**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
# FORM 10-Q

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

**For the Quarterly Period Ended September 30, 2019**

**or**

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

| Commission File Number | Name of Registrant; State or Other Jurisdiction of Incorporation; Address of Principal Executive Offices; and Telephone Number | IRS Employer Identification Number |
|---|---|---|
| 001-16169 | EXELON CORPORATION<br>(a Pennsylvania corporation)<br>10 South Dearborn Street<br>P.O. Box 805379<br>Chicago, Illinois 60680-5379<br>(800) 483-3220 | 23-2990190 |
| 333-85496 | EXELON GENERATION COMPANY, LLC<br>(a Pennsylvania limited liability company)<br>300 Exelon Way<br>Kennett Square, Pennsylvania 19348-2473<br>(610) 765-5959 | 23-3064219 |
| 001-01839 | COMMONWEALTH EDISON COMPANY<br>(an Illinois corporation)<br>440 South LaSalle Street<br>Chicago, Illinois 60605-1028<br>(312) 394-4321 | 36-0938600 |
| 000-16844 | PECO ENERGY COMPANY<br>(a Pennsylvania corporation)<br>P.O. Box 8699<br>2301 Market Street<br>Philadelphia, Pennsylvania 19101-8699<br>(215) 841-4000 | 23-0970240 |
| 001-01910 | BALTIMORE GAS AND ELECTRIC COMPANY<br>(a Maryland corporation)<br>2 Center Plaza<br>110 West Fayette Street<br>Baltimore, Maryland 21201-3708<br>(410) 234-5000 | 52-0280210 |
| 001-31403 | PEPCO HOLDINGS LLC<br>(a Delaware limited liability company)<br>701 Ninth Street, N.W.<br>Washington, District of Columbia 20068<br>(202) 872-2000 | 52-2297449 |
| 001-01072 | POTOMAC ELECTRIC POWER COMPANY<br>(a District of Columbia and Virginia corporation)<br>701 Ninth Street, N.W.<br>Washington, District of Columbia 20068<br>(202) 872-2000 | 53-0127880 |
| 001-01405 | DELMARVA POWER & LIGHT COMPANY<br>(a Delaware and Virginia corporation)<br>500 North Wakefield Drive<br>Newark, Delaware 19702<br>(202) 872-2000 | 51-0084283 |
| 001-03559 | ATLANTIC CITY ELECTRIC COMPANY<br>(a New Jersey corporation)<br>500 North Wakefield Drive<br>Newark, Delaware 19702<br>(202) 872-2000 | 21-0398280 |

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **EXELON CORPORATION:** | | |
| Common Stock, without par value | EXC | The Nasdaq Stock Market LLC |
| **PECO ENERGY COMPANY:** | | |
| Trust Receipts of PECO Energy Capital Trust III, each representing a 7.38% Cumulative Preferred Security, Series D, $25 stated value, issued by PECO Energy Capital, L.P. and unconditionally guaranteed by PECO Energy Company | EXC/28 | New York Stock Exchange |

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 every Interactive Data File required to be submitted 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.

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

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 x

The number of shares outstanding of each registrant’s common stock as of September 30, 2019 was:

| | |
|---|---|
| Exelon Corporation Common Stock, without par value | 972,108,865 |
| Exelon Generation Company, LLC | not applicable |
| Commonwealth Edison Company Common Stock, $12.50 par value | 127,021,343 |
| PECO Energy Company Common Stock, without par value | 170,478,507 |
| Baltimore Gas and Electric Company Common Stock, without par value | 1,000 |
| Pepco Holdings LLC | not applicable |
| Potomac Electric Power Company Common Stock, $0.01 par value | 100 |
| Delmarva Power & Light Company Common Stock, $2.25 par value | 1,000 |
| Atlantic City Electric Company Common Stock, $3.00 par value | 8,546,017 |

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## GLOSSARY OF TERMS AND ABBREVIATIONS

**Exelon Corporation and Related Entities**

| | |
|---|---|
| *Exelon* | Exelon Corporation |
| *Generation* | Exelon Generation Company, LLC |
| *ComEd* | Commonwealth Edison Company |
| *PECO* | PECO Energy Company |
| *BGE* | Baltimore Gas and Electric Company |
| *Pepco Holdings or PHI* | Pepco Holdings LLC (formerly Pepco Holdings, Inc.) |
| *Pepco* | Potomac Electric Power Company |
| *DPL* | Delmarva Power & Light Company |
| *ACE* | Atlantic City Electric Company |
| *Registrants* | Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, collectively |
| *Utility Registrants* | ComEd, PECO, BGE, Pepco, DPL and ACE, collectively |
| *ACE Funding or ATF* | Atlantic City Electric Transition Funding LLC |
| *Antelope Valley* | Antelope Valley Solar Ranch One |
| *BSC* | Exelon Business Services Company, LLC |
| *CENG* | Constellation Energy Nuclear Group, LLC |
| *Constellation* | Constellation Energy Group, Inc. |
| *EGR IV* | ExGen Renewables IV, LLC |
| *EGRP* | ExGen Renewables Partners, LLC |
| *Exelon Corporate* | Exelon in its corporate capacity as a holding company |
| *FitzPatrick* | James A. FitzPatrick nuclear generating station |
| *PCI* | Potomac Capital Investment Corporation and its subsidiaries |
| *Pepco Energy Services or PES* | Pepco Energy Services, Inc. and its subsidiaries |
| *PHI Corporate* | PHI in its corporate capacity as a holding company |
| *PHISCO* | PHI Service Company |
| *SolGen* | SolGen, LLC |
| *TMI* | Three Mile Island nuclear facility |

## GLOSSARY OF TERMS AND ABBREVIATIONS

**Other Terms and Abbreviations**

| | |
|---|---|
| *Note "—" of the 2018 Form 10-K* | Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2018 Annual Report on Form 10-K |
| *AESO* | Alberta Electric Systems Operator |
| *AFUDC* | Allowance for Funds Used During Construction |
| *AMI* | Advanced Metering Infrastructure |
| *AOCI* | Accumulated Other Comprehensive Income (Loss) |
| *ARC* | Asset Retirement Cost |
| *ARO* | Asset Retirement Obligation |
| *BGS* | Basic Generation Service |
| *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 |
| *CODM* | Chief operating decision maker(s) |
| *D.C. Circuit Court* | United States Court of Appeals for the District of Columbia Circuit |
| *DC PLUG* | District of Columbia Power Line Undergrounding Initiative |
| *DCPSC* | Public Service Commission of the District of Columbia |
| *DOE* | United States Department of Energy |
| *DOEE* | Department of Energy & Environment |
| *DOJ* | United States Department of Justice |
| *DPSC* | Delaware Public Service Commission |
| *EDF* | Electricite de France SA and its subsidiaries |
| *EIMA* | Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036) |
| *EPA* | United States Environmental Protection Agency |
| *EPSA* | Electric Power Supply Association |
| *ERCOT* | Electric Reliability Council of Texas |
| *FASB* | Financial Accounting Standards Board |
| *FEJA* | Illinois Public Act 99-0906 or Future Energy Jobs Act |
| *FERC* | Federal Energy Regulatory Commission |
| *FRCC* | Florida Reliability Coordinating Council |
| *GAAP* | Generally Accepted Accounting Principles in the United States |
| *GCR* | Gas Cost Rate |
| *GSA* | Generation Supply Adjustment |
| *ICC* | Illinois Commerce Commission |
| *ICE* | Intercontinental Exchange |
| *Illinois EPA* | Illinois Environmental Protection Agency |
| *IPA* | Illinois Power Agency |
| *IRC* | Internal Revenue Code |
| *IRS* | Internal Revenue Service |

**GLOSSARY OF TERMS AND ABBREVIATIONS**

**Other Terms and Abbreviations**

| | |
|---|---|
| *ISO* | Independent System Operator |
| *ISO-NE* | Independent System Operator New England Inc. |
| *ISO-NY* | Independent System Operator New York |
| *LIBOR* | London Interbank Offered Rate |
| *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 |
| *MOPR* | Minimum Offer Price Rule |
| *MW* | Megawatt |
| *NAAQS* | National Ambient Air Quality Standards |
| *NDT* | Nuclear Decommissioning Trust |
| *NEIL* | Nuclear Electric Insurance Limited |
| *NERC* | North American Electric Reliability Corporation |
| *NJBPU* | New Jersey Board of Public Utilities |
| *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 |
| *NPNS* | Normal Purchase Normal Sale scope exception |
| *NRC* | Nuclear Regulatory Commission |
| *NYMEX* | New York Mercantile Exchange |
| *NYPSC* | New York Public Service Commission |
| *OCI* | Other Comprehensive Income |
| *OIESO* | Ontario Independent Electricity System Operator |
| *OPEB* | Other Postretirement Employee Benefits |
| *Oyster Creek* | Oyster Creek Generating Station |
| *PA DEP* | Pennsylvania Department of Environmental Protection |
| *PAPUC* | Pennsylvania Public Utility Commission |
| *PGC* | Purchased Gas Cost Clause |
| *PG&E* | Pacific Gas and Electric Company |
| *PJM* | PJM Interconnection, LLC |
| *POLR* | Provider of Last Resort |
| *PPA* | Power Purchase Agreement |
| *PPE* | Property, plant and equipment |
| *Price-Anderson Act* | Price-Anderson Nuclear Industries Indemnity Act of 1957 |
| *PRP* | Potentially Responsible Parties |
| *PSDAR* | Post-Shutdown Decommissioning Activities Report |
| *PSEG* | Public Service Enterprise Group Incorporated |
| *REC* | Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source |
| *RNF* | Revenues Net of Purchased Power and Fuel Expense |

## GLOSSARY OF TERMS AND ABBREVIATIONS

**Other Terms and Abbreviations**

| | |
|---|---|
| *Regulatory Agreement Units* | Nuclear generating units or portions thereof whose decommissioning-related activities are subject to contractual elimination under regulatory accounting |
| *Rider* | Reconcilable Surcharge Recovery Mechanism |
| *RMC* | Risk Management Committee |
| *ROE* | Return on equity |
| *ROU* | Right-of-use |
| *RSSA* | Reliability Support Services Agreement |
| *RTO* | Regional Transmission Organization |
| *SEC* | United States Securities and Exchange Commission |
| *SERC* | SERC Reliability Corporation (formerly Southeast Electric Reliability Council) |
| *SNF* | Spent Nuclear Fuel |
| *SOS* | Standard Offer Service |
| *TCJA* | Tax Cuts and Jobs Act |
| *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 |

## FILING FORMAT

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

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by the Registrants include those factors discussed herein, as well as the items discussed in (1) the Registrants' combined 2018 Annual Report on Form 10-K in (a) Part I, ITEM 1A. Risk Factors, (b) Part II, ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and (c) Part II, ITEM 8. Financial Statements and Supplementary Data: Note 22, Commitments and Contingencies; (2) this Quarterly Report on Form 10-Q in (a) Part II, ITEM 1A. Risk Factors; (b) Part I, ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, ITEM 1. Financial Statements: Note 16, Commitments and Contingencies; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

## WHERE TO FIND MORE INFORMATION

The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information that the Registrants file electronically with the SEC. These documents are also available to the public from commercial document retrieval services and the Registrants' website at www.exeloncorp.com. Information contained on the Registrants' website shall not be deemed incorporated into, or to be a part of, this Report.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

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

| (In millions, except per share data) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Competitive businesses revenues | $ 4,499 | $ 4,971 | $ 13,436 | $ 14,387 |
| Rate-regulated utility revenues | 4,510 | 4,457 | 12,758 | 12,824 |
| Revenues from alternative revenue programs | (80) | (25) | (98) | (41) |
| Total operating revenues | 8,929 | 9,403 | 26,096 | 27,170 |
| **Operating expenses** | | | | |
| Competitive businesses purchased power and fuel | 2,648 | 2,977 | 8,142 | 8,542 |
| Rate-regulated utility purchased power and fuel | 1,304 | 1,355 | 3,589 | 3,832 |
| Operating and maintenance | 2,072 | 2,346 | 6,419 | 7,036 |
| Depreciation and amortization | 1,083 | 1,105 | 3,237 | 3,284 |
| Taxes other than income | 452 | 469 | 1,316 | 1,342 |
| Total operating expenses | 7,559 | 8,252 | 22,703 | 24,036 |
| **(Loss) gain on sales of assets and businesses** | (17) | (5) | 19 | 55 |
| **Operating income** | 1,353 | 1,146 | 3,412 | 3,189 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (403) | (387) | (1,202) | (1,119) |
| Interest expense to affiliates | (6) | (6) | (19) | (19) |
| Other, net | 158 | 194 | 837 | 212 |
| Total other income and (deductions) | (251) | (199) | (384) | (926) |
| **Income before income taxes** | 1,102 | 947 | 3,028 | 2,263 |
| **Income taxes** | 172 | 137 | 626 | 262 |
| **Equity in losses of unconsolidated affiliates** | (170) | (10) | (182) | (22) |
| **Net income** | 760 | 800 | 2,220 | 1,979 |
| **Net (loss) income attributable to noncontrolling interests** | (12) | 67 | 56 | 121 |
| **Net income attributable to common shareholders** | $ 772 | $ 733 | $ 2,164 | $ 1,858 |
| **Comprehensive income, net of income taxes** | | | | |
| Net income | $ 760 | $ 800 | $ 2,220 | $ 1,979 |
| **Other comprehensive income (loss), net of income taxes** | | | | |
| Pension and non-pension postretirement benefit plans: | | | | |
| Prior service benefit reclassified to periodic benefit cost | (16) | (17) | (49) | (50) |
| Actuarial loss reclassified to periodic benefit cost | 37 | 62 | 111 | 186 |
| Pension and non-pension postretirement benefit plan valuation adjustment | 6 | 5 | (32) | 22 |
| Unrealized gain on cash flow hedges | — | — | — | 12 |
| Unrealized gain on investments in unconsolidated affiliates | 5 | — | 1 | 3 |
| Unrealized (loss) gain on foreign currency translation | (2) | 2 | 2 | (4) |
| Other comprehensive income | 30 | 52 | 33 | 169 |
| **Comprehensive income** | 790 | 852 | 2,253 | 2,148 |
| **Comprehensive (loss) income attributable to noncontrolling interests** | (9) | 67 | 57 | 123 |
| **Comprehensive income attributable to common shareholders** | $ 799 | $ 785 | $ 2,196 | $ 2,025 |
| | | | | |
| **Average shares of common stock outstanding:** | | | | |
| Basic | 973 | 968 | 972 | 967 |
| Assumed exercise and/or distributions of stock-based awards | 1 | 2 | 1 | 2 |
| Diluted[(a)] | 974 | 970 | 973 | 969 |
| | | | | |
| **Earnings per average common share:** | | | | |
| Basic | $ 0.79 | $ 0.76 | $ 2.23 | $ 1.92 |
| Diluted | $ 0.79 | $ 0.76 | $ 2.22 | $ 1.92 |

(a) The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was immaterial for the three and nine months ended September 30, 2019 and approximately 2 million and 3 million for the three and nine months ended September 30, 2018, respectively.

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 2,220 | $ 1,979 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization | 4,393 | 4,511 |
| Asset impairments | 174 | 49 |
| Gain on sales of assets and businesses | (15) | (55) |
| Deferred income taxes and amortization of investment tax credits | 412 | 97 |
| Net fair value changes related to derivatives | 96 | 67 |
| Net realized and unrealized gains on NDT funds | (467) | (21) |
| Other non-cash operating activities | 460 | 804 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 445 | (167) |
| Inventories | (94) | (24) |
| Accounts payable and accrued expenses | (671) | 84 |
| Option premiums received (paid), net | 13 | (36) |
| Collateral (posted) received, net | (254) | 222 |
| Income taxes | 143 | 166 |
| Pension and non-pension postretirement benefit contributions | (377) | (362) |
| Other assets and liabilities | (1,079) | (639) |
| Net cash flows provided by operating activities | 5,399 | 6,675 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (5,259) | (5,497) |
| Proceeds from NDT fund sales | 8,443 | 6,379 |
| Investment in NDT funds | (8,437) | (6,553) |
| Acquisition of assets and businesses, net | — | (57) |
| Proceeds from sales of assets and businesses | 17 | 90 |
| Other investing activities | 21 | 29 |
| Net cash flows used in investing activities | (5,215) | (5,609) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | 430 | (218) |
| Proceeds from short-term borrowings with maturities greater than 90 days | — | 126 |
| Repayments on short-term borrowings with maturities greater than 90 days | (125) | (1) |
| Issuance of long-term debt | 1,576 | 2,664 |
| Retirement of long-term debt | (644) | (1,480) |
| Dividends paid on common stock | (1,055) | (999) |
| Proceeds from employee stock plans | 94 | 67 |
| Other financing activities | (63) | (94) |
| Net cash flows provided by financing activities | 213 | 65 |
| **Increase in cash, cash equivalents and restricted cash** | 397 | 1,131 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 1,781 | 1,190 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 2,178 | $ 2,321 |
| | | |
| **Supplemental cash flow information** | | |
| Decrease in capital expenditures not paid | $ (96) | $ (175) |
| Increase in PPE related to ARO update | 344 | 67 |

See the Combined Notes to Consolidated Financial Statements

# EXELON CORPORATION AND SUBSIDIARY COMPANIES
# CONSOLIDATED BALANCE SHEETS
# (Unaudited)

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 1,683 | $ 1,349 |
| Restricted cash and cash equivalents | 309 | 247 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $248 and $283 as of September 30, 2019 and December 31, 2018, respectively) | 4,188 | 4,607 |
| Other (net of allowance for uncollectible accounts of $49 and $36 as of September 30, 2019 and December 31, 2018, respectively) | 1,085 | 1,256 |
| Mark-to-market derivative assets | 601 | 804 |
| Unamortized energy contract assets | 49 | 48 |
| Inventories, net | | |
| Fossil fuel and emission allowances | 325 | 334 |
| Materials and supplies | 1,458 | 1,351 |
| Regulatory assets | 1,194 | 1,222 |
| Assets held for sale | 18 | 904 |
| Other | 1,296 | 1,238 |
| Total current assets | 12,206 | 13,360 |
| **Property, plant and equipment (net of accumulated depreciation and amortization of $23,590 and $22,902 as of September 30, 2019 and December 31, 2018, respectively)** | 78,593 | 76,707 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 8,122 | 8,237 |
| Nuclear decommissioning trust funds | 12,706 | 11,661 |
| Investments | 471 | 625 |
| Goodwill | 6,677 | 6,677 |
| Mark-to-market derivative assets | 487 | 452 |
| Unamortized energy contract assets | 353 | 372 |
| Other | 3,123 | 1,575 |
| Total deferred debits and other assets | 31,939 | 29,599 |
| **Total assets**[(a)] | $ 122,738 | $ 119,666 |

See the Combined Notes to Consolidated Financial Statements

**EXELON CORPORATION AND SUBSIDIARY COMPANIES**
**CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ 1,019 | $ 714 |
| Long-term debt due within one year | 4,248 | 1,349 |
| Accounts payable | 3,348 | 3,800 |
| Accrued expenses | 1,877 | 2,112 |
| Payables to affiliates | 5 | 5 |
| Regulatory liabilities | 400 | 644 |
| Mark-to-market derivative liabilities | 239 | 475 |
| Unamortized energy contract liabilities | 138 | 149 |
| Renewable energy credit obligation | 375 | 344 |
| Liabilities held for sale | 11 | 777 |
| Other | 1,425 | 1,035 |
| Total current liabilities | 13,085 | 11,404 |
| **Long-term debt** | 32,056 | 34,075 |
| **Long-term debt to financing trusts** | 390 | 390 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 12,133 | 11,330 |
| Asset retirement obligations | 10,089 | 9,679 |
| Pension obligations | 3,712 | 3,988 |
| Non-pension postretirement benefit obligations | 2,029 | 1,928 |
| Spent nuclear fuel obligation | 1,193 | 1,171 |
| Regulatory liabilities | 9,792 | 9,559 |
| Mark-to-market derivative liabilities | 416 | 479 |
| Unamortized energy contract liabilities | 368 | 463 |
| Other | 3,123 | 2,130 |
| Total deferred credits and other liabilities | 42,855 | 40,727 |
| Total liabilities(a) | 88,386 | 86,596 |
| **Commitments and contingencies** | | |
| **Shareholders' equity** | | |
| Common stock (No par value, 2,000 shares authorized, 972 shares and 968 shares outstanding at September 30, 2019 and December 31, 2018, respectively) | 19,238 | 19,116 |
| Treasury stock, at cost (2 shares at September 30, 2019 and December 31, 2018) | (123) | (123) |
| Retained earnings | 15,871 | 14,766 |
| Accumulated other comprehensive loss, net | (2,963) | (2,995) |
| Total shareholders' equity | 32,023 | 30,764 |
| Noncontrolling interests | 2,329 | 2,306 |
| Total equity | 34,352 | 33,070 |
| **Total liabilities and shareholders' equity** | $ 122,738 | $ 119,666 |

(a) Exelon's consolidated assets include $9,465 million and $9,667 million at September 30, 2019 and December 31, 2018, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include $3,517 million and $3,548 million at September 30, 2019 and December 31, 2018, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 2 — Variable Interest Entities for additional information.

