, ComEd's regulatory liability of $154 million included $99 million related to the PJM Transmission Rate Design Settlement, $23 million related to over-recovered energy costs and $32 million associated with revenues received for renewable energy requirements. As of December 31, 2017, ComEd's regulatory asset of $6 million represents transmission costs recoverable through its FERC approved formula rate. As of December 31, 2017, ComEd's regulatory liability of $47 million included $14 million related to over-recovered energy costs and $33 million associated with revenues received for renewable energy requirements.

(f) As of June 30, 2018, PECO's regulatory asset of $37 million represents the under-recovered natural gas costs under the PGC. As of December 31, 2017, PECO's regulatory asset of $1 million is related to under-recovered costs under the TSC program. As of June 30, 2018, PECO's regulatory liability of $139 million included $85 million related to the PJM Transmission Rate Design Settlement, $46 million related to over-recovered costs under the DSP program, $3 million related to the over-recovered transmission service charges and $5 million related to over-recovered non-bypassable transmission service charges. As of December 31, 2017, PECO's regulatory liability of $60 million included $36 million related to over-recovered costs under the DSP program, $12 million related to over-recovered non-bypassable transmission service charges and $12 million related to the over-recovered natural gas costs under the PGC.

(g) As of June 30, 2018, BGE's regulatory asset of $75 million included $51 million related to the PJM Transmission Rate Design Settlement, $14 million of costs associated with transmission costs recoverable through its FERC approved formula rate, $7 million related to under-recovered electric energy costs and $3 million of abandonment costs to be recovered upon FERC approval. As of June 30, 2018, BGE's regulatory liability of $15 million related to over-recovered natural gas costs. As of December 31, 2017, BGE's regulatory asset of $23 million included $7 million of costs associated with transmission costs recoverable through its FERC approved formula rate, $5 million related to under-recovered electric energy costs, $3 million of abandonment costs to be recovered upon FERC approval and $8 million of under-recovered natural gas costs.

(h) As of June 30, 2018, Pepco's regulatory asset of $90 million included $84 million related to the PJM Transmission Rate Design Settlement, $4 million of transmission costs recoverable through its FERC approved formula rate and $2 million related to under-recovered electric energy costs. As of December 31, 2017, Pepco's regulatory asset of $11 million included $3 million of transmission costs recoverable through its FERC approved formula rate and $8 million of under-recovered electric energy costs.

(i) As of June 30, 2018, DPL's regulatory asset of $14 million included $12 million of transmission costs recoverable through its FERC approved formula rate and $2 million related to under-recovered electric energy costs. As of June 30, 2018, DPL's regulatory liability of $18 million included $10 million related to the PJM Transmission Rate Design Settlement and $8 million related to over-recovered electric energy and gas fuel costs. As of December 31, 2017, DPL's regulatory asset of $15 million included $8 million of transmission costs recoverable through its FERC approved formula rate and $7 million related to under-recovered electric energy costs. As of December 31, 2017, DPL's regulatory liability of $1 million related to over-recovered electric energy costs.

(j) As of June 30, 2018, ACE's regulatory asset of $25 million included $1 million related to the PJM Transmission Rate Design Settlement, $8 million of transmission costs recoverable through its FERC approved formula rate and $16 million of under-recovered electric energy costs. As of June 30, 2018, ACE's regulatory liability of $10 million included $4 million related to the PJM Transmission Rate Design Settlement and $6 million related to over-recovered electric energy costs. As of December 31, 2017, ACE's regulatory asset of $26 million included $11 million of transmission costs recoverable through its FERC approved formula rate and $15 million of under-recovered electric energy costs. As of December 31, 2017, ACE's regulatory liability of $3 million related to over-recovered electric energy costs.

(k) As of June 30, 2018, Pepco’s regulatory asset of $19 million represents previously incurred PHI integration costs, including $10 million authorized for recovery in Maryland and $9 million expected to be recovered in the District of Columbia service territory. As of December 31, 2017, Pepco’s regulatory asset of $20 million represents previously incurred PHI integration costs, including $11 million authorized for recovery in Maryland and $9 million expected to be recovered in the District of Columbia service territory.

