

EXELON Corp

Form 10-Q

November 01, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2018

or

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

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

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701 Ninth Street, N.W.  
Washington, District of Columbia 20068  
(202) 872-2000

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

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

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

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company	Emerging Growth Company
Exelon Corporation	<input checked="" type="checkbox"/>				
Exelon Generation Company, LLC			<input checked="" type="checkbox"/>		
Commonwealth Edison Company			<input checked="" type="checkbox"/>		
PECO Energy Company			<input checked="" type="checkbox"/>		
Baltimore Gas and Electric Company			<input checked="" type="checkbox"/>		
Pepco Holdings LLC			<input checked="" type="checkbox"/>		
Potomac Electric Power Company			<input checked="" type="checkbox"/>		
Delmarva Power & Light Company			<input checked="" type="checkbox"/>		
Atlantic City Electric Company			<input checked="" type="checkbox"/>		

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

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

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

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

Exelon Corporation and Related Entities

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

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



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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and  
Abbreviations

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

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## GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and  
Abbreviations

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

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

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**FILING FORMAT**

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

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

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

**WHERE TO FIND MORE INFORMATION**

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

See the Combined Notes to Consolidated Financial Statements

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

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



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

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Table of ContentsEXELON CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

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Table of ContentsEXELON CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

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

(a) Exelon's consolidated assets include \$9,804 million and \$9,597 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated

liabilities include \$3,606 million and \$3,618 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 — Variable Interest Entities for additional information.

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

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

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

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

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

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

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

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

(Unaudited)

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

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

(Unaudited)

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

Generation's consolidated assets include \$9,768 million and \$9,556 million at September 30, 2018 and December 31, 2017, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE.

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

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Table of ContentsEXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

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

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Table of ContentsCOMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(Unaudited)

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

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Table of ContentsCOMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

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

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Table of ContentsCOMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

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Table of ContentsCOMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

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

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Total Shareholders' Equity
Balance, December 31, 2017	\$ 1,588	\$6,822	\$ (1,639 )	\$ 2,771	\$ 9,542
Net income	—	—	523	—	523
Appropriation of retained earnings for future dividends	—	—	(523 )	523	—
Common stock dividends	—	—	—	(345 )	(345 )
Contributions from parent	—	387	—	—	387
Balance, September 30, 2018	\$ 1,588	\$7,209	\$ (1,639 )	\$ 2,949	\$ 10,107

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

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

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

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

See the Combined Notes to Consolidated Financial Statements