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

| | Nine Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| (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, 2018** | 970,020 | $ 19,116 | $ (123) | $ 14,766 | $ (2,995) | $ 2,306 | $ 33,070 |
| Net income | — | — | — | 907 | — | 59 | 966 |
| Long-term incentive plan activity | 2,446 | (3) | — | — | — | — | (3) |
| Employee stock purchase plan issuances | 320 | 51 | — | — | — | — | 51 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | (17) | (17) |
| Sale of noncontrolling interests | — | 7 | — | — | — | — | 7 |
| Common stock dividends ($0.36/common share) | — | — | — | (352) | — | — | (352) |
| Other comprehensive loss, net of income taxes | — | — | — | — | (17) | (1) | (18) |
| **Balance, March 31, 2019** | 972,786 | $ 19,171 | $ (123) | $ 15,321 | $ (3,012) | $ 2,347 | $ 33,704 |
| Net income | — | — | — | 484 | — | 10 | 494 |
| Long-term incentive plan activity | 320 | 14 | — | — | — | — | 14 |
| Employee stock purchase plan issuances | 311 | 24 | — | — | — | — | 24 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | 3 | 3 |
| Common stock dividends ($0.36/common share) | — | — | — | (353) | — | — | (353) |
| Other comprehensive income (loss), net of income taxes | — | — | — | — | 22 | (1) | 21 |
| **Balance, June 30, 2019** | 973,417 | $ 19,209 | $ (123) | $ 15,452 | $ (2,990) | $ 2,359 | $ 33,907 |
| Net income (loss) | — | — | — | 772 | — | (12) | 760 |
| Long-term incentive plan activity | 207 | 10 | — | — | — | — | 10 |
| Employee stock purchase plan issuances | 317 | 19 | — | — | — | — | 19 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | (18) | (18) |
| Common stock dividends ($0.36/common share) | — | — | — | (353) | — | — | (353) |
| Other comprehensive income net of income taxes | — | — | — | — | 27 | — | 27 |
| **Balance, September 30, 2019** | 973,941 | $ 19,238 | $ (123) | $ 15,871 | $ (2,963) | $ 2,329 | $ 34,352 |

See the Combined Notes to Consolidated Financial Statements

| (In millions, shares in thousands) | Issued Shares | Common Stock | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss, net | Noncontrolling Interests | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2018 | | | | | | |
| **Balance, December 31, 2017** | 965,168 | $ 18,964 | $ (123) | $ 14,081 | $ (3,026) | $ 2,291 | $ 32,187 |
| Net income | — | — | — | 585 | — | 51 | 636 |
| Long-term incentive plan activity | 1,685 | (3) | — | — | — | — | (3) |
| Employee stock purchase plan issuances | 361 | 12 | — | — | — | — | 12 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | (9) | (9) |
| Common stock dividends ($0.35/common share) | — | — | — | (334) | — | — | (334) |
| Other comprehensive income, net of income taxes | — | — | — | — | 71 | 1 | 72 |
| Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard | — | — | — | 14 | (10) | — | 4 |
| **Balance, March 31, 2018** | 967,214 | $ 18,973 | $ (123) | $ 14,346 | $ (2,965) | $ 2,334 | $ 32,565 |
| Net income | — | — | — | 539 | — | 3 | 542 |
| Long-term incentive plan activity | 183 | 20 | — | — | — | — | 20 |
| Employee stock purchase plan issuances | 342 | 15 | — | — | — | — | 15 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | (14) | (14) |
| Common stock dividends ($0.35/common share) | — | — | — | (334) | — | — | (334) |
| Other comprehensive income, net of income taxes | — | — | — | — | 44 | 1 | 45 |
| **Balance, June 30, 2018** | 967,739 | $ 19,008 | $ (123) | $ 14,551 | $ (2,921) | $ 2,324 | $ 32,839 |
| Net Income | — | — | — | 733 | — | 67 | 800 |
| Long-term incentive plan activity | 809 | 15 | — | — | — | — | 15 |
| Employee stock purchase plan issuances | 294 | 40 | — | — | — | — | 40 |
| Changes in equity of noncontrolling interests | — | — | — | — | — | (23) | (23) |
| Common stock dividends ($0.35/common share) | — | — | — | (335) | — | — | (335) |
| Other comprehensive income, net of income taxes | — | — | — | — | 52 | — | 52 |
| **Balance, September 30, 2018** | 968,842 | $ 19,063 | $ (123) | $ 14,949 | $ (2,869) | $ 2,368 | $ 33,388 |

See the Combined Notes to Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2019 | 2018 | 2019 | 2018 |
| **Operating revenues** | | | | |
| Operating revenues | $ 4,499 | $ 4,970 | $ 13,436 | $ 14,389 |
| Operating revenues from affiliates | 275 | 308 | 844 | 979 |
| Total operating revenues | 4,774 | 5,278 | 14,280 | 15,368 |
| **Operating expenses** | | | | |
| Purchased power and fuel | 2,648 | 2,977 | 8,141 | 8,542 |
| Purchased power and fuel from affiliates | 3 | 3 | 7 | 10 |
| Operating and maintenance | 947 | 1,218 | 3,131 | 3,643 |
| Operating and maintenance from affiliates | 140 | 152 | 439 | 483 |
| Depreciation and amortization | 407 | 468 | 1,221 | 1,383 |
| Taxes other than income | 129 | 143 | 394 | 414 |
| Total operating expenses | 4,274 | 4,961 | 13,333 | 14,475 |
| **(Loss) gain on sales of assets and businesses** | (18) | (6) | 15 | 48 |
| **Operating income** | 482 | 311 | 962 | 941 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (101) | (93) | (310) | (278) |
| Interest expense to affiliates | (8) | (8) | (26) | (27) |
| Other, net | 128 | 179 | 729 | 164 |
| Total other income and (deductions) | 19 | 78 | 393 | (141) |
| **Income before income taxes** | 501 | 389 | 1,355 | 800 |
| **Income taxes** | 87 | 78 | 388 | 110 |
| **Equity in losses of unconsolidated affiliates** | (170) | (11) | (183) | (23) |
| **Net income** | 244 | 300 | 784 | 667 |
| **Net (loss) income attributable to noncontrolling interests** | (13) | 66 | 56 | 120 |
| **Net income attributable to membership interest** | $ 257 | $ 234 | $ 728 | $ 547 |
| **Comprehensive income, net of income taxes** | | | | |
| Net income | $ 244 | $ 300 | $ 784 | $ 667 |
| **Other comprehensive income (loss), net of income taxes** | | | | |
| Unrealized gain on cash flow hedges | — | — | — | 12 |
| Unrealized gain on investments in unconsolidated affiliates | 5 | — | 1 | 3 |
| Unrealized (loss) gain on foreign currency translation | (2) | 2 | 2 | (4) |
| Other comprehensive income | 3 | 2 | 3 | 11 |
| **Comprehensive income** | 247 | 302 | 787 | 678 |
| **Comprehensive (loss) income attributable to noncontrolling interests** | (10) | 66 | 57 | 122 |
| **Comprehensive income attributable to membership interest** | $ 257 | $ 236 | $ 730 | $ 556 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 784 | $ 667 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation, amortization and accretion, including nuclear fuel and energy contract amortization | 2,377 | 2,608 |
| Asset impairments | 174 | 49 |
| Gain on sales of assets and businesses | (15) | (48) |
| Deferred income taxes and amortization of investment tax credits | 201 | (278) |
| Net fair value changes related to derivatives | 102 | 73 |
| Net realized and unrealized gains on NDT funds | (467) | (21) |
| Other non-cash operating activities | (95) | 187 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 395 | 126 |
| Receivables from and payables to affiliates, net | (12) | (7) |
| Inventories | (36) | (10) |
| Accounts payable and accrued expenses | (428) | (59) |
| Option premiums received (paid), net | 13 | (36) |
| Collateral (posted) received, net | (292) | 228 |
| Income taxes | 327 | 220 |
| Pension and non-pension postretirement benefit contributions | (165) | (134) |
| Other assets and liabilities | (390) | (154) |
| Net cash flows provided by operating activities | 2,473 | 3,411 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (1,282) | (1,660) |
| Proceeds from NDT fund sales | 8,443 | 6,379 |
| Investment in NDT funds | (8,437) | (6,553) |
| Acquisition of assets and businesses, net | — | (57) |
| Proceeds from sales of assets and businesses | 17 | 90 |
| Other investing activities | (6) | (5) |
| Net cash flows used in investing activities | (1,265) | (1,806) |
| **Cash flows from financing activities** | | |
| Issuance of long-term debt | 41 | 14 |
| Retirement of long-term debt | (196) | (100) |
| Changes in Exelon intercompany money pool | (100) | (54) |
| Distributions to member | (674) | (688) |
| Contributions from member | — | 54 |
| Other financing activities | (37) | (46) |
| Net cash flows used in financing activities | (966) | (820) |
| **Increase in cash, cash equivalents and restricted cash** | 242 | 785 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 903 | 554 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 1,145 | $ 1,339 |
| | | |
| **Supplemental cash flow information** | | |
| Decrease in capital expenditures not paid | $ (24) | $ (226) |
| Increase in PPE related to ARO update | 342 | 47 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 1,019 | $ 750 |
| Restricted cash and cash equivalents | 126 | 153 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $75 and $103 as of September 30, 2019 and December 31, 2018, respectively) | 2,587 | 2,941 |
| Other (net of allowance for uncollectible accounts of $1 as of both September 30, 2019 and December 31, 2018) | 337 | 562 |
| Mark-to-market derivative assets | 602 | 804 |
| Receivables from affiliates | 166 | 173 |
| Unamortized energy contract assets | 49 | 49 |
| Inventories, net | | |
| Fossil fuel and emission allowances | 243 | 251 |
| Materials and supplies | 1,010 | 963 |
| Assets held for sale | 18 | 904 |
| Other | 1,002 | 883 |
| Total current assets | 7,159 | 8,433 |
| **Property, plant and equipment (net of accumulated depreciation and amortization of $11,972 and $12,206 as of September 30, 2019 and December 31, 2018, respectively)** | 23,591 | 23,981 |
| **Deferred debits and other assets** | | |
| Nuclear decommissioning trust funds | 12,706 | 11,661 |
| Investments | 248 | 414 |
| Goodwill | 47 | 47 |
| Mark-to-market derivative assets | 483 | 452 |
| Prepaid pension asset | 1,472 | 1,421 |
| Unamortized energy contract assets | 352 | 371 |
| Deferred income taxes | 11 | 21 |
| Other | 1,915 | 755 |
| Total deferred debits and other assets | 17,234 | 15,142 |
| **Total assets[(a)]** | $ 47,984 | $ 47,556 |

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Long-term debt due within one year | $ 2,706 | $ 906 |
| Accounts payable | 1,583 | 1,847 |
| Accrued expenses | 762 | 898 |
| Payables to affiliates | 134 | 139 |
| Borrowings from Exelon intercompany money pool | — | 100 |
| Mark-to-market derivative liabilities | 212 | 449 |
| Unamortized energy contract liabilities | 21 | 31 |
| Renewable energy credit obligation | 374 | 343 |
| Liabilities held for sale | 11 | 777 |
| Other | 541 | 279 |
| Total current liabilities | 6,344 | 5,769 |
| **Long-term debt** | 5,018 | 6,989 |
| **Long-term debt to affiliates** | 889 | 898 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 3,607 | 3,383 |
| Asset retirement obligations | 9,855 | 9,450 |
| Non-pension postretirement benefit obligations | 885 | 900 |
| Spent nuclear fuel obligation | 1,193 | 1,171 |
| Payables to affiliates | 2,960 | 2,606 |
| Mark-to-market derivative liabilities | 163 | 252 |
| Unamortized energy contract liabilities | 11 | 20 |
| Other | 1,466 | 610 |
| Total deferred credits and other liabilities | 20,140 | 18,392 |
| Total liabilities[(a)] | 32,391 | 32,048 |
| **Commitments and contingencies** | | |
| **Equity** | | |
| Member's equity | | |
| Membership interest | 9,525 | 9,518 |
| Undistributed earnings | 3,778 | 3,724 |
| Accumulated other comprehensive loss, net | (36) | (38) |
| Total member's equity | 13,267 | 13,204 |
| Noncontrolling interests | 2,326 | 2,304 |
| Total equity | 15,593 | 15,508 |
| **Total liabilities and equity** | $ 47,984 | $ 47,556 |

(a) Generation's consolidated assets include $9,443 million and $9,634 million at September 30, 2019 and December 31, 2018, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation's consolidated liabilities include $3,467 million and $3,480 million at September 30, 2019 and December 31, 2018, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 2 — Variable Interest Entities for additional information.

See the Combined Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Member's Equity | | | | |
| (In millions) | Membership Interest | Undistributed Earnings | Accumulated Other Comprehensive Loss, net | Noncontrolling Interests | Total Equity |
| **Balance, December 31, 2018** | $ 9,518 | $ 3,724 | $ (38) | $ 2,304 | $ 15,508 |
| Net income | — | 363 | — | 59 | 422 |
| Changes in equity of noncontrolling interests | — | — | — | (17) | (17) |
| Sale of noncontrolling interests | 7 | — | — | — | 7 |
| Distributions to member | — | (225) | — | — | (225) |
| Other comprehensive income (loss), net of income taxes | — | — | 2 | (1) | 1 |
| **Balance, March 31, 2019** | $ 9,525 | $ 3,862 | $ (36) | $ 2,345 | $ 15,696 |
| Net income | — | 108 | — | 10 | 118 |
| Changes in equity of noncontrolling interests | — | — | — | 3 | 3 |
| Distributions to member | — | (224) | — | — | (224) |
| Other comprehensive loss, net of income taxes | — | — | — | (1) | (1) |
| **Balance, June 30, 2019** | $ 9,525 | $ 3,746 | $ (36) | $ 2,357 | $ 15,592 |
| Net income (loss) | — | 257 | — | (13) | 244 |
| Changes in equity of noncontrolling interests | — | — | — | (18) | (18) |
| Distributions to member | — | (225) | — | — | (225) |
| **Balance, September 30, 2019** | $ 9,525 | $ 3,778 | $ (36) | $ 2,326 | $ 15,593 |

See the Combined Notes to Consolidated Financial Statements

| (In millions) | Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | 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 | — | 136 | — | 50 | 186 |
| Changes in equity of noncontrolling interests | — | — | — | (9) | (9) |
| Distributions to member | — | (188) | — | — | (188) |
| Other comprehensive income, net of income taxes | — | — | 6 | 1 | 7 |
| Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard | — | 6 | (3) | — | 3 |
| **Balance, March 31, 2018** | $ 9,357 | $ 4,303 | $ (34) | $ 2,332 | $ 15,958 |
| Net income | — | 178 | — | 3 | 181 |
| Changes in equity of noncontrolling interests | — | — | — | (13) | (13) |
| Distributions to member | — | (189) | — | — | (189) |
| Other comprehensive income, net of income taxes | — | — | 1 | 1 | 2 |
| **Balance, June 30, 2018** | $ 9,357 | $ 4,292 | $ (33) | $ 2,323 | $ 15,939 |
| Net income | — | 234 | — | 66 | 300 |
| Changes in equity of noncontrolling interests | — | — | — | (23) | (23) |
| Contribution from member | 54 | — | — | — | 54 |
| Distributions to member | — | (312) | — | — | (312) |
| Other comprehensive income, net of income taxes | — | — | 2 | — | 2 |
| **Balance, September 30, 2018** | $ 9,411 | $ 4,214 | $ (31) | $ 2,366 | $ 15,960 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Electric operating revenues | $ 1,635 | $ 1,609 | $ 4,427 | $ 4,512 |
| Revenues from alternative revenue programs | (56) | (15) | (98) | (27) |
| Operating revenues from affiliates | 4 | 4 | 13 | 23 |
| Total operating revenues | 1,583 | 1,598 | 4,342 | 4,508 |
| **Operating expenses** | | | | |
| Purchased power | 494 | 496 | 1,199 | 1,281 |
| Purchased power from affiliate | 83 | 123 | 270 | 421 |
| Operating and maintenance | 267 | 276 | 771 | 785 |
| Operating and maintenance from affiliate | 73 | 61 | 196 | 189 |
| Depreciation and amortization | 259 | 237 | 767 | 696 |
| Taxes other than income | 80 | 82 | 228 | 238 |
| Total operating expenses | 1,256 | 1,275 | 3,431 | 3,610 |
| **Gain on sales of assets** | 1 | — | 4 | 5 |
| **Operating income** | 328 | 323 | 915 | 903 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (87) | (82) | (258) | (251) |
| Interest expense to affiliates | (4) | (3) | (10) | (10) |
| Other, net | 8 | 7 | 27 | 21 |
| Total other income and (deductions) | (83) | (78) | (241) | (240) |
| **Income before income taxes** | 245 | 245 | 674 | 663 |
| **Income taxes** | 45 | 52 | 130 | 140 |
| **Net income** | $ 200 | $ 193 | $ 544 | $ 523 |
| **Comprehensive income** | $ 200 | $ 193 | $ 544 | $ 523 |

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

| (In millions) | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 544 | $ 523 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 767 | 696 |
| Deferred income taxes and amortization of investment tax credits | 115 | 214 |
| Other non-cash operating activities | 180 | 187 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (38) | (190) |
| Receivables from and payables to affiliates, net | (27) | 8 |
| Inventories | (16) | 4 |
| Accounts payable and accrued expenses | (132) | (38) |
| Collateral posted, net | 43 | (10) |
| Income taxes | 25 | (65) |
| Pension and non-pension postretirement benefit contributions | (71) | (41) |
| Other assets and liabilities | (245) | (170) |
| Net cash flows provided by operating activities | 1,145 | 1,118 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (1,413) | (1,540) |
| Other investing activities | 25 | 22 |
| Net cash flows used in investing activities | (1,388) | (1,518) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | 387 | — |
| Issuance of long-term debt | 400 | 1,350 |
| Retirement of long-term debt | (300) | (840) |
| Contributions from parent | 187 | 387 |
| Dividends paid on common stock | (380) | (345) |
| Other financing activities | (10) | (16) |
| Net cash flows provided by financing activities | 284 | 536 |
| **Increase in cash, cash equivalents and restricted cash** | 41 | 136 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 330 | 144 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 371 | $ 280 |

| | | |
|---|---|---|
| **Supplemental cash flow information** | | |
| Decrease in capital expenditures not paid | $ (52) | $ (28) |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 76 | $ 135 |
| Restricted cash | 124 | 29 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $65 and $61 as of September 30, 2019 and December 31, 2018, respectively) | 561 | 539 |
| Other (net of allowance for uncollectible accounts of $21 and $20 as of September 30, 2019 and December 31, 2018, respectively) | 322 | 320 |
| Receivables from affiliates | 27 | 20 |
| Inventories, net | 162 | 148 |
| Regulatory assets | 286 | 293 |
| Other | 48 | 86 |
| Total current assets | 1,606 | 1,570 |
| **Property, plant and equipment (net of accumulated depreciation and amortization of $5,046 and $4,684 as of September 30, 2019 and December 31, 2018, respectively)** | 22,795 | 22,058 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 1,436 | 1,307 |
| Investments | 6 | 6 |
| Goodwill | 2,625 | 2,625 |
| Receivables from affiliates | 2,487 | 2,217 |
| Prepaid pension asset | 1,020 | 1,035 |
| Other | 351 | 395 |
| Total deferred debits and other assets | 7,925 | 7,585 |
| **Total assets** | $ 32,326 | $ 31,213 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ 387 | $ — |
| Long-term debt due within one year | 500 | 300 |
| Accounts payable | 520 | 607 |
| Accrued expenses | 275 | 373 |
| Payables to affiliates | 87 | 119 |
| Customer deposits | 116 | 111 |
| Regulatory liabilities | 193 | 293 |
| Mark-to-market derivative liability | 27 | 26 |
| Other | 138 | 96 |
| Total current liabilities | 2,243 | 1,925 |
| **Long-term debt** | 7,696 | 7,801 |
| **Long-term debt to financing trust** | 205 | 205 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 4,016 | 3,813 |
| Asset retirement obligations | 120 | 118 |
| Non-pension postretirement benefits obligations | 185 | 201 |
| Regulatory liabilities | 6,390 | 6,050 |
| Mark-to-market derivative liability | 253 | 223 |
| Other | 621 | 630 |
| Total deferred credits and other liabilities | 11,585 | 11,035 |
| Total liabilities | 21,729 | 20,966 |
| **Commitments and contingencies** | | |
| **Shareholders' equity** | | |
| Common stock | 1,588 | 1,588 |
| Other paid-in capital | 7,509 | 7,322 |
| Retained deficit unappropriated | (1,639) | (1,639) |
| Retained earnings appropriated | 3,139 | 2,976 |
| Total shareholders' equity | 10,597 | 10,247 |
| **Total liabilities and shareholders' equity** | $ 32,326 | $ 31,213 |