(l) As of June 30, 2018, DPL’s regulatory asset of $12 million represents previously incurred PHI integration costs, including $4 million authorized for recovery in Maryland, $4 million authorized for recovery in Delaware electric rates, $2 million authorized for recovery in Delaware gas rates and $2 million expected to be recovered in electric rates in the Delaware and Maryland service territories. As of June 30, 2018, DPL’s regulatory liability of $3 million represents net synergy savings incurred related to PHI integration costs that are expected to be returned in electric and gas rates in the Delaware service territory. As of December 31, 2017, DPL’s regulatory

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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asset of $10 million represents previously incurred PHI integration costs, including $4 million authorized for recovery in Maryland, $5 million authorized for recovery in Delaware electric rates, and $1 million expected to be recovered in electric and gas rates in the Maryland and Delaware service territories.

(m) As of June 30, 2018 and December 31, 2017, ACE’s regulatory asset of $10 million and $9 million, respectively, represents previously incurred PHI integration costs expected to be recovered in the New Jersey service territory.

(n) Represents the electric and natural gas distribution costs recoverable from customers under BGE’s decoupling mechanism. As of June 30, 2018, BGE had a regulatory asset of $9 million related to under-recovered electric revenue decoupling and a regulatory liability of $19 million related to over-recovered natural gas revenue decoupling. As of December 31, 2017, BGE had a regulatory asset of $10 million related to under-recovered electric revenue decoupling and $4 million related to under-recovered natural gas revenue decoupling.

(o) Represents over-recoveries related to the change in the federal income tax rate with the enactment of the TCJA. These regulatory liabilities will be amortized as the TCJA income tax benefits are passed back to customers. See Tax Cuts and Jobs Act disclosures above for additional information on the regulatory proceedings.

Capitalized Ratemaking Amounts Not Recognized (Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE)

The following table presents authorized amounts capitalized for ratemaking purposes related to earnings on shareholders’ investment that are not recognized for financial reporting purposes on Exelon's, ComEd's, PECO's, BGE's, PHI's, Pepco's, DPL's and ACE'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
June 30, 2018	$ 67	$ 7	$ —	$ 51	$ 9	$ 5	$ 4	$ —

	Exelon	ComEd[(a)]	PECO	BGE[(b)]	PHI	Pepco[(c)]	DPL[(c)]	ACE
December 31, 2017	$ 69	$ 6	$ —	$ 53	$ 10	$ 6	$ 4	$ —

(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.

Purchase of Receivables Programs (Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE)

ComEd, PECO, BGE, Pepco, DPL and ACE are required, under separate legislation and regulations in Illinois, Pennsylvania, Maryland, District of Columbia and New Jersey, to purchase certain receivables from retail electric and natural gas suppliers that participate in the utilities' consolidated billing. ComEd, BGE, Pepco and DPL purchase receivables at a discount to recover primarily uncollectible accounts expense from the suppliers. PECO is required to purchase receivables at face value and is permitted to recover uncollectible accounts expense, including those from Third Party Suppliers, from customers through distribution rates. ACE purchases receivables at face value. ACE recovers all uncollectible accounts expense, including those from Third Party Suppliers, through the Societal Benefits Charge (SBC) rider, which includes uncollectible accounts expense as a component. The SBC is filed annually with the NJBPU. Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE do not record unbilled commodity receivables under the POR programs. Purchased billed receivables are classified in Other accounts receivable, net on Exelon’s, ComEd’s, PECO’s, BGE’s, PHI's, Pepco's, DPL's and ACE's Consolidated Balance Sheets. The following tables provide information about the purchased receivables of those companies as of June 30, 2018 and December 31, 2017.

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As of June 30, 2018	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Purchased receivables	$ 305	$ 98	$ 66	$ 54	$ 87	$ 59	$ 8	$ 20
Allowance for uncollectible accounts[(a)]	(31)	(15)	(4)	(3)	(9)	(5)	(1)	(3)
Purchased receivables, net	$ 274	$ 83	$ 62	$ 51	$ 78	$ 54	$ 7	$ 17
As of December 31, 2017	Exelon	ComEd	PECO	BGE	PHI	Pepco	DPL	ACE
Purchased receivables	$ 298	$ 87	$ 70	$ 58	$ 83	$ 56	$ 9	$ 18
Allowance for uncollectible accounts[(a)]	(31)	(14)	(5)	(3)	(9)	(5)	(1)	(3)
Purchased receivables, net	$ 267	$ 73	$ 65	$ 55	$ 74	$ 51	$ 8	$ 15

(a) For ComEd, BGE, Pepco and DPL, reflects the incremental allowance for uncollectible accounts recorded, which is in addition to the purchase discount. For ComEd, the incremental uncollectible accounts expense is recovered through its Purchase of Receivables with Consolidated Billing tariff.

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. In the second quarter of 2018, updates to Exelon's long-term view of energy and capacity prices suggested that the carrying value of a group of merchant wind assets, located in West Texas, may be impaired. Upon review, the estimated undiscounted future cash flows and fair value of the group were less than its carrying value. The fair value analysis was based on the income approach using significant unobservable inputs (Level 3) including revenue and generation forecasts, projected capital and maintenance expenditures and discount rates. As a result, long-lived merchant wind assets held and used with a net carrying amount of $41 million were fully impaired and a pre-tax impairment charge of $41 million was recorded during the second quarter of 2018 within Operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

During the first quarter of 2018, Mystic unit 9 did not clear in the ISO-NE capacity auction for the 2021 - 2022 planning year. On March 29, 2018, Generation announced it had formally notified ISO-NE of the early retirement of its Mystic Generating Station's units 7, 8, 9 and the Mystic Jet unit (Mystic Generating Station assets) absent regulatory reforms. These events suggested that the carrying value of its New England asset group may be impaired. As a result, Generation completed a comprehensive review of the estimated undiscounted future cash flows of the New England asset group and no impairment charge was required. Further developments such as the failure of ISO-NE to adopt interim and long-term solutions for reliability and fuel security could potentially result in future impairments of the New England asset group, which could be material. See Note 8 — Early Plant Retirements for additional information on the early retirement of the Mystic Generating Station assets.

On May 2, 2017, EGTP entered into a consent agreement with its lenders to initiate an orderly sales process to sell the assets of its wholly owned subsidiaries. As a result, Exelon and Generation classified certain of EGTP's assets and liabilities as held for sale at their respective fair values less costs to sell and recorded a pre-tax impairment charge of $460 million within Operating and maintenance expense on their Consolidated Statements of Operations and Comprehensive Income of which $418 million was recorded in the second quarter of 2017. On November 7, 2017, EGTP and its wholly owned subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware and, as a result, Exelon and Generation deconsolidated EGTP's assets and liabilities from their consolidated financial statements. See Note 4 — Mergers, Acquisitions and Dispositions for additional information.

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8. Early Plant Retirements (Exelon and Generation)

Exelon and Generation continue to evaluate the current and expected economic value of each of Generation's plants. Factors that will continue to affect the economic value of Generation's plants include, but are 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 decommissioning trust fund requirements for nuclear plants, among other factors. However, the earliest retirement date for any plant would usually be the first year in which the unit does not have capacity or other obligations, and where applicable, just prior to its next scheduled nuclear refueling outage.

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.

Assuming the continued effectiveness of the Illinois ZES and the New York CES, Generation and CENG, through its ownership of Ginna and Nine Mile Point, no longer consider Clinton, Quad Cities, Ginna or Nine Mile Point to be at heightened risk for early retirement. However, to the extent either the Illinois ZES or the New York CES programs do not operate as expected over their full terms, each of these nuclear plants could again be at heightened risk for early retirement, which could have a material impact on Exelon's and Generation's future results of operations, cash flows and financial positions. See Note 6 — Regulatory Matters for additional information on the Illinois ZES 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. The plant is currently committed to operate through May 2019 and is licensed to operate through 2034. 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. 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 February 2, 2018, Exelon announced that Generation will permanently cease generation operations at Oyster Creek nuclear plant at the end of its current operating cycle by October 2018. In 2010, Generation announced that Oyster Creek would retire by the end of 2019 as part of an agreement with the State of New Jersey to avoid significant costs associated with the construction of cooling towers to meet the State's then new environmental regulations. Since then, like other nuclear sites, Oyster Creek has continued to face rising operating costs amid a historically low wholesale power price environment. The decision to retire Oyster Creek in 2018 at the end of its current operating cycle involved consideration of several factors, including economic and operating efficiencies, and avoids a refueling outage scheduled for the fall of 2018 that would have required advanced purchasing of fuel fabrication and materials beginning in late February 2018. 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 Oyster Creek as proposed.