See the Combined Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| (In millions) | Common Stock | Other Paid-In Capital | Retained Deficit Unappropriated | Retained Earnings Appropriated | Total Shareholders' Equity |
| **Balance, December 31, 2018** | $ 1,588 | $ 7,322 | $ (1,639) | $ 2,976 | $ 10,247 |
| Net income | — | — | 157 | — | 157 |
| Appropriation of retained earnings for future dividends | — | — | (157) | 157 | — |
| Common stock dividends | — | — | — | (127) | (127) |
| Contributions from parent | — | 63 | — | — | 63 |
| **Balance, March 31, 2019** | $ 1,588 | $ 7,385 | $ (1,639) | $ 3,006 | $ 10,340 |
| Net income | — | — | 186 | — | 186 |
| Appropriation of retained earnings for future dividends | — | — | (186) | 186 | — |
| Common stock dividends | — | — | — | (127) | (127) |
| Contributions from parent | — | 61 | — | — | 61 |
| **Balance, June 30, 2019** | $ 1,588 | $ 7,446 | $ (1,639) | $ 3,065 | $ 10,460 |
| Net income | — | — | 200 | — | 200 |
| Appropriation of retained earnings for future dividends | — | — | (200) | 200 | — |
| Common stock dividends | — | — | — | (126) | (126) |
| Contributions from parent | — | 63 | — | — | 63 |
| **Balance, September 30, 2019** | $ 1,588 | $ 7,509 | $ (1,639) | $ 3,139 | $ 10,597 |

| | Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| (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 | — | — | 165 | — | 165 |
| Appropriation of retained earnings for future dividends | — | — | (165) | 165 | — |
| Common stock dividends | — | — | — | (114) | (114) |
| Contributions from parent | — | 113 | — | — | 113 |
| **Balance, March 31, 2018** | $ 1,588 | $ 6,935 | $ (1,639) | $ 2,822 | $ 9,706 |
| Net income | — | — | 164 | — | 164 |
| Appropriation of retained earnings for future dividends | — | — | (164) | 164 | — |
| Common stock dividends | — | — | — | (115) | (115) |
| Contributions from parent | — | 112 | — | — | 112 |
| **Balance, June 30, 2018** | $ 1,588 | $ 7,047 | $ (1,639) | $ 2,871 | $ 9,867 |
| Net income | — | — | 193 | — | 193 |
| Appropriation of retained earnings for future dividends | — | — | (193) | 193 | — |
| Common stock dividends | — | — | — | (115) | (115) |
| Contributions from parent | — | 162 | — | — | 162 |
| **Balance, September 30, 2018** | $ 1,588 | $ 7,209 | $ (1,639) | $ 2,949 | $ 10,107 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Electric operating revenues | $ 726 | $ 697 | $ 1,914 | $ 1,886 |
| Natural gas operating revenues | 62 | 57 | 431 | 382 |
| Revenues from alternative revenue programs | (11) | 1 | (16) | 2 |
| Operating revenues from affiliates | 1 | 2 | 4 | 5 |
| Total operating revenues | 778 | 757 | 2,333 | 2,275 |
| **Operating expenses** | | | | |
| Purchased power | 185 | 215 | 461 | 576 |
| Purchased fuel | 18 | 14 | 184 | 148 |
| Purchased power from affiliate | 43 | 34 | 122 | 94 |
| Operating and maintenance | 182 | 184 | 531 | 572 |
| Operating and maintenance from affiliates | 37 | 35 | 112 | 114 |
| Depreciation and amortization | 83 | 75 | 247 | 224 |
| Taxes other than income | 47 | 46 | 126 | 125 |
| Total operating expenses | 595 | 603 | 1,783 | 1,853 |
| **Gain on sales of assets** | — | — | — | 1 |
| **Operating income** | 183 | 154 | 550 | 423 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (30) | (28) | (91) | (85) |
| Interest expense to affiliates | (3) | (4) | (9) | (11) |
| Other, net | 4 | 2 | 11 | 4 |
| Total other income and (deductions) | (29) | (30) | (89) | (92) |
| **Income before income taxes** | 154 | 124 | 461 | 331 |
| **Income taxes** | 14 | (2) | 51 | (5) |
| **Net income** | $ 140 | $ 126 | $ 410 | $ 336 |
| **Comprehensive income** | $ 140 | $ 126 | $ 410 | $ 336 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 410 | $ 336 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 247 | 224 |
| Gain on sales of assets | — | (1) |
| Deferred income taxes and amortization of investment tax credits | 6 | 5 |
| Other non-cash operating activities | 28 | 41 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 46 | (85) |
| Receivables from and payables to affiliates, net | (12) | 1 |
| Inventories | (3) | (13) |
| Accounts payable and accrued expenses | (32) | (1) |
| Income taxes | (15) | (16) |
| Pension and non-pension postretirement benefit contributions | (26) | (25) |
| Other assets and liabilities | (111) | 26 |
| Net cash flows provided by operating activities | 538 | 492 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (675) | (615) |
| Other investing activities | 7 | 6 |
| Net cash flows used in investing activities | (668) | (609) |
| **Cash flows from financing activities** | | |
| Issuance of long-term debt | 325 | 700 |
| Retirement of long-term debt | — | (500) |
| Contributions from parent | 174 | 71 |
| Dividends paid on common stock | (268) | (300) |
| Other financing activities | (6) | (22) |
| Net cash flows provided by (used in) financing activities | 225 | (51) |
| **Increase (decrease) in cash, cash equivalents and restricted cash** | 95 | (168) |
| **Cash, cash equivalents and restricted cash at beginning of period** | 135 | 275 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 230 | $ 107 |
| | | |
| **Supplemental cash flow information** | | |
| Increase in capital expenditures not paid | $ 42 | $ 4 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 224 | $ 130 |
| Restricted cash and cash equivalents | 6 | 5 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $54 and $53 as of September 30, 2019 and December 31, 2018, respectively) | 286 | 321 |
| Other (net of allowance for uncollectible accounts of $7 and $8 as of September 30, 2019 and December 31, 2018, respectively) | 118 | 151 |
| Receivable from affiliates | 7 | — |
| Inventories, net | | |
| Fossil fuel | 41 | 38 |
| Materials and supplies | 37 | 37 |
| Prepaid utility taxes | 34 | — |
| Regulatory assets | 63 | 81 |
| Other | 27 | 19 |
| Total current assets | 843 | 782 |
| **Property, plant and equipment (net of accumulated depreciation and amortization of $3,670 and $3,561 as of September 30, 2019 and December 31, 2018, respectively)** | 9,100 | 8,610 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 540 | 460 |
| Investments | 26 | 25 |
| Receivable from affiliates | 473 | 389 |
| Prepaid pension asset | 367 | 349 |
| Other | 30 | 27 |
| Total deferred debits and other assets | 1,436 | 1,250 |
| **Total assets** | $ 11,379 | $ 10,642 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | 382 | 370 |
| Accrued expenses | 97 | 113 |
| Payables to affiliates | 54 | 59 |
| Customer deposits | 69 | 68 |
| Regulatory liabilities | 93 | 175 |
| Other | 27 | 24 |
| Total current liabilities | 722 | 809 |
| **Long-term debt** | 3,404 | 3,084 |
| **Long-term debt to financing trusts** | 184 | 184 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 2,034 | 1,933 |
| Asset retirement obligations | 28 | 27 |
| Non-pension postretirement benefits obligations | 289 | 288 |
| Regulatory liabilities | 503 | 421 |
| Other | 79 | 76 |
| Total deferred credits and other liabilities | 2,933 | 2,745 |
| Total liabilities | 7,243 | 6,822 |
| **Commitments and contingencies** | | |
| **Shareholder’s equity** | | |
| Common stock | 2,752 | 2,578 |
| Retained earnings | 1,384 | 1,242 |
| Total shareholder’s equity | 4,136 | 3,820 |
| **Total liabilities and shareholder's equity** | $ 11,379 | $ 10,642 |

See the Combined Notes to Consolidated Financial Statements

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

| | Nine months ended September 30, 2019 | | | |
|---|---|---|---|---|
| (In millions) | Common Stock | Retained Earnings | Accumulated Other Comprehensive Income, net | Total Shareholder's Equity |
| **Balance, December 31, 2018** | $ 2,578 | $ 1,242 | $ — | $ 3,820 |
| Net income | — | 168 | — | 168 |
| Common stock dividends | — | (90) | — | (90) |
| Contributions from parent | 145 | — | — | 145 |
| **Balance, March 31, 2019** | $ 2,723 | $ 1,320 | $ — | $ 4,043 |
| Net income | — | 102 | — | 102 |
| Common stock dividends | — | (90) | — | (90) |
| **Balance, June 30, 2019** | $ 2,723 | $ 1,332 | $ — | $ 4,055 |
| Net income | — | 140 | — | 140 |
| Common stock dividends | — | (88) | — | (88) |
| Contributions from parent | 29 | — | — | 29 |
| **Balance, September 30, 2019** | $ 2,752 | $ 1,384 | $ — | $ 4,136 |

| | Nine months ended September 30, 2018 | | | |
|---|---|---|---|---|
| (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 | — | 113 | — | 113 |
| Common stock dividends | — | (287) | — | (287) |
| Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities Standard | — | 1 | (1) | — |
| **Balance, March 31, 2018** | $ 2,489 | $ 914 | $ — | $ 3,403 |
| Net income | — | 96 | — | 96 |
| Common stock dividends | — | (5) | — | (5) |
| Contributions from parent | 41 | — | — | 41 |
| **Balance, June 30, 2018** | $ 2,530 | $ 1,005 | $ — | $ 3,535 |
| Net income | — | 126 | — | 126 |
| Common stock dividends | — | (7) | — | (7) |
| Contributions from parent | 30 | — | — | 30 |
| **Balance, September 30, 2018** | $ 2,560 | $ 1,124 | $ — | $ 3,684 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Electric operating revenues | $ 623 | $ 652 | $ 1,814 | $ 1,847 |
| Natural gas operating revenues | 79 | 79 | 484 | 527 |
| Revenues from alternative revenue programs | (5) | (6) | 11 | (23) |
| Operating revenues from affiliates | 6 | 6 | 18 | 18 |
| Total operating revenues | 703 | 731 | 2,327 | 2,369 |
| **Operating expenses** | | | | |
| Purchased power | 159 | 183 | 480 | 510 |
| Purchased fuel | 12 | 21 | 128 | 176 |
| Purchased power from affiliate | 64 | 68 | 196 | 195 |
| Operating and maintenance | 157 | 144 | 451 | 462 |
| Operating and maintenance from affiliates | 39 | 38 | 118 | 116 |
| Depreciation and amortization | 116 | 110 | 368 | 358 |
| Taxes other than income | 65 | 64 | 195 | 188 |
| Total operating expenses | 612 | 628 | 1,936 | 2,005 |
| **Gain on sales of assets** | — | — | — | 1 |
| **Operating income** | 91 | 103 | 391 | 365 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (31) | (27) | (89) | (78) |
| Other, net | 7 | 5 | 18 | 14 |
| Total other income and (deductions) | (24) | (22) | (71) | (64) |
| **Income before income taxes** | 67 | 81 | 320 | 301 |
| **Income taxes** | 12 | 18 | 59 | 59 |
| **Net income** | $ 55 | $ 63 | $ 261 | $ 242 |
| **Comprehensive income** | $ 55 | $ 63 | $ 261 | $ 242 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 261 | $ 242 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 368 | 358 |
| Deferred income taxes and amortization of investment tax credits | 66 | 82 |
| Other non-cash operating activities | 63 | 42 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 110 | 72 |
| Receivables from and payables to affiliates, net | (14) | (4) |
| Inventories | (5) | (8) |
| Accounts payable and accrued expenses | (28) | (3) |
| Collateral (posted) received, net | (5) | 1 |
| Income taxes | (43) | (48) |
| Pension and non-pension postretirement benefit contributions | (45) | (50) |
| Other assets and liabilities | (65) | (9) |
| Net cash flows provided by operating activities | 663 | 675 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (842) | (667) |
| Other investing activities | 4 | 8 |
| Net cash flows used in investing activities | (838) | (659) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | (35) | (77) |
| Issuance of long-term debt | 400 | 300 |
| Dividends paid on common stock | (169) | (157) |
| Contributions from parent | 104 | 18 |
| Other financing activities | (7) | (2) |
| Net cash flows provided by financing activities | 293 | 82 |
| **Increase in cash, cash equivalents and restricted cash** | 118 | 98 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 13 | 18 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 131 | $ 116 |
| | | |
| **Supplemental cash flow information** | | |
| Increase in capital expenditures not paid | $ 6 | $ 44 |

See the Combined Notes to Consolidated Financial Statements

**BALTIMORE GAS AND ELECTRIC COMPANY**
**BALANCE SHEETS**
**(Unaudited)**

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 130 | $ 7 |
| Restricted cash and cash equivalents | 1 | 6 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $13 and $16 as of September 30, 2019 and December 31, 2018, respectively) | 242 | 353 |
| Other (net of allowance for uncollectible accounts of $4 as of both September 30, 2019 and December 31, 2018) | 110 | 90 |
| Receivables from affiliates | 1 | 1 |
| Inventories, net | | |
| Fossil fuel | 34 | 36 |
| Materials and supplies | 46 | 39 |
| Prepaid utility taxes | — | 74 |
| Regulatory assets | 180 | 177 |
| Other | 7 | 3 |
| Total current assets | 751 | 786 |
| **Property, plant and equipment (net of accumulated depreciation and amortization of $3,772 and $3,633 as of September 30, 2019 and December 31, 2018, respectively)** | 8,796 | 8,243 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 386 | 398 |
| Investments | 7 | 5 |
| Prepaid pension asset | 276 | 279 |
| Other | 88 | 5 |
| Total deferred debits and other assets | 757 | 687 |
| **Total assets** | $ 10,304 | $ 9,716 |

See the Combined Notes to Consolidated Financial Statements

# BALTIMORE GAS AND ELECTRIC COMPANY
## BALANCE SHEETS
## (Unaudited)

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ — | $ 35 |
| Accounts payable | 245 | 295 |
| Accrued expenses | 165 | 155 |
| Payables to affiliates | 51 | 65 |
| Customer deposits | 120 | 120 |
| Regulatory liabilities | 21 | 77 |
| Other | 63 | 27 |
| Total current liabilities | 665 | 774 |
| **Long-term debt** | 3,270 | 2,876 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 1,329 | 1,222 |
| Asset retirement obligations | 22 | 24 |
| Non-pension postretirement benefits obligations | 198 | 201 |
| Regulatory liabilities | 1,158 | 1,192 |
| Other | 112 | 73 |
| Total deferred credits and other liabilities | 2,819 | 2,712 |
| Total liabilities | 6,754 | 6,362 |
| **Commitments and contingencies** | | |
| **Shareholder's equity** | | |
| Common stock | 1,818 | 1,714 |
| Retained earnings | 1,732 | 1,640 |
| Total shareholder's equity | 3,550 | 3,354 |
| **Total liabilities and shareholder's equity** | $ 10,304 | $ 9,716 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2018** | $ 1,714 | $ 1,640 | $ 3,354 |
| Net income | — | 160 | 160 |
| Common stock dividends | — | (56) | (56) |
| **Balance, March 31, 2019** | $ 1,714 | $ 1,744 | $ 3,458 |
| Net income | — | 45 | 45 |
| Common stock dividends | — | (55) | (55) |
| **Balance, June 30, 2019** | $ 1,714 | $ 1,734 | $ 3,448 |
| Net income | — | 55 | 55 |
| Contributions from parent | 104 | — | 104 |
| Common stock dividends | — | (57) | (57) |
| **Balance, September 30, 2019** | $ 1,818 | $ 1,732 | $ 3,550 |

| (In millions) | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2017** | $ 1,605 | $ 1,536 | $ 3,141 |
| Net income | — | 128 | 128 |
| Common stock dividends | — | (52) | (52) |
| **Balance, March 31, 2018** | $ 1,605 | $ 1,612 | $ 3,217 |
| Net income | — | 51 | 51 |
| Common stock dividends | — | (53) | (53) |
| **Balance, June 30, 2018** | $ 1,605 | $ 1,610 | $ 3,215 |
| Net income | — | 63 | 63 |
| Contributions from parent | 18 | — | 18 |
| Common stock dividends | — | (52) | (52) |
| **Balance, September 30, 2018** | $ 1,623 | $ 1,621 | $ 3,244 |

See the Combined Notes to Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2019 | 2018 | 2019 | 2018 |
| **Operating revenues** | | | | |
| Electric operating revenues | $ 1,365 | $ 1,340 | $ 3,570 | $ 3,541 |
| Natural gas operating revenues | 20 | 23 | 115 | 129 |
| Revenues from alternative revenue programs | (9) | (5) | 4 | 7 |
| Operating revenues from affiliates | 4 | 3 | 11 | 11 |
| Total operating revenues | 1,380 | 1,361 | 3,700 | 3,688 |
| **Operating expenses** | | | | |
| Purchased power | 428 | 415 | 1,086 | 1,077 |
| Purchased fuel | 8 | 12 | 51 | 65 |
| Purchased power and fuel from affiliates | 83 | 82 | 254 | 268 |
| Operating and maintenance | 254 | 261 | 706 | 751 |
| Operating and maintenance from affiliates | 36 | 31 | 105 | 106 |
| Depreciation and amortization | 193 | 192 | 562 | 555 |
| Taxes other than income | 122 | 123 | 342 | 343 |
| Total operating expenses | 1,124 | 1,116 | 3,106 | 3,165 |
| **Operating income** | 256 | 245 | 594 | 523 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (66) | (65) | (197) | (193) |
| Other, net | 13 | 11 | 39 | 33 |
| Total other income and (deductions) | (53) | (54) | (158) | (160) |
| **Income before income taxes** | 203 | 191 | 436 | 363 |
| **Income taxes** | 14 | 4 | 25 | 28 |
| **Equity in earnings of unconsolidated affiliate** | — | — | 1 | 1 |
| **Net income** | $ 189 | $ 187 | $ 412 | $ 336 |
| **Comprehensive income** | $ 189 | $ 187 | $ 412 | $ 336 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 412 | $ 336 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 562 | 555 |
| Deferred income taxes and amortization of investment tax credits | 8 | 50 |
| Other non-cash operating activities | 122 | 109 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (64) | (89) |
| Receivables from and payables to affiliates, net | 1 | 10 |
| Inventories | (36) | — |
| Accounts payable and accrued expenses | — | 115 |
| Income taxes | (11) | (31) |
| Pension and non-pension postretirement benefit contributions | (15) | (66) |
| Other assets and liabilities | (102) | (144) |
| Net cash flows provided by operating activities | 877 | 845 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (1,006) | (988) |
| Other investing activities | 3 | 2 |
| Net cash flows used in investing activities | (1,003) | (986) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | 78 | (141) |
| Proceeds from short-term borrowings with maturities greater than 90 days | — | 125 |
| Repayments of short-term borrowings with maturities greater than 90 days | (125) | — |
| Issuance of long-term debt | 410 | 300 |
| Retirement of long-term debt | (130) | (33) |
| Change in Exelon intercompany money pool | 10 | 10 |
| Distributions to member | (429) | (232) |
| Contributions from member | 283 | 237 |
| Other financing activities | (5) | (6) |
| Net cash flows provided by financing activities | 92 | 260 |
| **(Decrease) increase in cash, cash equivalents and restricted cash** | (34) | 119 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 186 | 95 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 152 | $ 214 |

| | | |
|---|---|---|
| **Supplemental cash flow information** | | |
| (Decrease) increase in capital expenditures not paid | $ (62) | $ 54 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 99 | $ 124 |
| Restricted cash and cash equivalents | 38 | 43 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $41 and $50 as of September 30, 2019 and December 31, 2018, respectively) | 512 | 453 |
| Other (net of allowance for uncollectible accounts of $16 and $3 as of September 30, 2019 and December 31, 2018, respectively) | 189 | 177 |
| Inventories, net | | |
| Fossil Fuel | 8 | 9 |
| Materials and supplies | 203 | 163 |
| Regulatory assets | 479 | 489 |
| Other | 50 | 75 |
| Total current assets | 1,578 | 1,533 |
| **Property, plant and equipment, net (net of accumulated depreciation and amortization of $1,124 and $841 as of September 30, 2019 and December 31, 2018, respectively)** | 13,968 | 13,446 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 2,095 | 2,312 |
| Investments | 135 | 130 |
| Goodwill | 4,005 | 4,005 |
| Prepaid pension asset | 426 | 486 |
| Deferred income taxes | 13 | 12 |
| Other | 356 | 60 |
| Total deferred debits and other assets | 7,030 | 7,005 |
| **Total assets**[a] | $ 22,576 | $ 21,984 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ 132 | $ 179 |
| Long-term debt due within one year | 118 | 125 |
| Accounts payable | 416 | 496 |
| Accrued expenses | 279 | 256 |
| Payables to affiliates | 95 | 94 |
| Borrowings from Exelon intercompany money pool | 10 | — |
| Customer deposits | 118 | 116 |
| Regulatory liabilities | 78 | 84 |
| Unamortized energy contract liabilities | 117 | 119 |
| Other | 152 | 123 |
| Total current liabilities | 1,515 | 1,592 |
| **Long-term debt** | 6,376 | 6,134 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 2,289 | 2,146 |
| Asset retirement obligations | 57 | 52 |
| Non-pension postretirement benefit obligations | 99 | 103 |
| Regulatory liabilities | 1,725 | 1,864 |
| Unamortized energy contract liabilities | 357 | 442 |
| Other | 610 | 369 |
| Total deferred credits and other liabilities | 5,137 | 4,976 |
| Total liabilities[(a)] | 13,028 | 12,702 |
| **Commitments and contingencies** | | |
| **Member's equity** | | |
| Membership interest | 9,503 | 9,220 |
| Undistributed earnings | 45 | 62 |
| Total member's equity | 9,548 | 9,282 |
| **Total liabilities and member's equity** | $ 22,576 | $ 21,984 |

(a) PHI's consolidated total assets include $22 million and $33 million at September 30, 2019 and December 31, 2018, respectively, of PHI's consolidated VIE that can only be used to settle the liabilities of the VIE. PHI's consolidated total liabilities include $50 million and $69 million at September 30, 2019 and December 31, 2018, respectively, of PHI's consolidated VIE for which the VIE creditors do not have recourse to PHI. See Note 2 — Variable Interest Entities for additional information.

See the Combined Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| (In millions) | Membership Interest | Undistributed Earnings (Losses) | Member's Equity |
| **Balance, December 31, 2018** | $ 9,220 | $ 62 | $ 9,282 |
| Net income | — | 117 | 117 |
| Distributions to member | — | (128) | (128) |
| Contributions from member | 19 | — | 19 |
| **Balance, March 31, 2019** | $ 9,239 | $ 51 | $ 9,290 |
| Net income | — | 106 | 106 |
| Distributions to member | — | (88) | (88) |
| Contributions from member | 264 | — | 264 |
| **Balance, June 30, 2019** | $ 9,503 | $ 69 | $ 9,572 |
| Net income | — | 189 | 189 |
| Distributions to member | — | (213) | (213) |
| **Balance, September 30, 2019** | $ 9,503 | $ 45 | $ 9,548 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (In millions) | Membership Interest | Undistributed Earnings (Losses) | Member's Equity |
| **Balance, December 31, 2017** | $ 8,835 | $ (10) | $ 8,825 |
| Net income | — | 65 | 65 |
| Distributions to member | — | (71) | (71) |
| **Balance, March 31, 2018** | $ 8,835 | $ (16) | $ 8,819 |
| Net income | — | 84 | 84 |
| Distributions to member | — | (38) | (38) |
| Contributions from member | 235 | — | 235 |
| **Balance, June 30, 2018** | $ 9,070 | $ 30 | $ 9,100 |
| Net income | — | 187 | 187 |
| Distribution to member | — | (123) | (123) |
| Contribution from parent | 2 | — | 2 |
| **Balance, September 30, 2018** | $ 9,072 | $ 94 | $ 9,166 |

See the Combined Notes to Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2019 | 2018 | 2019 | 2018 |
| **Operating revenues** | | | | |
| Electric operating revenues | $ 643 | $ 630 | $ 1,733 | $ 1,697 |
| Revenues from alternative revenue programs | (3) | (4) | 10 | 6 |
| Operating revenues from affiliates | 2 | 2 | 5 | 5 |
| Total operating revenues | 642 | 628 | 1,748 | 1,708 |
| **Operating expenses** | | | | |
| Purchased power | 116 | 131 | 325 | 354 |
| Purchased power from affiliates | 65 | 46 | 188 | 143 |
| Operating and maintenance | 85 | 84 | 208 | 216 |
| Operating and maintenance from affiliates | 50 | 52 | 156 | 167 |
| Depreciation and amortization | 95 | 99 | 281 | 286 |
| Taxes other than income | 104 | 104 | 286 | 288 |
| Total operating expenses | 515 | 516 | 1,444 | 1,454 |
| **Operating income** | 127 | 112 | 304 | 254 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (33) | (32) | (100) | (96) |
| Other, net | 9 | 7 | 22 | 23 |
| Total other income and (deductions) | (24) | (25) | (78) | (73) |
| **Income before income taxes** | 103 | 87 | 226 | 181 |
| **Income taxes** | 5 | (2) | 9 | 7 |
| **Net income** | $ 98 | $ 89 | $ 217 | $ 174 |
| **Comprehensive income** | $ 98 | $ 89 | $ 217 | $ 174 |

See the Combined Notes to Consolidated Financial Statements

# POTOMAC ELECTRIC POWER COMPANY
## STATEMENTS OF CASH FLOWS
## (Unaudited)

| (In millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 217 | $ 174 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 281 | 286 |
| Deferred income taxes and amortization of investment tax credits | 12 | (5) |
| Other non-cash operating activities | 43 | 42 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (49) | (36) |
| Receivables from and payables to affiliates, net | 4 | (9) |
| Inventories | (23) | 6 |
| Accounts payable and accrued expenses | (12) | 104 |
| Income taxes | (23) | (18) |
| Pension and non-pension postretirement benefit contributions | (10) | (11) |
| Other assets and liabilities | (55) | (137) |
| Net cash flows provided by operating activities | 385 | 396 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (455) | (475) |
| Other investing activities | 2 | 3 |
| Net cash flows used in investing activities | (453) | (472) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | (28) | 38 |
| Issuance of long-term debt | 260 | 100 |
| Retirement of long-term debt | (118) | (8) |
| Dividends paid on common stock | (173) | (128) |
| Contributions from parent | 129 | 85 |
| Other financing activities | (3) | (4) |
| Net cash flows provided by financing activities | 67 | 83 |
| **(Decrease) increase in cash, cash equivalents and restricted cash** | (1) | 7 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 53 | 40 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 52 | $ 47 |
| | | |
| **Supplemental cash flow information** | | |
| (Decrease) increase in capital expenditures not paid | $ (7) | $ 15 |

See the Combined Notes to Consolidated Financial Statements

## POTOMAC ELECTRIC POWER COMPANY
## BALANCE SHEETS
## (Unaudited)

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 18 | $ 16 |
| Restricted cash and cash equivalents | 34 | 37 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $16 and $20 as of September 30, 2019 and December 31, 2018, respectively) | 258 | 225 |
| Other (net of allowance for uncollectible accounts of $8 and $1 as of September 30, 2019 and December 31, 2018, respectively) | 114 | 81 |
| Receivables from affiliates | — | 1 |
| Inventories, net | 118 | 93 |
| Regulatory assets | 252 | 270 |
| Other | 12 | 37 |
| Total current assets | 806 | 760 |
| **Property, plant and equipment, net (net of accumulated depreciation and amortization of $3,473 and $3,354 as of September 30, 2019 and December 31, 2018, respectively)** | 6,734 | 6,460 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 577 | 643 |
| Investments | 109 | 105 |
| Prepaid pension asset | 301 | 316 |
| Other | 76 | 15 |
| Total deferred debits and other assets | 1,063 | 1,079 |
| **Total assets** | $ 8,603 | $ 8,299 |

See the Combined Notes to Consolidated Financial Statements

**POTOMAC ELECTRIC POWER COMPANY**
**BALANCE SHEETS**
**(Unaudited)**

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ 12 | $ 40 |
| Long-term debt due within one year | 8 | 15 |
| Accounts payable | 177 | 214 |
| Accrued expenses | 144 | 126 |
| Payables to affiliates | 65 | 62 |
| Customer deposits | 56 | 54 |
| Regulatory liabilities | 9 | 7 |
| Merger related obligation | 38 | 38 |
| Current portion of DC PLUG obligation | 30 | 30 |
| Other | 25 | 42 |
| Total current liabilities | 564 | 628 |
| **Long-term debt** | 2,852 | 2,704 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 1,150 | 1,064 |
| Asset retirement obligations | 41 | 37 |
| Non-pension postretirement benefit obligations | 23 | 29 |
| Regulatory liabilities | 749 | 822 |
| Other | 311 | 275 |
| Total deferred credits and other liabilities | 2,274 | 2,227 |
| Total liabilities | 5,690 | 5,559 |
| **Commitments and contingencies** | | |
| **Shareholder's equity** | | |
| Common stock | 1,765 | 1,636 |
| Retained earnings | 1,148 | 1,104 |
| Total shareholder's equity | 2,913 | 2,740 |
| **Total liabilities and shareholder's equity** | $ 8,603 | $ 8,299 |

See the Combined Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| (In millions) | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2018** | $ 1,636 | $ 1,104 | $ 2,740 |
| Net income | — | 55 | 55 |
| Common stock dividends | — | (24) | (24) |
| Contributions from parent | 14 | — | 14 |
| **Balance, March 31, 2019** | $ 1,650 | $ 1,135 | $ 2,785 |
| Net income | — | 64 | 64 |
| Common stock dividends | — | (48) | (48) |
| Contributions from parent | 115 | — | 115 |
| **Balance, June 30, 2019** | $ 1,765 | $ 1,151 | $ 2,916 |
| Net income | — | 98 | 98 |
| Common stock dividends | — | (101) | (101) |
| **Balance, September 30, 2019** | $ 1,765 | $ 1,148 | $ 2,913 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (In millions) | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2017** | $ 1,470 | $ 1,063 | $ 2,533 |
| Net income | — | 31 | 31 |
| Common stock dividends | — | (25) | (25) |
| **Balance, March 31, 2018** | $ 1,470 | $ 1,069 | $ 2,539 |
| Net income | — | 54 | 54 |
| Common stock dividends | — | (25) | (25) |
| Contributions from parent | 85 | — | 85 |
| **Balance, June 30, 2018** | $ 1,555 | $ 1,098 | $ 2,653 |
| Net income | — | 89 | 89 |
| Common stock dividends | — | (78) | (78) |
| **Balance, September 30, 2018** | $ 1,555 | $ 1,109 | $ 2,664 |

See the Combined Notes to Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2019 | 2018 | 2019 | 2018 |
| **Operating revenues** | | | | |
| Electric operating revenues | $ 304 | $ 302 | $ 872 | $ 861 |
| Natural gas operating revenues | 20 | 24 | 116 | 129 |
| Revenues from alternative revenue programs | (6) | — | (6) | 5 |
| Operating revenues from affiliates | 1 | 2 | 5 | 6 |
| Total operating revenues | 319 | 328 | 987 | 1,001 |
| **Operating expenses** | | | | |
| Purchased power | 105 | 96 | 298 | 258 |
| Purchased fuel | 8 | 11 | 51 | 64 |
| Purchased power from affiliate | 14 | 26 | 50 | 103 |
| Operating and maintenance | 43 | 44 | 127 | 137 |
| Operating and maintenance from affiliates | 37 | 38 | 113 | 119 |
| Depreciation and amortization | 46 | 47 | 138 | 135 |
| Taxes other than income | 15 | 15 | 43 | 43 |
| Total operating expenses | 268 | 277 | 820 | 859 |
| **Operating income** | 51 | 51 | 167 | 142 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (15) | (15) | (45) | (42) |
| Other, net | 2 | 2 | 10 | 7 |
| Total other income and (deductions) | (13) | (13) | (35) | (35) |
| **Income before income taxes** | 38 | 38 | 132 | 107 |
| **Income taxes** | 5 | 5 | 16 | 17 |
| **Net income** | $ 33 | $ 33 | $ 116 | $ 90 |
| **Comprehensive income** | $ 33 | $ 33 | $ 116 | $ 90 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 116 | $ 90 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 138 | 135 |
| Deferred income taxes and amortization of investment tax credits | (2) | 24 |
| Other non-cash operating activities | 21 | 16 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 29 | 13 |
| Receivables from and payables to affiliates, net | (7) | (14) |
| Inventories | (7) | (3) |
| Accounts payable and accrued expenses | 3 | 18 |
| Income taxes | 11 | — |
| Pension and non-pension postretirement benefit contributions | (1) | — |
| Other assets and liabilities | (22) | 13 |
| Net cash flows provided by operating activities | 279 | 292 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (245) | (254) |
| Other investing activities | 1 | 1 |
| Net cash flows used in investing activities | (244) | (253) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | 57 | (216) |
| Issuance of long-term debt | — | 200 |
| Retirement of long-term debt | — | (4) |
| Dividends paid on common stock | (105) | (58) |
| Contributions from parent | — | 150 |
| Other financing activities | — | (3) |
| Net cash flows (used in) provided by financing activities | (48) | 69 |
| **(Decrease) increase in cash, cash equivalents and restricted cash** | (13) | 108 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 24 | 2 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 11 | $ 110 |
| | | |
| **Supplemental cash flow information** | | |
| (Decrease) increase in capital expenditures not paid | $ (13) | $ 20 |

See the Combined Notes to Consolidated Financial Statements

# DELMARVA POWER & LIGHT COMPANY
## BALANCE SHEETS
## (Unaudited)

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 11 | $ 23 |
| Restricted cash and cash equivalents | — | 1 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $10 and $12 as of September 30, 2019 and December 31, 2018, respectively) | 112 | 134 |
| Other (net of allowance for uncollectible accounts of $1 as of both September 30, 2019 and December 31, 2018) | 37 | 46 |
| Inventories, net | | |
| Fossil Fuel | 8 | 9 |
| Materials and supplies | 47 | 37 |
| Prepaid utility taxes | 15 | 17 |
| Regulatory assets | 62 | 59 |
| Other | 5 | 10 |
| Total current assets | 297 | 336 |
| **Property, plant and equipment, net (net of accumulated depreciation and amortization of $1,407 and $1,329 as of September 30, 2019 and December 31, 2018, respectively)** | 3,941 | 3,821 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 221 | 231 |
| Goodwill | 8 | 8 |
| Prepaid pension asset | 175 | 186 |
| Other | 82 | 6 |
| Total deferred debits and other assets | 486 | 431 |
| **Total assets** | $ 4,724 | $ 4,588 |

See the Combined Notes to Consolidated Financial Statements

# DELMARVA POWER & LIGHT COMPANY
## BALANCE SHEETS
## (Unaudited)

| (In millions) | | September 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| **Current liabilities** | | | | |
| Short-term borrowings | $ | 57 | $ | — |
| Long-term debt due within one year | | 91 | | 91 |
| Accounts payable | | 90 | | 111 |
| Accrued expenses | | 59 | | 39 |
| Payables to affiliates | | 26 | | 33 |
| Customer deposits | | 36 | | 35 |
| Regulatory liabilities | | 43 | | 59 |
| Other | | 33 | | 7 |
| Total current liabilities | | 435 | | 375 |
| **Long-term debt** | | 1,404 | | 1,403 |
| **Deferred credits and other liabilities** | | | | |
| Deferred income taxes and unamortized investment tax credits | | 655 | | 628 |
| Non-pension postretirement benefits obligations | | 16 | | 17 |
| Regulatory liabilities | | 580 | | 606 |
| Other | | 114 | | 50 |
| Total deferred credits and other liabilities | | 1,365 | | 1,301 |
| Total liabilities | | 3,204 | | 3,079 |
| **Commitments and contingencies** | | | | |
| **Shareholder's equity** | | | | |
| Common stock | | 914 | | 914 |
| Retained earnings | | 606 | | 595 |
| Total shareholder's equity | | 1,520 | | 1,509 |
| **Total liabilities and shareholder's equity** | $ | 4,724 | $ | 4,588 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2018** | $ 914 | $ 595 | $ 1,509 |
| Net income | — | 53 | 53 |
| Common stock dividends | — | (41) | (41) |
| **Balance, March 31, 2019** | $ 914 | $ 607 | $ 1,521 |
| Net income | — | 30 | 30 |
| Common stock dividends | — | (29) | (29) |
| **Balance, June 30, 2019** | $ 914 | $ 608 | $ 1,522 |
| Net income | — | 33 | 33 |
| Common stock dividends | — | (35) | (35) |
| **Balance, September 30, 2019** | $ 914 | $ 606 | $ 1,520 |

| (In millions) | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2017** | $ 764 | $ 571 | $ 1,335 |
| Net income | — | 31 | 31 |
| Common stock dividends | — | (36) | (36) |
| **Balance, March 31, 2018** | $ 764 | $ 566 | $ 1,330 |
| Net income | — | 26 | 26 |
| Common stock dividends | — | (4) | (4) |
| Contributions from parent | 150 | — | 150 |
| **Balance, June 30, 2018** | $ 914 | $ 588 | $ 1,502 |
| Net income | — | 33 | 33 |
| Common stock dividends | — | (18) | (18) |
| **Balance, September 30, 2018** | $ 914 | $ 603 | $ 1,517 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Electric operating revenues | $ 417 | $ 406 | $ 964 | $ 983 |
| Revenues from alternative revenue programs | 1 | (1) | — | (4) |
| Operating revenues from affiliates | 1 | 1 | 2 | 2 |
| Total operating revenues | 419 | 406 | 966 | 981 |
| **Operating expenses** | | | | |
| Purchased power | 207 | 188 | 463 | 465 |
| Purchased power from affiliates | 3 | 10 | 16 | 21 |
| Operating and maintenance | 54 | 52 | 142 | 146 |
| Operating and maintenance from affiliates | 32 | 33 | 99 | 104 |
| Depreciation and amortization | 43 | 38 | 114 | 107 |
| Taxes other than income | 1 | 1 | 4 | 4 |
| Total operating expenses | 340 | 322 | 838 | 847 |
| **Operating income** | 79 | 84 | 128 | 134 |
| **Other income and (deductions)** | | | | |
| Interest expense, net | (15) | (16) | (44) | (48) |
| Other, net | 1 | 1 | 5 | 2 |
| Total other income and (deductions) | (14) | (15) | (39) | (46) |
| **Income before income taxes** | 65 | 69 | 89 | 88 |
| **Income taxes** | 2 | 8 | 2 | 12 |
| **Net income** | $ 63 | $ 61 | $ 87 | $ 76 |
| **Comprehensive income** | $ 63 | $ 61 | $ 87 | $ 76 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 87 | $ 76 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 114 | 107 |
| Deferred income taxes and amortization of investment tax credits | 2 | 24 |
| Other non-cash operating activities | 21 | 24 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (44) | (66) |
| Receivables from and payables to affiliates, net | (4) | (3) |
| Inventories | (4) | (2) |
| Accounts payable and accrued expenses | 27 | 21 |
| Income taxes | 5 | (3) |
| Pension and non-pension postretirement benefit contributions | — | (6) |
| Other assets and liabilities | (18) | (12) |
| Net cash flows provided by operating activities | 186 | 160 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (300) | (247) |
| Other investing activities | — | (1) |
| Net cash flows used in investing activities | (300) | (248) |
| **Cash flows from financing activities** | | |
| Changes in short-term borrowings | 49 | 37 |
| Proceeds from short-term borrowings with maturities greater than 90 days | — | 125 |
| Repayments of short-term borrowings with maturities greater than 90 days | (125) | — |
| Issuance of long-term debt | 150 | — |
| Retirement of long-term debt | (13) | (22) |
| Contributions from parent | 155 | — |
| Dividends paid on common stock | (100) | (46) |
| Other financing activities | (1) | — |
| Net cash flows provided by financing activities | 115 | 94 |
| **Increase in cash, cash equivalents and restricted cash** | 1 | 6 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 30 | 31 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 31 | $ 37 |
| | | |
| **Supplemental cash flow information** | | |
| (Decrease) increase in capital expenditures not paid | $ (37) | $ 16 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 13 | $ 7 |
| Restricted cash and cash equivalents | 3 | 4 |
| Accounts receivable, net | | |
| Customer (net of allowance for uncollectible accounts of $15 and $18 as of September 30, 2019 and December 31, 2018, respectively) | 142 | 95 |
| Other (net of allowance for uncollectible accounts of $5 and $1 as of September 30, 2019 and December 31, 2018, respectively) | 47 | 55 |
| Receivables from affiliates | 1 | 1 |
| Inventories, net | 37 | 33 |
| Prepaid utility taxes | 9 | — |
| Regulatory assets | 48 | 40 |
| Other | 7 | 5 |
| Total current assets | 307 | 240 |
| **Property, plant and equipment, net (net of accumulated depreciation and amortization of $1,192 and $1,137 as of September 30, 2019 and December 31, 2018, respectively)** | 3,124 | 2,966 |
| **Deferred debits and other assets** | | |
| Regulatory assets | 370 | 386 |
| Prepaid pension asset | 56 | 67 |
| Other | 59 | 40 |
| Total deferred debits and other assets | 485 | 493 |
| **Total assets[(a)]** | $ 3,916 | $ 3,699 |

See the Combined Notes to Consolidated Financial Statements

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

| (In millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| **Current liabilities** | | |
| Short-term borrowings | $ 63 | $ 139 |
| Long-term debt due within one year | 19 | 18 |
| Accounts payable | 139 | 154 |
| Accrued expenses | 40 | 35 |
| Payables to affiliates | 24 | 28 |
| Customer deposits | 26 | 26 |
| Regulatory liabilities | 25 | 18 |
| Other | 11 | 4 |
| Total current liabilities | 347 | 422 |
| **Long-term debt** | 1,305 | 1,170 |
| **Deferred credits and other liabilities** | | |
| Deferred income taxes and unamortized investment tax credits | 569 | 535 |
| Non-pension postretirement benefit obligations | 18 | 17 |
| Regulatory liabilities | 365 | 402 |
| Other | 44 | 27 |
| Total deferred credits and other liabilities | 996 | 981 |
| Total liabilities[a] | 2,648 | 2,573 |
| **Commitments and contingencies** | | |
| **Shareholder's equity** | | |
| Common stock | 1,134 | 979 |
| Retained earnings | 134 | 147 |
| Total shareholder's equity | 1,268 | 1,126 |
| **Total liabilities and shareholder's equity** | $ 3,916 | $ 3,699 |

(a) ACE's consolidated total assets include $18 million and $23 million at September 30, 2019 and December 31, 2018, respectively, of ACE's consolidated VIE that can only be used to settle the liabilities of the VIE. ACE's consolidated total liabilities include $46 million and $59 million at September 30, 2019 and December 31, 2018, respectively, of ACE's consolidated VIE for which the VIE creditors do not have recourse to ACE. See Note 2 — Variable Interest Entities for additional information.

See the Combined Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| (In millions) | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2018** | $ 979 | $ 147 | $ 1,126 |
| Net income | — | 10 | 10 |
| Common stock dividends | — | (12) | (12) |
| Contributions from parent | 5 | — | 5 |
| **Balance, March 31, 2019** | $ 984 | $ 145 | $ 1,129 |
| Net income | — | 14 | 14 |
| Common stock dividends | — | (12) | (12) |
| Contributions from parent | 150 | — | 150 |
| **Balance, June 30, 2019** | $ 1,134 | $ 147 | $ 1,281 |
| Net income | — | 63 | 63 |
| Common stock dividends | — | (76) | (76) |
| **Balance, September 30, 2019** | $ 1,134 | $ 134 | $ 1,268 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (In millions) | Common Stock | Retained Earnings | Total Shareholder's Equity |
| **Balance, December 31, 2017** | $ 912 | $ 131 | $ 1,043 |
| Net income | — | 7 | 7 |
| Common stock dividends | — | (9) | (9) |
| **Balance, March 31, 2018** | $ 912 | $ 129 | $ 1,041 |
| Net income | — | 8 | 8 |
| Common stock dividends | — | (10) | (10) |
| **Balance, June 30, 2018** | $ 912 | $ 127 | $ 1,039 |
| Net income | — | 61 | 61 |
| Common stock dividends | — | (27) | (27) |
| **Balance, September 30, 2018** | $ 912 | $ 161 | $ 1,073 |

See the Combined Notes to Consolidated Financial Statements

## 1. Significant Accounting Policies (All Registrants)

### Description of Business (All Registrants)

Exelon is a utility services holding company engaged in the generation, delivery and marketing of energy through Generation and the energy distribution and transmission businesses through ComEd, PECO, BGE, Pepco, DPL and ACE.

| Name of Registrant | Business | Service Territories |
|---|---|---|
| **Exelon Generation Company, LLC** | Generation, physical delivery and marketing of power across multiple geographical regions through its customer-facing business, Constellation, which sells electricity to both wholesale and retail customers. Generation also sells natural gas, renewable energy and other energy-related products and services. | Five reportable segments: Mid-Atlantic, Midwest, New York, ERCOT and Other Power Regions |
| **Commonwealth Edison Company** | Purchase and regulated retail sale of electricity | 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) |
| **Atlantic City Electric Company** | Purchase and regulated retail sale of electricity | Portions of Southern New Jersey |
| | Transmission and distribution of electricity to retail customers | |

### Basis of Presentation (All Registrants)

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

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

The accompanying consolidated financial statements as of September 30, 2019 and 2018 and for the three and nine months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants' respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2018 Consolidated Balance Sheets were derived from audited financial statements. Financial results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2019. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

**New Accounting Standards (All Registrants)**

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

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

- a "package of three" expedients that must be taken together and allow entities to (1) not reassess whether existing contracts contain leases, (2) carry forward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases,
- an implementation expedient which allows the requirements of the standard in the period of adoption with no restatement of prior periods, and
- a land easement expedient which allows entities to not evaluate land easements under the new standard at adoption if they were not previously accounted for as leases.