As a result of these early nuclear plant retirement decisions, Exelon and Generation recognized one-time charges in Operating and maintenance expense related to materials and supplies inventory

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reserve adjustments, employee-related costs and CWIP impairments, among other items. In addition to these one-time charges, annual 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), accelerated amortization of nuclear fuel, and additional ARO accretion expense associated with the changes in decommissioning timing and cost assumptions were also recorded. See Note 13 — Nuclear Decommissioning for additional information on changes to the nuclear decommissioning ARO balance.

During the three and six months ended June 30, 2018, both Exelon's and Generation's results include a net incremental $173 million and $351 million, respectively, of total pre-tax expense associated with the early retirement decisions for TMI and Oyster Creek, as summarized in the table below.

Income statement expense (pre-tax)	Q2 2018	YTD 2018
Depreciation and amortization[(a)]		
Accelerated depreciation[(b)]	$ 152	$ 289
Accelerated nuclear fuel amortization	19	34
Operating and maintenance[(c)]	2	28
Total	$ 173	$ 351

(a) Reflects incremental accelerated depreciation and amortization for TMI and Oyster Creek for the three and six months ended June 30, 2018. The Oyster Creek year-to-date amounts are from February 2, 2018 through June 30, 2018.
(b) Reflects incremental accelerated depreciation of plant assets, including any ARC.
(c) Primarily includes materials and supplies inventory reserve adjustments, employee related costs and CWIP impairments.

Exelon's and Generation's 2017 results included a net incremental $339 million of total pre-tax expense associated with the early retirement decision for TMI, as summarized in the table below.

Income statement expense (pre-tax)	Q2 2017	Q3 2017	Q4 2017	YTD 2017
Depreciation and amortization[(a)]				
Accelerated depreciation[(b)]	$ 35	$ 106	$ 109	$ 250
Accelerated nuclear fuel amortization	2	6	4	12
Operating and maintenance[(c)]	71	5	1	77
Total	$ 108	$ 117	$ 114	$ 339

(a) Reflects incremental charges for TMI including incremental accelerated depreciation and amortization from May 30, 2017 through December 31, 2017.
(b) Reflects incremental accelerated depreciation of plant assets, including any ARC.
(c) Primarily includes materials and supplies inventory reserve adjustments, employee related costs and CWIP impairments.

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. Although Salem is committed to operate through May 2021, the plant faces continued economic challenges and PSEG, as the operator of the plant, is exploring all options.

On May 23, 2018, the Governor of New Jersey signed new legislation, which became effective immediately, that will establish a ZEC program providing compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. Under the new legislation, the NJBPU will issue ZECs to qualifying nuclear power plants and the electric distribution utilities in New Jersey, including ACE, will be required to purchase those ZECs. The NJBPU has 180 days from the effective date to establish procedures for implementation of the ZEC

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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program and 330 days from the effective date to determine which nuclear power plants are selected to receive ZECs under the program. Selected nuclear plants will receive ZEC payments for each energy year (12-month period from June 1 through May 31) within 90 days after the completion of such energy year. Assuming the successful implementation of the New Jersey ZEC program and the selection of Salem as one of the qualifying facilities, the New Jersey ZEC program has the potential to mitigate the heightened risk of earlier retirement for Salem. See Note 6 — Regulatory Matters for additional information on the New Jersey ZEC program.

The following table provides the balance sheet amounts as of June 30, 2018 for Generation's ownership share of the significant assets and liabilities associated with Salem.

	June 30, 2018
Asset Balances	
Materials and supplies inventory	$ 45
Nuclear fuel inventory, net	94
Completed plant, net	611
Construction work in progress	28
Liability Balances	
Asset retirement obligation	(451)
NRC License Renewal Term	2036 (unit 1) 2040 (unit 2)

On March 29, 2018, Generation announced it had formally 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. Absent any regulatory reforms to properly value reliability and regional fuel security, these units will not participate in the Forward Capacity Auction (FCA) scheduled for February 2019 for the 2022 - 2023 capacity commitment period.