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

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

**New Accounting Standards Issued and Not Yet Adopted as of September 30, 2019:** The following new authoritative accounting guidance issued by the FASB has not yet been adopted and reflected by the Registrants in their consolidated financial statements as of September 30, 2019. Unless otherwise indicated, the Registrants are currently assessing the impacts such guidance may have (which could be material) in their financial statements. The Registrants have assessed other FASB issuances of new standards which are not listed below as the Registrants do not expect such standards to have a material impact to their financial statements.

*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 do not expect the updated guidance to have a material impact to their financial statements. The standard is effective January 1, 2020, with early adoption permitted, and must be applied on a prospective basis.

*Impairment of Financial Instruments (Issued June 2016).* Provides for a new Current Expected Credit Loss (CECL) impairment model for specified financial instruments including loans, trade receivables, debt securities classified as held-to-maturity investments and net investments in leases recognized by a lessor. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts. 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. This standard is primarily applicable to Generation's and the Utility Registrants' trade accounts receivable balances. The Registrants do not expect that this guidance will have a significant impact on their consolidated financial statements.

**Leases (All Registrants)**

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

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

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

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

See Note 5 —Leases for additional information.

**2. Variable Interest Entities (Exelon, Generation, PHI and ACE)**

At September 30, 2019 and December 31, 2018, Exelon, Generation, PHI and ACE collectively consolidated several VIEs or VIE groups for which the applicable Registrant was the primary beneficiary (see *Consolidated VIEs* below) and had significant interests in several 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 VIEs* below). Consolidated and unconsolidated VIEs are aggregated to the extent that the entities have similar risk profiles.

**Consolidated VIEs**

The table below shows the carrying amounts and classification of the consolidated VIEs' assets and liabilities included in the consolidated financial statements of Exelon, Generation, PHI and ACE as of September 30, 2019 and December 31, 2018. The assets, except as noted in the footnotes to the table below, can only be used to settle obligations of the VIEs. The liabilities, except as noted in the footnote to the table below, are such that creditors, or beneficiaries, do not have recourse to the general credit of Exelon, Generation, PHI and ACE.

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

| | September 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | PHI (a) | ACE | Exelon | Generation | PHI (a) | ACE |
| Cash and cash equivalents | $ 168 | $ 168 | $ — | $ — | $ 414 | $ 414 | $ — | $ — |
| Restricted cash and cash equivalents | 76 | 73 | 3 | 3 | 66 | 62 | 4 | 4 |
| Accounts receivable, net | | | | | | | | |
| Customer | 163 | 163 | — | — | 146 | 146 | — | — |
| Other | 43 | 43 | — | — | 23 | 23 | — | — |
| Unamortized energy contract asset (b) | 23 | 23 | — | — | 25 | 25 | — | — |
| Inventory, net | | | | | | | | |
| Materials and supplies | 222 | 222 | — | — | 212 | 212 | — | — |
| Other current assets | 50 | 48 | 2 | — | 52 | 49 | 3 | — |
| Total current assets | 745 | 740 | 5 | 3 | 938 | 931 | 7 | 4 |
| Property, plant and equipment, net (c) | 6,079 | 6,079 | — | — | 6,188 | 6,188 | — | — |
| NDT funds | 2,636 | 2,636 | — | — | 2,351 | 2,351 | — | — |
| Unamortized energy contract asset (b) | 258 | 258 | — | — | 274 | 274 | — | — |
| Other noncurrent assets | 69 | 52 | 17 | 15 | 258 | 232 | 26 | 19 |
| Total noncurrent assets | 9,042 | 9,025 | 17 | 15 | 9,071 | 9,045 | 26 | 19 |
| Total assets | $ 9,787 | $ 9,765 | $ 22 | $ 18 | $ 10,009 | $ 9,976 | $ 33 | $ 23 |
| Long-term debt due within one year | $ 556 | $ 535 | $ 21 | $ 19 | $ 87 | $ 66 | $ 21 | $ 18 |
| Accounts payable | 148 | 148 | — | — | 96 | 96 | — | — |
| Accrued expenses | 58 | 57 | 1 | 1 | 73 | 72 | 1 | 1 |
| Unamortized energy contract liabilities | 10 | 10 | — | — | 15 | 15 | — | — |
| Other current liabilities | 30 | 30 | — | — | 3 | 3 | — | — |
| Total current liabilities | 802 | 780 | 22 | 20 | 274 | 252 | 22 | 19 |
| Long-term debt | 532 | 504 | 28 | 26 | 1,072 | 1,025 | 47 | 40 |
| Asset retirement obligations (d) | 2,103 | 2,103 | — | — | 2,165 | 2,165 | — | — |
| Unamortized energy contract liabilities | 1 | 1 | — | — | 1 | 1 | — | — |
| Other noncurrent liabilities | 84 | 84 | — | — | 42 | 42 | — | — |
| Total noncurrent liabilities | 2,720 | 2,692 | 28 | 26 | 3,280 | 3,233 | 47 | 40 |
| Total liabilities | $ 3,522 | $ 3,472 | $ 50 | $ 46 | $ 3,554 | $ 3,485 | $ 69 | $ 59 |

(a) Includes certain purchase accounting adjustments not pushed down to the ACE standalone entity.
(b) These are unrestricted assets to Exelon and Generation.
(c) Exelon's and Generation's balances include unrestricted assets of $41 million and $43 million as of September 30, 2019 and December 31, 2018, respectively.
(d) Exelon's and Generation's balances include liabilities with recourse of $5 million as of September 30, 2019 and December 31, 2018.

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

As of September 30, 2019 and December 31, 2018, Exelon's and Generation's consolidated VIEs consist of:

| Consolidated VIE or VIE groups: | Reason entity is a VIE: | Reason Generation is primary beneficiary: |
|---|---|---|
| CENG - A joint venture between Generation and EDF. Generation has a 50.01% equity ownership in CENG. See additional discussion below. | Disproportionate relationship between equity interest and operational control as a result of the Nuclear Operating Services Agreement (NOSA) described further below. | Generation conducts the operational activities. |
| EGRP - A collection of wind and solar project entities. Generation has a 51% equity ownership in EGRP. See additional discussion below. | Similar structure to a limited partnership and the limited partners do not have kick out rights with respect to the general partner. | Generation conducts the operational activities. |
| Bluestem Wind Energy Holdings, LLC - A Tax Equity structure which is consolidated by EGRP. Generation is a minority interest holder. | Similar structure to a limited partnership and the limited partners do not have kick out rights with respect to the general partner. | Generation conducts the operational activities. |
| Antelope Valley - A solar generating facility, which is 100% owned by Generation. Antelope Valley sells all of its output to PG&E through a PPA. | The PPA contract absorbs variability through a performance guarantee. | Generation conducts all activities. |
| Equity investment in distributed energy company - Generation has a 31% equity ownership. This distributed energy company has an interest in an unconsolidated VIE (see Unconsolidated VIEs disclosure below).<br><br>Generation fully impaired this investment in the third quarter of 2019. See Note 7— Asset Impairments for additional information. | Similar structure to a limited partnership and the limited partners do not have kick out rights with respect to the general partner. | Generation conducts the operational activities. |

***CENG*** - On April 1, 2014, Generation, CENG, and subsidiaries of CENG executed the NOSA pursuant to which Generation conducts all activities associated with the operations of the CENG fleet and provides corporate and administrative services to CENG and the CENG fleet for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDF.

Exelon and Generation, where indicated, provide the following support to CENG:

- Generation provided a $400 million loan to CENG. The loan balance was fully repaid by CENG in January 2019.
- Generation executed an Indemnity Agreement pursuant to which Generation agreed to indemnify EDF against third-party claims that may arise from any future nuclear incident (as defined in the Price-Anderson Act) in connection with the CENG nuclear plants or their operations. Exelon guarantees Generation’s obligations under this Indemnity Agreement. See Note 22 — Commitments and Contingencies of the Exelon 2018 Form 10-K for additional information.
- Generation and EDF share in the $688 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance.
- 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.

***EGRP*** - EGRP is a collection of wind and solar project entities and some of these project entities are VIEs that are consolidated by EGRP. Generation owns a number of limited liability companies that build, own, and operate solar and wind power facilities some of which are owned by EGRP. While Generation or EGRP owns 100% of the solar entities and 100% of the majority of the wind entities, it has been determined that certain of the solar and wind entities are VIEs because the entities require additional subordinated financial support in the form of a parental guarantee of debt, loans from the customers in order to obtain the necessary funds for construction of the solar facilities, or the customers absorb price variability from the entities through the fixed price power and/or REC purchase agreements. Generation is the primary beneficiary of these solar and wind entities that qualify as VIEs because Generation controls the design, construction, and operation of the facilities. Generation provides operating and capital funding to the solar and wind entities for ongoing construction, operations and maintenance and there is limited recourse related to Generation related to certain solar and wind entities.

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

In 2017, Generation's interests in EGRP were contributed to and are pledged for the EGR IV non-recourse debt project financing structure. Refer to Note 11— Debt and Credit Agreements for additional information.

As of September 30, 2019 and December 31, 2018, Exelon's, PHI's and ACE's consolidated VIE consists of:

| Consolidated VIEs: | Reason entity is a VIE: | Reason ACE is the primary beneficiary: |
|---|---|---|
| ACE Transition Funding - 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. 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. | ACE's equity investment is a variable interest as, by design, it absorbs any initial variability of ACETF. The bondholders also have a variable interest for the investment made to purchase the transition bonds. | ACE controls the servicing activities. |

**Unconsolidated VIEs**

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

As of September 30, 2019 and December 31, 2018, Exelon and Generation had significant unconsolidated variable interests in several VIEs for which Exelon or Generation, as applicable, was not the primary beneficiary. These interests include certain equity method investments and certain commercial agreements.

The following table presents summary information about Exelon's and Generation's unconsolidated VIE entities:

| | September 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Commercial Agreement VIEs | Equity Investment VIEs | Total | Commercial Agreement VIEs | Equity Investment VIEs | Total |
| Total assets(a) | $ 614 | $ 453 | $ 1,067 | $ 597 | $ 472 | $ 1,069 |
| Total liabilities(a) | 36 | 224 | 260 | 37 | 222 | 259 |
| Exelon's ownership interest in VIE(a) | — | 201 | 201 | — | 223 | 223 |
| Other ownership interests in VIE(a) | 587 | 28 | 615 | 560 | 27 | 587 |
| Registrants' maximum exposure to loss: | | | | | | |
| Carrying amount of equity method investments | — | 12 | 12 | — | 223 | 223 |

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

For each of the unconsolidated VIEs, Exelon and Generation have assessed the risk of a loss equal to their maximum exposure to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss.

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

As of September 30, 2019 and December 31, 2018, Exelon's and Generation's unconsolidated VIEs consist of:

| Unconsolidated VIE groups: | Reason entity is a VIE: | Reason Generation is not the primary beneficiary: |
|---|---|---|
| Equity investments in distributed energy companies - <br><br>1) Generation has a 90% equity ownership in a distributed energy company.<br>2) Generation, via a consolidated VIE, has a 90% equity ownership in another distributed energy company (See Consolidated VIEs disclosure above).<br><br>Generation fully impaired these investments in the third quarter of 2019. See Note 7— Asset Impairments for additional information. | Similar structures to a limited partnership and the limited partners do not have kick out rights with respect to the general partner. | Generation does not conduct the operational activities. |
| Energy Purchase and Sale agreements - Generation has several energy purchase and sale agreements with generating facilities. | PPA contracts that absorb variability through fixed pricing. | Generation does not conduct the operational activities. |

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

### Acquisition of Handley Generating Station

On November 7, 2017, ExGen Texas Power, LLC (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. Concurrently with the Chapter 11 filings, Generation entered into an asset purchase agreement to acquire one of EGTP's generating plants, the Handley Generating Station, which closed on April 4, 2018 for a purchase price of $62 million.

### Disposition of Oyster Creek

On July 31, 2018, Generation entered into an agreement with Holtec International (Holtec) and its indirect wholly owned subsidiary, Oyster Creek Environmental Protection, LLC (OCEP), for the sale and decommissioning of Oyster Creek located in Forked River, New Jersey, which permanently ceased generation operations on September 17, 2018. Completion of the transaction contemplated by the sale agreement was subject to the satisfaction of several closing conditions, including approval of the license transfer from the NRC and other regulatory approvals, and a private letter ruling from the IRS, which were satisfied in the second quarter 2019. The sale was completed on July 1, 2019. Exelon and Generation recognized a loss on the sale in the third quarter, which was immaterial.

Under the terms of the transaction, Generation transferred to OCEP substantially all the assets associated with Oyster Creek, including assets held in NDT funds, along with the assumption of liability for all responsibility for the site, including full decommissioning and ongoing management of spent fuel until the spent fuel is moved offsite. The terms of the transaction also include various forms of performance assurance for the obligations of OCEP to timely complete the required decommissioning, including a parental guaranty from Holtec for all performance and payment obligations of OCEP, and a requirement for Holtec to deliver a letter of credit to Generation upon the occurrence of specified events.

As a result of the transaction, in the third quarter of 2018, Exelon and Generation reclassified certain Oyster Creek assets and liabilities in Exelon’s and Generation’s Consolidated Balance Sheets as held for sale at their respective fair values. Exelon and Generation had $897 million and $777 million of Assets and Liabilities held for sale, respectively, at December 31, 2018. Upon remeasurement of the Oyster Creek ARO, Exelon and Generation recognized an $84 million and a $9 million pre-tax charge to Operating and maintenance expense in the third quarter of 2018 and in the second quarter of 2019, respectively. See Note 13 — Nuclear Decommissioning for additional information.

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

**Other Asset Disposition**

On February 28, 2018, Generation completed the sale of its interest in an electrical contracting business that primarily installs, maintains and repairs underground and high-voltage cable transmission and distribution systems for $87 million, resulting in a pre-tax gain which is included within Gain on sales of assets and businesses in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2018.

**4. Revenue from Contracts with Customers (All Registrants)**

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

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

**Contract Balances (All Registrants)**

***Contract Assets and Liabilities***

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

Generation records contract liabilities when consideration is received or due prior to the satisfaction of the performance obligations. These contract liabilities primarily relate to upfront consideration received or due for equipment service plans, solar panel leases and the Illinois ZEC program that introduces a cap on the total consideration to be received by Generation. Generation records contract liabilities within Other current liabilities and Other noncurrent liabilities within Exelon's and Generation's Consolidated Balance Sheets.

The following table provides a rollforward of the contract assets and liabilities reflected in Exelon's and Generation's Consolidated Balance Sheets from January 1, 2018 to September 30, 2019:

| | Contract Assets | | Contract Liabilities | |
|---|---|---|---|---|
| | Exelon | Generation | Exelon | Generation |
| Balance as of January 1, 2018 | $ 283 | $ 283 | $ 35 | $ 35 |
| Consideration received or due | (146) | (146) | 179 | 465 |
| Revenues recognized | 50 | 50 | (187) | (458) |
| Balance at December 31, 2018 | 187 | 187 | 27 | 42 |
| Consideration received or due | (109) | (109) | 65 | 198 |
| Revenues recognized | 92 | 92 | (66) | (192) |
| Balance at September 30, 2019 | 170 | 170 | 26 | 48 |

The Utility Registrants do not have any contract assets. The Utility Registrants also record contract liabilities when consideration is received prior to the satisfaction of the performance obligations. As of September 30, 2019 and December 31, 2018, the Utility Registrants' contract liabilities were immaterial.

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

**Transaction Price Allocated to Remaining Performance Obligations (All Registrants)**

The following table shows the amounts of future revenues expected to be recorded in each year for performance obligations that are unsatisfied or partially unsatisfied as of September 30, 2019. This disclosure only includes contracts for which the total consideration is fixed and determinable at contract inception. The average contract term varies by customer type and commodity but ranges from one month to several years.

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

| | 2019 | 2020 | 2021 | 2022 | 2023 and thereafter | Total |
|---|---|---|---|---|---|---|
| Exelon | 156 | 341 | 142 | 74 | 244 | 957 |
| Generation | 215 | 442 | 197 | 89 | 244 | 1,187 |

**Revenue Disaggregation (All Registrants)**

The Registrants disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. See Note 18 — Segment Information for the presentation of the Registrant's revenue disaggregation.

**5. Leases (All Registrants)**

***Lessee***

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

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Contracted generation | • | • | | | | | | | |
| Real estate | • | • | • | • | • | • | • | • | • |
| Vehicles and equipment | • | • | • | • | • | • | • | • | • |

| (in years) | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Remaining lease terms | 1-87 | 1-37 | 1-6 | 1-15 | 1-87 | 1-13 | 1-13 | 1-13 | 1-8 |
| Options to extend the term | 3-30 | 3-30 | 5 | N/A | N/A | 3-30 | 5 | 3-30 | N/A |
| Options to terminate within | 2-14 | 2 | 4 | N/A | 3 | N/A | N/A | N/A | N/A |

The components of lease costs for the three months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating lease costs | $ 97 | $ 73 | $ 1 | $ — | $ 8 | $ 12 | $ 3 | $ 3 | $ 2 |
| Variable lease costs | 79 | 74 | — | — | 1 | 1 | — | — | — |
| Short-term lease costs | 5 | 5 | — | — | — | — | — | — | — |
| Total lease costs [(a)] | $ 181 | $ 152 | $ 1 | $ — | $ 9 | $ 13 | $ 3 | $ 3 | $ 2 |

(a) Excludes $29 million, $28 million, $1 million and $1 million of sublease income recorded at Exelon, Generation, PHI and DPL, respectively

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

The components of lease costs for the nine months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating lease costs | $ 252 | $ 180 | $ 2 | $ 1 | $ 25 | $ 35 | $ 9 | $ 10 | $ 5 |
| Variable lease costs | 229 | 214 | 1 | — | 1 | 5 | 2 | 2 | 1 |
| Short-term lease costs | 16 | 16 | — | — | — | — | — | — | — |
| Total lease costs [(a)] | $ 497 | $ 410 | $ 3 | $ 1 | $ 26 | $ 40 | $ 11 | $ 12 | $ 6 |

(a) Excludes $48 million, $42 million, $6 million and $6 million of sublease income recorded at Exelon, Generation, PHI and DPL, respectively.

The following table provides additional information regarding the presentation of operating lease ROU assets and lease liabilities within the Registrants' Consolidated Balance Sheets as of September 30, 2019:

| | Exelon[(a)] | Generation[(a)] | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| **Operating lease ROU assets** | | | | | | | | | |
| Other deferred debits and other assets | $ 1,374 | $ 926 | $ 10 | $ 2 | $ 83 | $ 304 | $ 66 | $ 75 | $ 24 |
| | | | | | | | | | |
| **Operating lease liabilities** | | | | | | | | | |
| Other current liabilities | 242 | 170 | 3 | — | 32 | 35 | 8 | 11 | 5 |
| Other deferred credits and other liabilities | 1,355 | 949 | 8 | 1 | 50 | 279 | 60 | 74 | 19 |
| Total operating lease liabilities | $ 1,597 | $ 1,119 | $ 11 | $ 1 | $ 82 | $ 314 | $ 68 | $ 85 | $ 24 |

(a) Exelon's and Generation's operating ROU assets and lease liabilities include $542 million and $703 million, respectively, related to contracted generation.

The weighted average remaining lease terms, in years, and discount rates for operating leases as of September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Remaining lease term | 10.1 | 10.6 | 4.7 | 4.3 | 5.6 | 9.0 | 9.6 | 9.5 | 5.3 |
| Discount rate | 4.5% | 4.8% | 3.1% | 3.3% | 3.6% | 4.0% | 3.7% | 3.7% | 3.3% |

Future minimum lease payments for operating leases as of September 30, 2019 were as follows:

| Year | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| 2019 | $ 65 | $ 50 | $ 1 | $ — | $ 1 | $ 11 | $ 3 | $ 2 | $ 2 |
| 2020 | 289 | 203 | 3 | 1 | 34 | 45 | 10 | 13 | 5 |
| 2021 | 246 | 162 | 3 | — | 31 | 43 | 9 | 12 | 5 |
| 2022 | 179 | 113 | 2 | — | 16 | 42 | 9 | 12 | 4 |
| 2023 | 148 | 100 | 1 | — | — | 41 | 8 | 11 | 4 |
| Remaining years | 1,123 | 837 | 2 | — | 19 | 197 | 43 | 53 | 6 |
| Total | 2,050 | 1,465 | 12 | 1 | 101 | 379 | 82 | 103 | 26 |
| Interest | 453 | 346 | 1 | — | 19 | 65 | 14 | 18 | 2 |
| Total operating lease liabilities | $ 1,597 | $ 1,119 | $ 11 | $ 1 | $ 82 | $ 314 | $ 68 | $ 85 | $ 24 |

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

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

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

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(a) Includes amounts related to shared use land arrangements.
(b) Excludes Generation's contingent operating lease payments associated with contracted generation.
(c) Amounts related to certain real estate leases and railroad licenses effectively have indefinite payment periods. As a result, ComEd, PECO, BGE and DPL have excluded these payments from the remaining years as such amounts would not be meaningful. ComEd's, PECO's, BGE's and DPL's average annual obligation for these arrangements, included in each of the years 2019 - 2023, was $3 million, $5 million, $1 million and $1 million respectively. Also includes amounts related to shared use land arrangements.
(d) Includes all future lease payments on a 99-year real estate lease that expires in 2106.
(e) The BGE column above includes minimum future lease payments associated with a 6-year lease for the Baltimore City conduit system that became effective during the fourth quarter of 2016. BGE's total commitments under the lease agreement are $26 million, $28 million, $28 million and $14 million related to years 2019 - 2022, respectively.

Cash paid for amounts included in the measurement of lease liabilities for the nine months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating cash flows from operating leases | $ 225 | $ 156 | $ 2 | $ — | $ 32 | $ 29 | $ 7 | $ 6 | $ 4 |

ROU assets obtained in exchange for lease obligations for the nine months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating leases | $ 70 | $ 11 | $ 6 | $ — | $ 1 | $ 20 | $ 7 | $ 9 | $ 4 |

***Lessor***

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

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Contracted generation | • | • | | | | | | | |
| Real estate | • | • | • | • | • | • | • | • | • |

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

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

The components of lease income for the three months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating lease income | $ 30 | $ 29 | $ — | $ — | $ — | $ 1 | $ — | $ 1 | $ — |
| Variable lease income | 80 | 80 | — | — | — | — | — | — | — |

The components of lease income for the nine months ended September 30, 2019 were as follows:

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Operating lease income | $ 48 | $ 44 | $ — | $ — | $ — | $ 3 | $ — | $ 3 | $ — |
| Variable lease income | 209 | 206 | — | — | — | 3 | — | 3 | — |

Future minimum lease payments to be recovered under operating leases as of September 30, 2019 were as follows:

| Year | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| 2019 | $ 4 | $ 3 | $ — | $ — | $ — | $ 1 | $ — | $ 1 | $ — |
| 2020 | 51 | 46 | — | — | — | 4 | — | 3 | — |
| 2021 | 50 | 45 | — | — | — | 4 | 1 | 3 | — |
| 2022 | 50 | 45 | — | — | — | 5 | — | 4 | — |
| 2023 | 49 | 45 | — | — | — | 4 | — | 3 | — |
| Remaining years | 314 | 271 | 1 | 3 | 1 | 38 | — | 38 | — |
| Total | $ 518 | $ 455 | $ 1 | $ 3 | $ 1 | $ 56 | $ 1 | $ 52 | $ — |

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

## 6. Regulatory Matters (All Registrants)

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

### Utility Regulatory Matters (Exelon and the Utility Registrants)

### Distribution Base Rate Case Proceedings

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

***Completed Distribution Base Rate Case Proceedings***

| Registrant/Jurisdiction | Filing Date | Requested Revenue Requirement (Decrease) Increase | Approved Revenue Requirement (Decrease) Increase | Approved ROE | Approval Date | Rate Effective Date |
|---|---|---|---|---|---|---|
| ComEd - Illinois (Electric) | April 16, 2018 | $ (23) | $ (24) | 8.69% | December 4, 2018 | January 1, 2019 |
| PECO - Pennsylvania (Electric) | March 29, 2018 | $ 82 | $ 25 | N/A (a) | December 20, 2018 | January 1, 2019 |
| BGE - Maryland (Natural Gas) | June 8, 2018 (amended October 12, 2018) | $ 61 | $ 43 | 9.8% | January 4, 2019 | January 4, 2019 |
| ACE - New Jersey (Electric) | August 21, 2018 (amended November 19, 2018) | $ 122 (b) | $ 70 (b) | 9.6% | March 13, 2019 | April 1, 2019 |
| Pepco - Maryland (Electric) | January 15, 2019 (amended May 16, 2019) | $ 27 | $ 10 | 9.6% | August 12, 2019 | August 13, 2019 |

(a) The PECO rate case proceeding was resolved through a settlement agreement, which did not specify an approved ROE.
(b) Requested and approved increases are before New Jersey sales and use tax.

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

***Pending Distribution Base Rate Case Proceedings***

| Registrant/Jurisdiction | Filing Date | Requested Revenue Requirement (Decrease) Increase | | Requested ROE | Expected Approval Timing |
|---|---|---|---|---|---|
| ComEd - Illinois (Electric)[a] | April 8, 2019 | $ | (6) | 8.91% | December 2019 |
| BGE - Maryland (Electric)[b] | May 24, 2019 (amended October 4, 2019) | $ | 74 | 10.3% | December 2019 |
| BGE - Maryland (Natural Gas)[b] | May 24, 2019 (amended October 4, 2019) | $ | 59 | 10.3% | December 2019 |
| Pepco - District of Columbia (Electric)[c] | May 30, 2019 (amended September 16, 2019) | $ | 160 | 10.3% | Fourth quarter of 2020 |

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(a) Reflects an increase of $57 million for the initial revenue requirement for 2019 and a decrease of $63 million related to the annual reconciliation for 2018. The revenue requirement for 2019 and annual reconciliation for 2018 provides for a weighted average debt and equity return on distribution rate base of 6.53%. See Note 4 — Regulatory Matters of the Exelon 2018 Form 10-K for additional information on ComEd's distribution formula rate filings.
(b) On October 25, 2019, BGE filed a settlement agreement with the MDPSC. The settlement provides for an increase to BGE's annual electric and natural gas distribution rates of $18 million and $45 million, respectively.
(c) Reflects a three-year cumulative multi-year plan and total requested revenue requirement increases of $84 million, $40 million and $36 million for years 2020, 2021, and 2022, respectively, to recover capital investments made in 2018 and 2019 and planned capital investments from 2020 to 2022.

**Transmission Formula Rates**

***Transmission Formula Rate (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE).*** ComEd's, BGE's, Pepco's, DPL's and ACE's transmission rates are each established based on a FERC-approved formula. ComEd, BGE, Pepco, DPL and ACE are required to file an annual update to the FERC-approved formula on or before May 15, with the resulting rates effective on June 1 of the same year. The annual formula rate update is based on prior year actual costs and current year projected capital additions (initial year revenue requirement). The update also reconciles any differences between the revenue requirement in effect beginning June 1 of the prior year and actual costs incurred for that year (annual reconciliation).

For 2019, the following total increases/(decreases) were included in ComEd's, BGE's, Pepco's, DPL's and ACE's electric transmission formula rate filings:

| Registrant[a] | Initial Revenue Requirement Increase (Decrease) | | Annual Reconciliation (Decrease) Increase | | Total Revenue Requirement Increase (Decrease) | | Allowed Return on Rate Base[c] | Allowed ROE[d] |
|---|---|---|---|---|---|---|---|---|
| ComEd | $ | 21 | $ | (16) | $ | 5 | 8.21% | 11.50% |
| BGE | | (10) | | (23) | | (19) [b] | 7.35% | 10.50% |
| Pepco | | 15 | | 11 | | 26 | 7.75% | 10.50% |
| DPL | | 17 | | (1) | | 16 | 7.14% | 10.50% |
| ACE | | 11 | | (2) | | 9 | 7.79% | 10.50% |

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(a) All rates are effective June 2019, subject to review by the FERC and other parties, which is due by the fourth quarter of 2019.
(b) The change in BGE's transmission revenue requirement includes a FERC approved dedicated facilities charge of $14 million to recover the costs of providing transmission service to specifically designated load by BGE.
(c) Represents the weighted average debt and equity return on transmission rate bases.
(d) As part of the FERC-approved settlement of ComEd's 2007 transmission rate case, the rate of return on common equity is 11.50%, inclusive of a 50-basis-point incentive adder for being a member of a RTO, 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

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

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 RTO.

***Pending Transmission Formula Rate (Exelon and PECO).*** On May 1, 2017, PECO filed a request with FERC seeking approval to update its transmission rates and change the manner in which PECO's transmission rate is determined from a fixed rate to a formula rate. The formula rate will be updated annually to ensure that under this rate customers pay the actual costs of providing transmission services. PECO's initial formula rate filing included a requested increase of $22 million to PECO's annual transmission revenue requirement, which reflected a ROE of 11%, inclusive of a 50 basis point adder for being a member of a RTO. 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.

Pursuant to the transmission formula rate request discussed above, PECO made its annual formula rate updates in May 2018 and 2019, which included a decrease of $6 million and an increase of $8 million, respectively, to the annual transmission revenue requirement. The updated transmission formula rates were effective on June 1, 2018 and 2019, respectively, subject to refund.

On July 22, 2019, PECO and other parties filed with FERC a settlement agreement, which includes a ROE of 10.35%, inclusive of a 50 basis point adder for being a member of a RTO. The settlement did not have a material impact on PECO's 2017, 2018, or 2019 annual transmission revenue requirements. A final order from FERC is expected before the end of the first quarter of 2020. PECO cannot predict the outcome of this proceeding, or the transmission formula FERC may approve.

**Other State Regulatory Matters**

***Energy Efficiency Formula Rate.*** ComEd filed its annual energy efficiency formula rate update with the ICC on May 23, 2019. The filing establishes the revenue requirement used to set the rates that will take effect in January 2020 after the ICC's review and approval. The revenue requirement requested is based on a reconciliation of the 2018 actual costs plus projected 2019 and 2020 expenditures.

| Registrant | Initial Revenue Requirement Increase (Decrease) | Annual Reconciliation Increase (Decrease) | Total Revenue Requirement Increase (Decrease) | Requested Return on Rate Base | Requested ROE |
|---|---|---|---|---|---|
| ComEd | $ 53 | $ (2) | $ 51 (a) | 6.53% | 8.91% |

(a) The requested revenue requirement increase provides for a weighted average debt and equity return on rate base of 6.53% inclusive of an allowed ROE of 8.91%. The ROE reflects the average rate on 30-year treasury notes plus 580 basis points. The ROE applicable to the 2018 reconciliation year is 10.91% and the return on rate base is 7.49%, which include the Performance Adjustment, which can either increase or decrease the ROE by up to a maximum of 200 basis points.

***Maryland Regulatory Matters***

***Maryland Alternative Rate Plans Rulemaking (Exelon, BGE, PHI, Pepco and DPL).*** On August 9, 2019, the MDPSC issued an order in which the MDPSC determined that it is now appropriate to move forward to implement alternative rate plans in Maryland. The MDPSC found that a multi-year rate plan, based on a historic test year and allowing up to three future test years, can produce just and reasonable rates. A working group has been convened to develop and submit a detailed implementation report to the MDPSC by December 20, 2019. The MDPSC will issue another order on next steps by January 30, 2020. BGE, Pepco and DPL cannot predict the outcome or the potential financial impact, if any, on BGE, Pepco or DPL.

***New Jersey Regulatory Matters***

***ACE Infrastructure Investment Program Filing (Exelon, PHI and ACE).*** On February 28, 2018, ACE filed with the NJBPU the company's Infrastructure Investment Program (IIP) proposing to seek recovery of a series of investments through a new rider mechanism, totaling $338 million, between 2019-2022 to provide safe and reliable service for its customers. The IIP allowed for more timely recovery of investments made to modernize and enhance ACE's electric system. On April 15, 2019, ACE entered into a settlement agreement with other parties, which allows for a recovery totaling $96 million of reliability related capital investments from July 1, 2019 through June 30, 2023. On April 18, 2019, the NJBPU approved the settlement agreement.

***New Jersey Clean Energy Legislation (Exelon, PHI and ACE).*** On May 23, 2018, New Jersey enacted legislation that established and modified New Jersey's clean energy and energy efficiency programs and solar and renewable energy portfolio standards. On the same day, New Jersey enacted legislation that established a ZEC program that provides compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. Electric distribution utilities in New Jersey, including ACE, began collecting from retail distribution customers, through a non-bypassable charge, all costs associated with the utility's procurement of the ZECs effective April 18, 2019. See Generation Regulatory Matters below for additional information.

**Other Federal Regulatory Matters**

***Transmission-Related Income Tax Regulatory Assets (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE).*** On December 13, 2016 (and as amended on March 13, 2017), BGE filed with FERC to begin recovering certain existing and future transmission-related income tax regulatory assets through its transmission formula rate. BGE's existing regulatory assets included (1) amounts that, if BGE's transmission formula rate provided for recovery, would have been previously amortized and (2) amounts that would be amortized and recovered prospectively. ComEd, Pepco, DPL and ACE had similar transmission-related income tax regulatory liabilities and assets also requiring FERC approval. On November 16, 2017, FERC issued an order rejecting BGE's proposed revisions to its transmission formula rate to recover these transmission-related income tax regulatory assets. As a result of the FERC's order, ComEd, BGE, Pepco, DPL and ACE took a charge to Income tax expense within their Consolidated Statements of Operations and Comprehensive Income in the fourth quarter of 2017 reducing their associated transmission-related income tax regulatory assets for the portion of the total transmission-related income tax regulatory assets that would have been previously amortized and recovered through rates. Similar regulatory assets and liabilities at PECO are not subject to the same FERC transmission rate recovery formula. See above for additional information regarding PECO's transmission formula rate filing.

On December 18, 2017, BGE filed for clarification and rehearing of FERC's November 16, 2017 order and on February 23, 2018 (as amended on July 9, 2018), ComEd, Pepco, DPL, and ACE each filed with FERC to revise their transmission formula rate mechanisms to permit recovery of transmission-related income tax regulatory assets, including those amounts that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery.

On September 7, 2018, FERC issued orders rejecting BGE's December 18, 2017 request for rehearing and clarification and ComEd's, Pepco's, DPL's and ACE's February 23, 2018 (as amended on July 9, 2018) filings, citing the lack of timeliness of the requests to recover amounts that would have been previously amortized, but indicating that ongoing recovery of certain transmission-related income tax regulatory assets would provide for a more accurate revenue requirement, consistent with its November 16, 2017 order.

On October 1, 2018, ComEd, BGE, Pepco, DPL, and ACE submitted filings to recover ongoing non-TCJA amortization amounts and refund TCJA transmission-related income tax regulatory liabilities for the prospective period starting on October 1, 2018. In addition, on October 9, 2018, ComEd, Pepco, DPL, and ACE sought rehearing of FERC's September 7, 2018 order. On November 2, 2018, BGE filed an appeal of FERC's September 7, 2018 order to the Court of Appeals for the D.C. Circuit. On April 26, 2019, FERC issued an order accepting ComEd's, BGE's, Pepco's, DPL's, and ACE's October 1, 2018 filings, effective October 1, 2018, subject to refund and established hearing and settlement judge procedures. ComEd, BGE, Pepco, DPL, and ACE cannot predict the outcome of these proceedings.

If FERC ultimately rules that the future, ongoing non-TCJA amortization amounts are not recoverable, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE would record additional charges to Income tax expense, which could be up to approximately $80 million, $52 million, $16 million, $12 million, $4 million, $6 million and $2 million, respectively, as of September 30, 2019.

**Regulatory Assets and Liabilities**

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

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

***ComEd***. Regulatory assets increased $122 million primarily due to an increase of $186 million in Energy Efficiency Costs and $32 million Renewable Energy partially offset by a decrease of $97 million in Electric Distribution Formula Rate Annual Reconciliations.

***PECO.*** Regulatory assets increased $62 million primarily due to an increase of $95 million in Deferred Income Taxes offset by a $34 million decrease in Electric Energy and Natural Gas Costs.

***BGE***. Regulatory liabilities decreased $90 million primarily due to a decrease of $40 million in Deferred Income Taxes and $43 million in Removal Costs.

***Pepco.*** Regulatory assets decreased $84 million primarily due to a decrease of $39 million in Electric Energy and Natural Gas Costs, $26 million in DC PLUG charge and $14 million in AMI Programs - Deployment Costs and Legacy Meters. Regulatory liabilities decreased by $71 million primarily due to a decrease of $73 million in Deferred Income Taxes.

***DPL.*** Regulatory liabilities decreased $42 million primarily due to a decrease of $29 million in Deferred Income Taxes and $10 million in Electric Energy and Natural Gas Costs.

***ACE.*** Regulatory liabilities decreased $30 million primarily due to a decrease of $32 million in Deferred Income Taxes.

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

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

| | Exelon | ComEd[(a)] | PECO | BGE[(b)] | PHI | Pepco[(c)] | DPL[(c)] | ACE |
|---|---|---|---|---|---|---|---|---|
| September 30, 2019 | $ 59 | $ 4 | $ — | $ 47 | $ 8 | $ 5 | $ 3 | $ — |
| December 31, 2018 | $ 65 | $ 8 | $ — | $ 49 | $ 8 | $ 5 | $ 3 | $ — |

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(a) Reflects ComEd's unrecognized equity returns earned for ratemaking purposes on its electric distribution formula rate regulatory assets.
(b) BGE's authorized amounts capitalized for ratemaking purposes primarily relate to earnings on shareholders' investment on its AMI programs.
(c) Pepco's and DPL's authorized amounts capitalized for ratemaking purposes relate to earnings on shareholders' investment on their respective AMI Programs and Energy Efficiency and Demand Response Programs. The earnings on energy efficiency are on Pepco DC and DPL DE programs only.

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

***Illinois Regulatory Matters***

***Zero Emission Standard.*** Pursuant to FEJA, on January 25, 2018, the ICC announced that Generation’s Clinton Unit 1, Quad Cities Unit 1 and Quad Cities Unit 2 nuclear plants were selected as the winning bidders through the IPA's ZEC procurement event. Generation executed the ZEC procurement contracts with Illinois utilities, including ComEd, effective January 26, 2018 and began recognizing revenue with compensation for the sale of ZECs retroactive to the June 1, 2017 effective date of FEJA. During the first quarter of 2018, Generation recognized $150 million of revenue related to ZECs generated from June 1, 2017 through December 31, 2017.

On February 14, 2017, two lawsuits were filed in the Northern District of Illinois against the IPA alleging that the state’s ZEC program violates certain provisions of the U.S. Constitution. Both lawsuits argued that the Illinois ZEC program would distort PJM's FERC-approved energy and capacity market auction system of setting wholesale prices and sought a permanent injunction preventing the implementation of the program. The lawsuits were dismissed by the district court on July 14, 2017. On September 13, 2018, the U.S. Circuit Court of Appeals for the Seventh Circuit affirmed the lower court's dismissal of both lawsuits. On January 7, 2019, plaintiffs filed a petition seeking U.S. Supreme Court review of the case, which was denied on April 15, 2019.

***New Jersey Regulatory Matters***

***New Jersey Clean Energy Legislation.*** On May 23, 2018, New Jersey enacted legislation that established a ZEC program that will provide compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. Under the legislation, the NJBPU will issue ZECs to qualifying nuclear power plants and the electric distribution utilities in New Jersey, including ACE, will be required to purchase those ZECs.

On November 19, 2018, NJBPU issued an order providing for the method and application process for determining the eligibility of nuclear power plants, a draft method and process for ranking and selecting eligible nuclear power plants, and the establishment of a mechanism for each regulated utility to purchase ZECs from selected nuclear power plants. On December 19, 2018, PSEG filed complete applications seeking NJBPU approval for Salem 1 and Salem 2, of which Generation owns a 42.59% ownership interest, to participate in the ZEC program. On April 18, 2019, the NJBPU approved the award of ZECs to Salem 1 and Salem 2. Upon approval, Generation began recognizing revenue for the sale of New Jersey ZECs in the month they are generated and has recognized $21 million and $31 million for the three and nine months ended September 30, 2019. On May 15, 2019, New Jersey Rate Counsel appealed the NJBPU's decision to the New Jersey Superior Court. The appeal does not prevent implementation of the ZEC program. Exelon and Generation cannot predict the outcome of the appeal. See Note 8 — Early Plant Retirements for additional information related to Salem.

***New York Regulatory Matters***

***New York Clean Energy Standard.*** On August 1, 2016, the NYPSC issued an order establishing the New York CES, a component of which is a Tier 3 ZEC program targeted at preserving the environmental attributes of zero-emissions nuclear-powered generating facilities that meet the criteria demonstrating public necessity as determined by the NYPSC.

On October 19, 2016, a coalition of fossil-generation companies filed a complaint in federal district court against the NYPSC alleging that the ZEC program violates certain provisions of the U.S. Constitution; specifically, that the ZEC program interferes with FERC’s jurisdiction over wholesale rates and that it discriminates against out of state competitors, which was dismissed by the district court on July 25, 2017. On September 27, 2018, the U.S. Court of Appeals for the Second Circuit affirmed the lower court's dismissal of the complaint against the ZEC program. On January 7, 2019, the fossil-generation companies filed a petition seeking U.S. Supreme Court review of the case which was denied on April 15, 2019.

In addition, on November 30, 2016 (as amended on January 13, 2017), a group of parties filed a Petition in New York State court seeking to invalidate the ZEC program, which argued that the NYPSC did not have authority to establish the program, that it violated state environmental law and that it violated certain technical provisions of the State Administrative Procedures Act when adopting the ZEC program. Subsequently, Generation, CENG and the NYPSC filed motions to dismiss the state court action, which were later opposed by the plaintiffs. On January 22, 2018, the court dismissed the environmental claims and the majority of the plaintiffs from the case but denied the motions to dismiss with respect to the remaining five plaintiffs and claims, without commenting on the merits of the case. On October 8, 2019, the court dismissed all remaining claims. The petitioners have until November 11, 2019 to file a notice of appeal.

See Note 8 — Early Plant Retirements for additional information related to Ginna and Nine Mile Point.

***Federal Regulatory Matters***

*Operating License Renewals*

*Conowingo Hydroelectric Project.* On August 29, 2012, Generation submitted a hydroelectric license application to FERC for a new license for the Conowingo Hydroelectric Project (Conowingo). In connection with Generation’s efforts to obtain a water quality certification pursuant to Section 401 of the Clean Water Act (401 Certification) from MDE for Conowingo, Generation has been working 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 (DOI Settlement) resolving all fish passage issues between the parties.

On April 27, 2018, 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 financial statements through an increase in capital expenditures and operating costs if implemented. On May 25, 2018, Generation filed complaints in federal and state court, along with a petition for reconsideration with MDE, alleging that the conditions are unfair and onerous and in violation of MDE regulations and state, federal, and constitutional law. Generation also requested that FERC defer the issuance of the federal license while these significant state and federal law issues are pending. On February 28, 2019, Generation filed a Petition for Declaratory Order with FERC requesting that FERC issue an order declaring that MDE waived its right to issue a 401 Certification for Conowingo because it failed to timely act on Conowingo's 401 Certification application and requesting that FERC decline to include the conditions required by MDE in April 2018.