The ISO-NE announced that it would take a three-step approach to fuel security. First, on May 1, 2018, ISO-NE made a filing with FERC requesting waiver of certain tariff provisions to allow it to retain Mystic units 8 and 9 for fuel security for the 2022 - 2024 capacity commitment periods. Second, ISO-NE planned to file tariff revisions to allow it to retain other resources for fuel security in the capacity market if necessary in the future. Third, ISO-NE stated its intention to work with stakeholders to develop long-term market rule changes to address system resiliency considering significant reliability risks identified in ISO-NE's January 2018 fuel security report. Changes to market rules are necessary because critical units to the region, such as Mystic units 8 and 9, cannot recover future operating costs, including the cost of procuring fuel.

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. Among the costs included in the filing are costs associated with the Distrigas facility. Generation asked that FERC establish an expedited settlement process that would allow Generation to know the outcome of the cost-of-service proceeding prior to making a final decision as to whether to unconditionally retire the plants beginning June 1, 2022. A number of parties filed protests in response to the May 16, 2018 filing.

On July 2, 2018, FERC issued an order denying ISO-NE's May 1, 2018 waiver request on procedural grounds but accepting ISO-NE's conclusions that retirement of Mystic units 8 and 9 could cause a

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violation of mandatory reliability standards as soon as 2022. Accordingly, FERC ordered ISO-NE to (i) make a filing within 60 days providing for the filing of a short-term cost-of-service agreement to address demonstrated fuel security concerns and (ii) make a filing by July 1, 2019 proposing permanent tariff revisions that would improve its market design to better address regional fuel security concerns. FERC also extended the deadline by which Generation must make a retirement decision for Mystic units 8 and 9 to January 4, 2019. In addition, notwithstanding its denial of the waiver request, FERC stated that it will continue to evaluate Mystic’s May 16, 2018 cost-of-service agreement filing. On July 13, 2018, FERC issued an order accepting Generation’s cost-of-service agreement for filing and making findings on certain issues, including that recovery of fuel supply costs for the Distrigas facility are not prohibited if they are just and reasonable. Additionally, the order established hearing procedures on an expedited schedule. Any settlement discussions are to be undertaken on a parallel track with the hearing.

Exelon and Generation cannot predict the final outcome of these proceedings or the potential financial impact, if any, on Exelon or Generation.

The following table provides the balance sheet amounts as of June 30, 2018 for Generation’s significant assets and liabilities associated with the Mystic Generating Station assets.

	June 30, 2018
Asset Balances	
Materials and supplies inventory	$ 26
Fuel inventory	19
Completed plant, net	887
Construction work in progress	3
Prepaid expenses[a]	11
Liability Balances	
Asset retirement obligation	(5)
Accrued expenses[a]	(2)

(a) Reflects ending balances only as they relate to Mystic's Long-term Service Agreement.

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

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 June 30, 2018 and December 31, 2017:

Exelon

	June 30, 2018				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities[a]	$1,252	$—	$1,252	$—	$1,252
Long-term debt (including amounts due within one year)[b][c]	34,337	—	32,388	2,154	34,542
Long-term debt to financing trusts[d]	389	—	—	420	420
SNF obligation	1,157	—	921	—	921

	December 31, 2017				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities[a]	$929	$—	$929	$—	$929
Long-term debt (including amounts due within one year)[b][c]	34,264	—	34,735	1,970	36,705
Long-term debt to financing trusts[d]	389	—	—	431	431
SNF obligation	1,147	—	936	—	936

Generation

	June 30, 2018				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)[b][c]	$8,886	$—	$7,461	$1,532	$8,993
SNF obligation	1,157	—	921	—	921

	December 31, 2017				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities[a]	$2	$—	$2	$—	$2
Long-term debt (including amounts due within one year)[b][c]	8,990	—	7,839	1,673	9,512
SNF obligation	1,147	—	936	—	936

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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	June 30, 2018				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Short-term liabilities[a]	$320	$—	$320	$—	$320
Long-term debt (including amounts due within one year)[b][c]					