On October 29, 2019, Generation and MDE entered into a settlement agreement (MDE Settlement) that would resolve all outstanding issues relating to the 401 Certification. Under the MDE Settlement, the parties will propose license articles to FERC for approval as an offer of settlement to be incorporated by FERC into the new license in accordance with FERC's discretionary authority under the Federal Power Act. The MDE Settlement provides that if FERC approves the offer of settlement, MDE would waive its rights to issue a 401 Certification and Generation would agree to implement environmental protection, mitigation and enhancement measures over the anticipated 50-year term of the new license. These measures address ecological and water quality matters, including modifications to river flows to improve aquatic habitat, along with other additional fish and eel passage improvements and initiatives to support rare, threatened and endangered wildlife, among other commitments. Exelon's commitments under the DOI and MDE Settlements are not effective until incorporated by FERC into the new license.

The financial impact of the DOI and MDE Settlements and other anticipated license commitments are estimated to be $11 million to $14 million per year, on average, recognized over the new license term, including capital and operating costs. The actual timing and amount of the majority of these costs are not currently fixed and will vary from year to year throughout the life of the new license. Generation cannot currently predict when FERC will issue the new license. As of September 30, 2019, $41 million of direct costs associated with Conowingo licensing efforts have been capitalized. Generation's current depreciation provision for Conowingo assumes renewal of the FERC license.

## 7. Asset Impairments (Exelon and Generation)

The Registrants evaluate the carrying value of long-lived assets or asset groups for recoverability whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. Indicators of impairment may include a deteriorating business climate, including, but not limited to, declines in energy prices, condition of the asset, specific regulatory disallowance, or plans to dispose of a long-lived asset significantly before the end of its useful life. The Registrants determine if long-lived assets or asset groups are impaired by comparing the undiscounted expected future cash flows to the carrying value. When the undiscounted cash flow analysis indicates a long-lived asset or asset group is not recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value. The fair value analysis is primarily based on the income approach using significant unobservable inputs (Level 3) including revenue and generation forecasts, projected capital and maintenance expenditures and discount rates. A variation in the assumptions used could lead to a different conclusion regarding the recoverability of an asset or asset group and, thus, could potentially result in material future impairments of the Registrant's long-lived assets.

### Equity Method Investments in Certain Distributed Energy Companies

In the third quarter of 2019, Generation's equity method investments in certain distributed energy companies were fully impaired due to an other-than-temporary decline in market conditions and underperforming projects. Exelon and Generation recorded a pre-tax impairment charge of $164 million in Equity in losses of unconsolidated affiliates and an offsetting pre-tax $96 million in Net income attributable to noncontrolling interests in their Consolidated Statements of Operations and Comprehensive Income. As a result, Generation accelerated the amortization of investment tax credits associated with these companies and Exelon and Generation recorded a benefit of $46 million in Income taxes. The impairment charge and the accelerated amortization of investment tax credits resulted in a net $15 million decrease to Exelon's and Generation's earnings. See Note 2 — Variable Interest Entities for additional information.

**Antelope Valley Solar Facility**

Generation’s Antelope Valley, a 242 MW solar facility in Lancaster, CA, sells all of its output to PG&E through a PPA. As of September 30, 2019, Generation had approximately $730 million of net long-lived assets related to Antelope Valley. As a result of the PG&E bankruptcy filing in the first quarter of 2019, Generation completed a comprehensive review of Antelope Valley's estimated undiscounted future cash flows and no impairment charge was recorded. Significant changes in assumptions such as the likelihood of the PPA being rejected as part of the bankruptcy proceedings could potentially result in future impairments of Antelope Valley’s net long-lived assets, which could be material.

Antelope Valley is a wholly owned indirect subsidiary of EGR IV, which had approximately $1,930 million of additional net long-lived assets as of September 30, 2019. EGR IV is a wholly owned indirect subsidiary of Exelon and Generation and includes Generation's interest in EGRP and other projects with non-controlling interests. To date, there have been no indicators to suggest that the carrying amount of other net long-lived assets of EGR IV may not be recoverable.

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

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

**8. Early Plant Retirements (Exelon and Generation)**

Exelon and Generation continuously evaluate factors that affect the current and expected economic value of Generation’s plants, including, but not limited to: market power prices, results of capacity auctions, potential legislative and regulatory solutions to ensure plants are fairly compensated for benefits they provide through their carbon-free emissions, reliability, or fuel security, and the impact of potential rules from the EPA requiring reduction of carbon and other emissions and the efforts of states to implement those final rules. The precise timing of an early retirement date for any plant, and the resulting financial statement impacts, may be affected by many factors, including the status of potential regulatory or legislative solutions, results of any transmission system reliability study assessments, the nature of any co-owner requirements and stipulations, and NDT fund requirements for nuclear plants, among other factors. However, the earliest retirement date for any plant would usually be the first year in which the unit does not have capacity or other obligations, and where applicable, just prior to its next scheduled nuclear refueling outage.

**Nuclear Generation**

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

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

In Pennsylvania, the TMI nuclear plant did not clear in the May 2017 PJM capacity auction for the 2020-2021 planning year, the third consecutive year that TMI failed to clear the PJM base residual capacity auction and on May 30, 2017, based on these capacity auction results, prolonged periods of low wholesale power prices, and the absence of federal or state policies that place a value on nuclear energy for its ability to produce electricity without air pollution, Generation announced that it would permanently cease generation operations at TMI. On September 20, 2019, Generation permanently ceased generation operations at TMI.

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

On February 2, 2018, Generation announced that it would permanently cease generation operations at the Oyster Creek nuclear plant at the end of its current operating cycle and permanently ceased generation operations on September 17, 2018.

As a result of these early nuclear plant retirement decisions, Exelon and Generation recognized incremental non-cash charges to earnings stemming from shortening the expected economic useful lives primarily related to accelerated depreciation of plant assets (including any ARC) and accelerated amortization of nuclear fuel, as well as operating and maintenance expenses. See Note 13 — Nuclear Decommissioning for additional information on changes to the nuclear decommissioning ARO balance. The total impact for the three and nine months ended September 30, 2019 and 2018 are summarized in the table below.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Income statement expense (pre-tax)** | **2019** | **2018** | **2019** | **2018** |
| Depreciation and amortization[(a)] | | | | |
| Accelerated depreciation | $ 71 | $ 152 | $ 216 | $ 441 |
| Accelerated nuclear fuel amortization | 3 | 18 | 13 | 52 |
| Operating and maintenance[(b)] | 39 | 4 | (44) | 32 |
| Total | $ 113 | $ 174 | $ 185 | $ 525 |

(a) Reflects incremental accelerated depreciation and amortization for TMI for the three and nine months ended September 30, 2019. Reflects incremental accelerated depreciation for TMI and Oyster Creek for the three and nine months ended September 30, 2018. The Oyster Creek amounts are from February 2, 2018 through September 17, 2018. The TMI amounts are through September 20, 2019.
(b) In 2019, primarily reflects the net impacts associated with the remeasurements of the TMI ARO in the first and third quarters. See Note 13 — Nuclear Decommissioning for additional information on the first quarter 2019 TMI ARO update. In 2018, primarily reflects materials and supplies inventory reserve adjustments, employee related costs and CWIP impairments associated with the early retirement decisions for TMI and Oyster Creek. Excludes the charges in the third quarter of 2018 and second quarter of 2019 to Operating and maintenance expense for the ARO remeasurement due to the sale of Oyster Creek. See Note 3 — Mergers, Acquisitions and Dispositions for additional information.

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

**Other Generation**

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

On May 16, 2018, Generation made a filing with FERC to establish cost-of-service compensation and terms and conditions of service for Mystic Units 8 and 9 for the period between June 1, 2022 - May 31, 2024. On December 20, 2018, FERC issued an order accepting the cost of service agreement reflecting a number of adjustments to the annual fixed revenue requirement and allowing for recovery of a substantial portion of the costs associated with the Everett Marine Terminal. Those adjustments were reflected in a compliance filing filed March 1, 2019. In the December 20, 2018 order, FERC also directed a paper hearing on ROE using a new methodology. Initial briefs in the ROE proceeding were filed on April 19, 2019 and reply briefs were filed on July 18, 2019. On January 4, 2019, Generation notified ISO-NE that it will participate in the Forward Capacity Market auction for the 2022 - 2023 capacity commitment period. In addition, on January 22, 2019, Exelon and several other parties filed requests for rehearing of certain findings of the December 20, 2018 order, which does not alter Generation's commitment to participate in the Forward Capacity Auction for the 2022-2023 capacity commitment period. On June 10, 2019, ISO-NE announced that it has determined that Mystic 8 and 9 are needed for fuel security for the 2023-2024 capacity commitment period.

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

On March 25, 2019, ISO-NE filed the Inventoried Energy Program, which is intended to provide an interim fuel security program pending conclusion of the stakeholder process to develop a long-term, market-based solution to address fuel security. Exelon filed comments on the Inventoried Energy Program proposal on April 15, 2019. On May 8, 2019, FERC issued a deficiency letter to ISO-NE seeking additional information on the Inventoried Energy Program proposal, and ISO-NE filed a response on June 6, 2019. On August 5, 2019, FERC allowed the Inventoried Energy Program to take effect by operation of law. Several parties have filed requests for rehearing. FERC ordered ISO-NE to file long-term, market-based fuel security rules by October 15, 2019. On August 30, 2019, FERC granted an extension of time to file the long-term, market-based fuel security rules to April 15, 2020.

The following table provides the balance sheet amounts as of September 30, 2019 for Exelon's and Generation's significant assets and liabilities associated with the Mystic Units 8 and 9 and Everett Marine Terminal assets that would potentially be impacted by the failure to adopt long-term solutions for reliability and fuel security.

| | September 30, 2019 |
|---|---|
| Asset Balances | |
| Materials and supplies inventory | $ 31 |
| Fuel inventory | 5 |
| Completed plant, net | 889 |
| Construction work in progress | 7 |
| Liability Balances | |
| Asset retirement obligation | (2) |

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

Exelon measures and classifies fair value measurements in accordance with the hierarchy as defined by GAAP. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Registrants have the ability to liquidate as of the reporting date.
- Level 2 - inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 - unobservable inputs, such as internally developed pricing models or third-party valuations for the asset or liability due to little or no market activity for the asset or liability.

Exelon’s valuation techniques used to measure the fair value of the assets and liabilities shown in the tables below are in accordance with the policies discussed in Note 11 — Fair Value of Financial Assets and Liabilities of the Exelon 2018 Form 10-K, unless otherwise noted below.

**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 September 30, 2019 and December 31, 2018. The Registrants have no financial liabilities classified as Level 1.

The carrying amounts of the Registrants’ short-term liabilities as presented on their Consolidated Balance Sheets are representative of their fair value (Level 2) because of the short-term nature of these instruments.

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

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| | September 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | | | Carrying Amount | Fair Value | | |
| | | Level 2 | Level 3 | Total | | Level 2 | Level 3 | Total |
| **Long-Term Debt, including amounts due within one year[(a)]** | | | | | | | | |
| Exelon | $ 36,304 | $ 38,056 | $ 2,541 | $ 40,597 | $ 35,424 | $ 33,711 | $ 2,158 | $ 35,869 |
| Generation | 8,613 | 7,962 | 1,398 | 9,360 | 8,793 | 7,467 | 1,443 | 8,910 |
| ComEd | 8,196 | 9,622 | — | 9,622 | 8,101 | 8,390 | — | 8,390 |
| PECO | 3,404 | 3,891 | 50 | 3,941 | 3,084 | 3,157 | 50 | 3,207 |
| BGE | 3,270 | 3,678 | — | 3,678 | 2,876 | 2,950 | — | 2,950 |
| PHI | 6,494 | 5,993 | 1,093 | 7,086 | 6,259 | 5,436 | 665 | 6,101 |
| Pepco | 2,860 | 3,249 | 395 | 3,644 | 2,719 | 2,901 | 196 | 3,097 |
| DPL | 1,495 | 1,437 | 232 | 1,669 | 1,494 | 1,303 | 193 | 1,496 |
| ACE | 1,324 | 1,034 | 466 | 1,500 | 1,188 | 987 | 275 | 1,262 |
| **Long-Term Debt to Financing Trusts[(a)]** | | | | | | | | |
| Exelon | $ 390 | $ — | $ 426 | $ 426 | $ 390 | $ — | $ 400 | $ 400 |
| ComEd | 205 | — | 223 | 223 | 205 | — | 209 | 209 |
| PECO | 184 | — | 203 | 203 | 184 | — | 191 | 191 |
| **SNF Obligation** | | | | | | | | |
| Exelon | $ 1,193 | $ 1,017 | $ — | $ 1,017 | $ 1,171 | $ 949 | $ — | $ 949 |
| Generation | 1,193 | 1,017 | — | 1,017 | 1,171 | 949 | — | 949 |

(a) Includes unamortized debt issuance costs which are not fair valued.

## Recurring Fair Value Measurements

The following tables present assets and liabilities measured and recorded at fair value in the Registrants' Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of September 30, 2019 and December 31, 2018:

### *Exelon and Generation*

| | Exelon | | | | | Generation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| As of September 30, 2019 | Level 1 | Level 2 | Level 3 | Not subject to leveling | Total | Level 1 | Level 2 | Level 3 | Not subject to leveling | Total |
| **Assets** | | | | | | | | | | |
| Cash equivalents[(a)] | $ 1,719 | $ — | $ — | $ — | $ 1,719 | $ 896 | $ — | $ — | $ — | $ 896 |
| NDT fund investments | | | | | | | | | | |
| Cash equivalents[(b)] | 315 | 78 | — | — | 393 | 315 | 78 | — | — | 393 |
| Equities | 3,121 | 1,727 | — | 1,314 | 6,162 | 3,121 | 1,727 | — | 1,314 | 6,162 |
| Fixed income | | | | | | | | | | |
| Corporate debt | — | 1,473 | 259 | — | 1,732 | — | 1,473 | 259 | — | 1,732 |
| U.S. Treasury and agencies | 1,777 | 152 | — | — | 1,929 | 1,777 | 152 | — | — | 1,929 |
| Foreign governments | — | 56 | — | — | 56 | — | 56 | — | — | 56 |
| State and municipal debt | — | 85 | — | — | 85 | — | 85 | — | — | 85 |
| Other[(c)] | — | 23 | — | 979 | 1,002 | — | 23 | — | 979 | 1,002 |

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

| | Exelon | | | | | Generation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of September 30, 2019** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** |
| Fixed income subtotal | 1,777 | 1,789 | 259 | 979 | 4,804 | 1,777 | 1,789 | 259 | 979 | 4,804 |
| Middle market lending | — | — | 255 | 445 | 700 | — | — | 255 | 445 | 700 |
| Private equity | — | — | — | 398 | 398 | — | — | — | 398 | 398 |
| Real estate | — | — | — | 581 | 581 | — | — | — | 581 | 581 |
| NDT fund investments subtotal[(d)] | 5,213 | 3,594 | 514 | 3,717 | 13,038 | 5,213 | 3,594 | 514 | 3,717 | 13,038 |
| Rabbi trust investments | | | | | | | | | | |
| Cash equivalents | 49 | — | — | — | 49 | 4 | — | — | — | 4 |
| Mutual funds | 77 | — | — | — | 77 | 24 | — | — | — | 24 |
| Fixed income | — | 13 | — | — | 13 | — | — | — | — | — |
| Life insurance contracts | — | 76 | 40 | — | 116 | — | 24 | — | — | 24 |
| Rabbi trust investments subtotal | 126 | 89 | 40 | — | 255 | 28 | 24 | — | — | 52 |
| Commodity derivative assets | | | | | | | | | | |
| Economic hedges | 533 | 1,488 | 1,817 | — | 3,838 | 533 | 1,488 | 1,817 | — | 3,838 |
| Proprietary trading | — | 54 | 156 | — | 210 | — | 54 | 156 | — | 210 |
| Effect of netting and allocation of collateral[(e)(f)] | (677) | (1,261) | (1,025) | — | (2,963) | (677) | (1,261) | (1,025) | — | (2,963) |
| Commodity derivative assets subtotal | (144) | 281 | 948 | — | 1,085 | (144) | 281 | 948 | — | 1,085 |
| **Total assets** | 6,914 | 3,964 | 1,502 | 3,717 | 16,097 | 5,993 | 3,899 | 1,462 | 3,717 | 15,071 |
| **Liabilities** | | | | | | | | | | |
| Commodity derivative liabilities | | | | | | | | | | |
| Economic hedges | (773) | (1,695) | (1,686) | — | (4,154) | (773) | (1,695) | (1,406) | — | (3,874) |
| Proprietary trading | — | (59) | (89) | — | (148) | — | (59) | (89) | — | (148) |
| Effect of netting and allocation of collateral[(e)(f)] | 770 | 1,585 | 1,329 | — | 3,684 | 770 | 1,585 | 1,329 | — | 3,684 |
| Commodity derivative liabilities subtotal | (3) | (169) | (446) | — | (618) | (3) | (169) | (166) | — | (338) |
| Deferred compensation obligation | — | (140) | — | — | (140) | — | (37) | — | — | (37) |
| **Total liabilities** | (3) | (309) | (446) | — | (758) | (3) | (206) | (166) | — | (375) |
| **Total net assets** | $ 6,911 | $ 3,655 | $ 1,056 | $ 3,717 | $ 15,339 | $ 5,990 | $ 3,693 | $ 1,296 | $ 3,717 | $ 14,696 |

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

| | Exelon | | | | | Generation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2018** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** |
| **Assets** | | | | | | | | | | |
| Cash equivalents[a] | $ 1,243 | $ — | $ — | $ — | $ 1,243 | $ 581 | $ — | $ — | $ — | $ 581 |
| NDT fund investments | | | | | | | | | | |
| Cash equivalents[b] | 252 | 86 | — | — | 338 | 252 | 86 | — | — | 338 |
| Equities | 2,918 | 1,591 | — | 1,381 | 5,890 | 2,918 | 1,591 | — | 1,381 | 5,890 |
| Fixed income | | | | | | | | | | |
| Corporate debt | — | 1,593 | 230 | — | 1,823 | — | 1,593 | 230 | — | 1,823 |
| U.S. Treasury and agencies | 2,081 | 99 | — | — | 2,180 | 2,081 | 99 | — | — | 2,180 |
| Foreign governments | — | 50 | — | — | 50 | — | 50 | — | — | 50 |
| State and municipal debt | — | 149 | — | — | 149 | — | 149 | — | — | 149 |
| Other[c] | — | 30 | — | 846 | 876 | — | 30 | — | 846 | 876 |
| Fixed income subtotal | 2,081 | 1,921 | 230 | 846 | 5,078 | 2,081 | 1,921 | 230 | 846 | 5,078 |
| Middle market lending | — | — | 313 | 367 | 680 | — | — | 313 | 367 | 680 |
| Private equity | — | — | — | 329 | 329 | — | — | — | 329 | 329 |
| Real estate | — | — | — | 510 | 510 | — | — | — | 510 | 510 |
| NDT fund investments subtotal[d] | 5,251 | 3,598 | 543 | 3,433 | 12,825 | 5,251 | 3,598 | 543 | 3,433 | 12,825 |
| Rabbi trust investments | | | | | | | | | | |
| Cash equivalents | 48 | — | — | — | 48 | 5 | — | — | — | 5 |
| Mutual funds | 72 | — | — | — | 72 | 24 | — | — | — | 24 |
| Fixed income | — | 15 | — | — | 15 | — | — | — | — | — |
| Life insurance contracts | — | 70 | 38 | — | 108 | — | 22 | — | — | 22 |
| Rabbi trust investments subtotal | 120 | 85 | 38 | — | 243 | 29 | 22 | — | — | 51 |
| Commodity derivative assets | | | | | | | | | | |
| Economic hedges | 541 | 2,760 | 1,470 | — | 4,771 | 541 | 2,760 | 1,470 | — | 4,771 |
| Proprietary trading | — | 69 | 77 | — | 146 | — | 69 | 77 | — | 146 |
| Effect of netting and allocation of collateral[e][f] | (582) | (2,357) | (732) | — | (3,671) | (582) | (2,357) | (732) | — | (3,671) |
| Commodity derivative assets subtotal | (41) | 472 | 815 | — | 1,246 | (41) | 472 | 815 | — | 1,246 |
| **Total assets** | 6,573 | 4,155 | 1,396 | 3,433 | 15,557 | 5,820 | 4,092 | 1,358 | 3,433 | 14,703 |

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

| | Exelon | | | | | Generation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2018** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Not subject to leveling** | **Total** |
| **Liabilities** | | | | | | | | | | |
| Commodity derivative liabilities | | | | | | | | | | |
| Economic hedges | (642) | (2,963) | (1,276) | — | (4,881) | (642) | (2,963) | (1,027) | — | (4,632) |
| Proprietary trading | — | (73) | (21) | — | (94) | — | (73) | (21) | — | (94) |
| Effect of netting and allocation of collateral(e)(f) | 639 | 2,581 | 808 | — | 4,028 | 639 | 2,581 | 808 | — | 4,028 |
| Commodity derivative liabilities subtotal | (3) | (455) | (489) | — | (947) | (3) | (455) | (240) | — | (698) |
| Deferred compensation obligation | — | (137) | — | — | (137) | — | (35) | — | — | (35) |
| **Total liabilities** | (3) | (592) | (489) | — | (1,084) | (3) | (490) | (240) | — | (733) |
| **Total net assets** | $ 6,570 | $ 3,563 | $ 907 | $ 3,433 | $ 14,473 | $ 5,817 | $ 3,602 | $ 1,118 | $ 3,433 | $ 13,970 |

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(a) Exelon excludes cash of $347 million and $458 million at September 30, 2019 and December 31, 2018, respectively, and restricted cash of $112 million and $80 million at September 30, 2019 and December 31, 2018, respectively, and includes long-term restricted cash of $186 million and $185 million at September 30, 2019 and December 31, 2018, respectively, which is reported in Other deferred debits in the Consolidated Balance Sheets. Generation excludes cash of $183 million and $283 million at September 30, 2019 and December 31, 2018, respectively, and restricted cash of $66 million and $39 million at September 30, 2019 and December 31, 2018, respectively.

(b) Includes $85 million and $50 million of cash received from outstanding repurchase agreements at September 30, 2019 and December 31, 2018, respectively, and is offset by an obligation to repay upon settlement of the agreement as discussed in (d) below.

(c) Includes a derivative liability of $2 million and a derivative asset of $44 million, which have total notional amounts of $864 million and $1,432 million at September 30, 2019 and December 31, 2018, respectively. The notional principal amounts for these instruments provide one measure of the transaction volume outstanding as of the fiscal years ended and do not represent the amount of Exelon and Generation's exposure to credit or market loss.

(d) Excludes net liabilities of $176 million and $130 million at September 30, 2019 and December 31, 2018, respectively. These items consist of receivables related to pending securities sales, interest and dividend receivables, repurchase agreement obligations, and payables related to pending securities purchases. The repurchase agreements are generally short-term in nature with durations generally of 30 days or less.

(e) Collateral posted/(received) from counterparties totaled $93 million, $324 million and $304 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of September 30, 2019. Collateral posted/(received) from counterparties, net of collateral paid to counterparties, totaled $57 million, $224 million and $76 million allocated to Level 1, Level 2 and Level 3 mark-to-market derivatives, respectively, as of December 31, 2018.

(f) Of the collateral posted/(received), $306 million and $(94) million represents variation margin on the exchanges as of September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019, Exelon and Generation have outstanding commitments to invest in fixed income, middle market lending, private equity and real estate investments of approximately $93 million, $241 million, $383 million, and $388 million, respectively. These commitments will be funded by Generation’s existing NDT funds.

Exelon and Generation hold investments without readily determinable fair values with carrying amounts of $75 million as of September 30, 2019. Changes were immaterial in fair value, cumulative adjustments and impairments for the three and nine months ended September 30, 2019.

**Valuation Techniques Used to Determine Net Asset Value**

Certain NDT Fund Investments are not classified within the fair value hierarchy and are included under the heading “Not subject to leveling” in the table above. These investments are measured at fair value using NAV per share as a practical expedient and include commingled funds, mutual funds which are not publicly quoted, managed middle market funds, private equity and real estate funds.

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

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For commingled funds and mutual funds, which are not publicly quoted, the fair value is primarily derived from the quoted prices in active markets on the underlying securities and can typically be redeemed monthly with 30 or less days of notice and without further restrictions. For managed middle market funds, the fair value is determined using a combination of valuation models including cost models, market models, and income models and typically cannot be redeemed until maturity of the term loan. Private equity and real estate investments include those in limited partnerships that invest in operating companies and real estate holding companies that are not publicly traded on a stock exchange, such as, leveraged buyouts, growth capital, venture capital, distressed investments, investments in natural resources, and direct investments in pools of real estate properties. These investments typically cannot be redeemed and are generally liquidated over a period of 8 to 10 years from the initial investment date, which is based on Exelon's understanding of the investment funds. Private equity and real estate valuations are reported by the fund manager and are based on the valuation of the underlying investments, which include inputs such as cost, operating results, discounted future cash flows, market based comparable data, and independent appraisals from sources with professional qualifications. These valuation inputs are unobservable.

***ComEd, PECO and BGE***

| | ComEd | | | | PECO | | | | BGE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of September 30, 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | | | | | | | | |
| Cash equivalents[a] | $ 264 | $ — | $ — | $ 264 | $ 207 | $ — | $ — | $ 207 | $ 122 | $ — | $ — | $ 122 |
| Rabbi trust investments | | | | | | | | | | | | |
| Mutual funds | — | — | — | — | 8 | — | — | 8 | 7 | — | — | 7 |
| Life insurance contracts | — | — | — | — | — | 11 | — | 11 | — | — | — | — |
| Rabbi trust investments subtotal | — | — | — | — | 8 | 11 | — | 19 | 7 | — | — | 7 |
| **Total assets** | 264 | — | — | 264 | 215 | 11 | — | 226 | 129 | — | — | 129 |
| **Liabilities** | | | | | | | | | | | | |
| Deferred compensation obligation | — | (7) | — | (7) | — | (8) | — | (8) | — | (5) | — | (5) |
| Mark-to-market derivative liabilities[b] | — | — | (280) | (280) | — | — | — | — | — | — | — | — |
| **Total liabilities** | — | (7) | (280) | (287) | — | (8) | — | (8) | — | (5) | — | (5) |
| **Total net assets (liabilities)** | $ 264 | $ (7) | $ (280) | $ (23) | $ 215 | $ 3 | $ — | $ 218 | $ 129 | $ (5) | $ — | $ 124 |

| | ComEd | | | | PECO | | | | BGE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2018** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | | | | | | | | |
| Cash equivalents[a] | $ 209 | $ — | $ — | $ 209 | $ 111 | $ — | $ — | $ 111 | $ 4 | $ — | $ — | $ 4 |
| Rabbi trust investments | | | | | | | | | | | | |
| Mutual funds | — | — | — | — | 7 | — | — | 7 | 6 | — | — | 6 |
| Life insurance contracts | — | — | — | — | — | 10 | — | 10 | — | — | — | — |
| Rabbi trust investments subtotal | — | — | — | — | 7 | 10 | — | 17 | 6 | — | — | 6 |
| **Total assets** | 209 | — | — | 209 | 118 | 10 | — | 128 | 10 | — | — | 10 |
| **Liabilities** | | | | | | | | | | | | |
| Deferred compensation obligation | — | (6) | — | (6) | — | (10) | — | (10) | — | (5) | — | (5) |
| Mark-to-market derivative liabilities[b] | — | — | (249) | (249) | — | — | — | — | — | — | — | — |
| **Total liabilities** | — | (6) | (249) | (255) | — | (10) | — | (10) | — | (5) | — | (5) |
| **Total net assets (liabilities)** | $ 209 | $ (6) | $ (249) | $ (46) | $ 118 | $ — | $ — | $ 118 | $ 10 | $ (5) | $ — | $ 5 |

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

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(a) ComEd excludes cash of $76 million and $93 million at September 30, 2019 and December 31, 2018, respectively, and restricted cash of $31 million and $28 million at September 30, 2019 and December 31, 2018, respectively, and includes long-term restricted cash of $171 million and $166 million at September 30, 2019 and December 31, 2018, respectively, which is reported in Other deferred debits in the Consolidated Balance Sheets. PECO excludes cash of $23 million and $24 million at September 30, 2019 and December 31, 2018, respectively. BGE excludes cash of $8 million and $7 million at September 30, 2019 and December 31, 2018, respectively, and restricted cash of $1 million and $2 million at September 30, 2019 and December 31, 2018, respectively.
(b) The Level 3 balance consists of the current and noncurrent liability of $27 million and $253 million, respectively, at September 30, 2019, and $26 million and $223 million, respectively, at December 31, 2018, related to floating-to-fixed energy swap contracts with unaffiliated suppliers.

***PHI, Pepco, DPL and ACE***

| | As of September 30, 2019 | | | | As of December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| PHI | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Cash equivalents[(a)] | $ 107 | $ — | $ — | $ 107 | $ 147 | $ — | $ — | $ 147 |
| Rabbi trust investments | | | | | | | | |
| Cash equivalents | 43 | — | — | 43 | 42 | — | — | 42 |
| Mutual funds | 13 | — | — | 13 | 13 | — | — | 13 |
| Fixed income | — | 13 | — | 13 | — | 15 | — | 15 |
| Life insurance contracts | — | 24 | 40 | 64 | — | 22 | 38 | 60 |
| Rabbi trust investments subtotal | 56 | 37 | 40 | 133 | 55 | 37 | 38 | 130 |
| **Total assets** | 163 | 37 | 40 | 240 | 202 | 37 | 38 | 277 |
| **Liabilities** | | | | | | | | |
| Deferred compensation obligation | — | (19) | — | (19) | — | (21) | — | (21) |
| **Total liabilities** | — | (19) | — | (19) | — | (21) | — | (21) |
| **Total net assets** | $ 163 | $ 18 | $ 40 | $ 221 | $ 202 | $ 16 | $ 38 | $ 256 |

| | Pepco | | | | DPL | | | | ACE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of September 30, 2019 | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | | | | | |
| Cash equivalents[(a)] | $ 34 | $ — | $ — | $ 34 | $ — | $ — | $ — | $ — | $ 18 | $ — | $ — | $ 18 |
| Rabbi trust investments | | | | | | | | | | | | |
| Cash equivalents | 43 | — | — | 43 | — | — | — | — | — | — | — | — |
| Fixed income | — | 3 | — | 3 | — | — | — | — | — | — | — | — |
| Life insurance contracts | — | 24 | 40 | 64 | — | — | — | — | — | — | — | — |
| Rabbi trust investments subtotal | 43 | 27 | 40 | 110 | — | — | — | — | — | — | — | — |
| **Total assets** | 77 | 27 | 40 | 144 | — | — | — | — | 18 | — | — | 18 |
| **Liabilities** | | | | | | | | | | | | |
| Deferred compensation obligation | — | (2) | — | (2) | — | — | — | — | — | — | — | — |
| **Total liabilities** | — | (2) | — | (2) | — | — | — | — | — | — | — | — |
| **Total net assets** | $ 77 | $ 25 | $ 40 | $ 142 | $ — | $ — | $ — | $ — | $ 18 | $ — | $ — | $ 18 |

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

| | Pepco | | | | DPL | | | | ACE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2018** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | | | | | | | | |
| Cash equivalents[a] | $ 38 | $ — | $ — | $ 38 | $ 16 | $ — | $ — | $ 16 | $ 23 | $ — | $ — | $ 23 |
| Rabbi trust investments | | | | | | | | | | | | |
| Cash equivalents | 41 | — | — | 41 | — | — | — | — | — | — | — | — |
| Fixed income | — | 5 | — | 5 | — | — | — | — | — | — | — | — |
| Life insurance contracts | — | 22 | 37 | 59 | — | — | — | — | — | — | — | — |
| Rabbi trust investments subtotal | 41 | 27 | 37 | 105 | — | — | — | — | — | — | — | — |
| **Total assets** | 79 | 27 | 37 | 143 | 16 | — | — | 16 | 23 | — | — | 23 |
| **Liabilities** | | | | | | | | | | | | |
| Deferred compensation obligation | — | (3) | — | (3) | — | (1) | — | (1) | — | — | — | — |
| **Total liabilities** | — | (3) | — | (3) | — | (1) | — | (1) | — | — | — | — |
| **Total net assets (liabilities)** | $ 79 | $ 24 | $ 37 | $ 140 | $ 16 | $ (1) | $ — | $ 15 | $ 23 | $ — | $ — | $ 23 |

(a) PHI excludes cash of $45 million and $39 million at September 30, 2019 and December 31, 2018, respectively, and includes long-term restricted cash of $15 million and $19 million at September 30, 2019 and December 31, 2018, respectively, which is reported in Other deferred debits in the Consolidated Balance Sheets. Pepco excludes cash of $18 million and $15 million at September 30, 2019 and December 31, 2018, respectively. DPL excludes cash of $11 million and $8 million at September 30, 2019 and December 31, 2018, respectively. ACE excludes cash of $13 million and $7 million at September 30, 2019 and December 31, 2018, respectively, and includes long-term restricted cash of $15 million and $19 million at September 30, 2019 and December 31, 2018, respectively, which is reported in Other deferred debits in the Consolidated Balance Sheets.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the three and nine months ended September 30, 2019 and 2018:

| | Exelon | Generation | | | ComEd | PHI and Pepco | |
|---|---|---|---|---|---|---|---|
| **Three Months Ended September 30, 2019** | **Total** | **NDT Fund Investments** | **Mark-to-Market Derivatives** | **Total Generation** | **Mark-to-Market Derivatives** | **Life Insurance Contracts** | **Eliminated in Consolidation** |
| Balance as of June 30, 2019 | $ 1,179 | $ 539 | $ 873 | $ 1,412 | $ (273) | $ 40 | $ — |
| Total realized / unrealized gains (losses) | | | | | | | |
| Included in net income | (171) | 2 | (173) [a] | (171) | — | — | — |
| Included in noncurrent payables to affiliates | — | 11 | — | 11 | — | — | (11) |
| Included in regulatory assets/liabilities | 4 | — | — | — | (7) [b] | — | 11 |
| Change in collateral | 41 | — | 41 | 41 | — | — | — |
| Purchases, sales, issuances and settlements | | | | | | | |
| Purchases | 53 | 1 | 52 | 53 | — | — | — |
| Sales | (22) | (21) | (1) | (22) | — | — | — |
| Settlements | (18) | (18) | — | (18) | — | — | — |
| Transfers into Level 3 | 1 | — | 1 [c] | 1 | — | — | — |
| Transfers out of Level 3 | (11) | — | (11) [c] | (11) | — | — | — |
| Balance at September 30, 2019 | $ 1,056 | $ 514 | $ 782 | $ 1,296 | $ (280) | $ 40 | $ — |
| The amount of total (losses) gains included in income attributed to the change in unrealized gains (losses) related to assets and liabilities as of September 30, 2019 | $ (18) | $ 2 | $ (20) | $ (18) | $ — | $ — | $ — |

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

| | Exelon | Generation | | | ComEd | PHI and Pepco | |
|---|---|---|---|---|---|---|---|
| Nine Months Ended September 30, 2019 | Total | NDT Fund Investments | Mark-to-Market Derivatives | Total Generation | Mark-to-Market Derivatives | Life Insurance Contracts | Eliminated in Consolidation |
| Balance as of December 31, 2018 | $ 907 | $ 543 | $ 575 | $ 1,118 | $ (249) | $ 38 | $ — |
| Total realized / unrealized gains (losses) | | | | | | | |
| Included in net income | (125) | 5 | (132) (a) | (127) | — | 2 | — |
| Included in noncurrent payables to affiliates | — | 32 | — | 32 | — | — | (32) |
| Included in regulatory assets | 1 | — | — | — | (31) (b) | — | 32 |
| Change in collateral | 227 | — | 227 | 227 | — | — | — |
| Purchases, sales, issuances and settlements | | | | | | | |
| Purchases | 163 | 43 | 120 | 163 | — | — | — |
| Sales | (23) | (21) | (2) | (23) | — | — | — |
| Settlements | (88) | (88) | — | (88) | — | — | — |
| Transfers into Level 3 | 5 | — | 5 (c) | 5 | — | — | — |
| Transfers out of Level 3 | (11) | — | (11) (c) | (11) | — | — | — |
| Balance as of September 30, 2019 | $ 1,056 | $ 514 | $ 782 | $ 1,296 | $ (280) | $ 40 | $ — |
| The amount of total gains (losses) included in income attributed to the change in unrealized gains (losses) related to assets and liabilities as of September 30, 2019 | $ 173 | $ 5 | $ 166 | $ 171 | $ — | $ 2 | $ — |

(a) Includes a reduction for the reclassification of $153 million and $298 million of realized gains due to the settlement of derivative contracts for the three and nine months ended September 30, 2019, respectively.
(b) Includes $7 million of decreases in fair value and an increase for realized losses due to settlements of $4 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers for the three months ended September 30, 2019. Includes $31 million of decreases in fair value and an increase for realized losses due to settlements of $17 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers for the nine months ended September 30, 2019.
(c) Transfers into and out of Level 3 generally occur when the contract tenor becomes less and more observable respectively, primarily due to changes in market liquidity or assumptions for certain commodity contracts.

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

| | Exelon | Generation | | | ComEd | PHI and Pepco | |
|---|---|---|---|---|---|---|---|
| Three Months Ended September 30, 2018 | Total | NDT Fund Investments | Mark-to-Market Derivatives | Total Generation | Mark-to-Market Derivatives | Life Insurance Contracts | Eliminated in Consolidation |
| Balance as of June 30, 2018 | $ 1,106 | $ 585 | $ 737 | $ 1,322 | $ (252) | $ 36 | $ — |
| Total realized / unrealized gains (losses) | | | | | | | |
| Included in net income | (259) | (1) | (259) (a) | (260) | — | 1 | — |
| Included in noncurrent payables to affiliates | — | (4) | — | (4) | — | — | 4 |
| Included in regulatory assets | (11) | — | — | — | (7) (b) | — | (4) |
| Change in collateral | (44) | — | (44) | (44) | — | — | — |
| Purchases, sales, issuances and settlements | | | | | | | |
| Purchases | 96 | 15 | 81 | 96 | — | — | — |
| Settlements | (29) | (29) | — | (29) | — | — | — |
| Transfers into Level 3 | 3 | — | 3 (c) | 3 | — | — | — |
| Transfers out of Level 3 | (6) | — | (6) (c) | (6) | — | — | — |
| Balance as of September 30, 2018 | $ 856 | $ 566 | $ 512 | $ 1,078 | $ (259) | $ 37 | $ — |
| The amount of total gains (losses) included in income attributed to the change in unrealized gains (losses) related to assets and liabilities as of September 30, 2018 | $ (105) | $ (1) | $ (104) | $ (105) | $ — | $ — | $ — |

| | Exelon | Generation | | | ComEd | PHI and Pepco | |
|---|---|---|---|---|---|---|---|
| Nine Months Ended September 30, 2018 | Total | NDT Fund Investments | Mark-to-Market Derivatives | Total Generation | Mark-to-Market Derivatives | Life Insurance Contracts | Eliminated in Consolidation |
| Balance as of December 31, 2017 | $ 966 | $ 648 | $ 552 | $ 1,200 | $ (256) | $ 22 | $ — |
| Total realized / unrealized gains (losses) | | | | | | | |
| Included in net income | (186) | (1) | (188) (a) | (189) | — | 3 | — |
| Included in regulatory assets | (3) | — | — | — | (3) (b) | — | — |
| Change in collateral | 14 | — | 14 | 14 | — | — | — |
| Purchases, sales, issuances and settlements | | | | | | | |
| Purchases | 215 | 34 | 181 | 215 | — | — | — |
| Sales | (3) | — | (3) | (3) | — | — | — |
| Settlements | (103) | (115) | — | (115) | — | 12 | — |
| Transfers into Level 3 | (21) | — | (21) (c) | (21) | — | — | — |
| Transfers out of Level 3 | (23) | — | (23) (c) | (23) | — | — | — |
| Balance as of September 30, 2018 | $ 856 | $ 566 | $ 512 | $ 1,078 | $ (259) | $ 37 | $ — |
| The amount of total gains (losses) included in income attributed to the change in unrealized gains (losses) related to assets and liabilities as of September 30, 2018 | $ 154 | $ (5) | $ 159 | $ 154 | $ — | $ — | $ — |

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(a) Includes a reduction for the reclassification of $155 million and $347 million of realized losses due to the settlement of derivative contracts for the three and nine months ended September 30, 2018, respectively.
(b) Includes $4 million of increases in fair value and an increase for realized losses due to settlements of $3 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers for the three months ended September 30, 2018. Includes $9 million of decreases in fair value and an increase for realized losses due to settlements of $12 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers for the nine months ended September 30, 2018.
(c) Transfers into and out of Level 3 generally occur when the contract tenor becomes less and more observable respectively, primarily due to changes in market liquidity or assumptions for certain commodity contracts.

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

The following tables present the income statement classification of the total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the three and nine months ended September 30, 2019 and 2018:

| | Exelon | | | | Generation | | | PHI and Pepco |
|---|---|---|---|---|---|---|---|---|
| | Operating Revenues | Purchased Power and Fuel | Operating and Maintenance | Other, net | Operating Revenues | Purchased Power and Fuel | Other, net | Operating and Maintenance |
| Total realized (losses) gains for the three months ended September 30, 2019 | $ (25) | $ (148) | $ — | $ 2 | $ (25) | $ (148) | $ 2 | $ — |
| Total realized gains (losses) for the nine months ended September 30, 2019 | 122 | (254) | — | 5 | 122 | (254) | 5 | — |
| Total unrealized gains (losses) for the three months ended September 30, 2019 | 99 | (119) | — | 2 | 99 | (119) | 2 | — |
| Total unrealized gains (losses) for the nine months ended September 30, 2019 | 368 | (202) | 2 | 5 | 368 | (202) | 5 | 2 |

| | Exelon | | | | Generation | | | PHI and Pepco |
|---|---|---|---|---|---|---|---|---|
| | Operating Revenues | Purchased Power and Fuel | Operating and Maintenance | Other, net | Operating Revenues | Purchased Power and Fuel | Other, net | Operating and Maintenance |
| Total realized (losses) gains for the three months ended September 30, 2018 | $ (176) | $ (83) | $ 1 | $ (1) | $ (176) | $ (83) | $ (1) | $ 1 |
| Total realized (losses) gains for the nine months ended September 30, 2018 | (32) | (156) | 3 | (1) | (32) | (156) | (1) | 3 |
| Total unrealized (losses) for the three months ended September 30, 2018 | (64) | (40) | — | (1) | (64) | (40) | (1) | — |
| Total unrealized gains (losses) for the nine months ended September 30, 2018 | 174 | (15) | — | (5) | 174 | (15) | (5) | — |

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

The table below discloses the significant inputs to the forward curve used to value these positions.

| Type of trade | Fair Value at September 30, 2019 | Fair Value at December 31, 2018 | Valuation Technique | Unobservable Input | 2019 Range | | | 2018 Range | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Mark-to-market derivatives — Economic Hedges (Exelon and Generation)[(a)(b)] | $ 411 | $ 443 | Discounted Cash Flow | Forward power price | $11 | - | $167 | $12 | - | $174 |
| | | | | Forward gas price | $1.36 | - | $10.82 | $0.78 | - | $12.38 |
| | | | Option Model | Volatility percentage | 9% | - | 200% | 10% | - | 277% |
| Mark-to-market derivatives — Proprietary trading (Exelon and Generation)[(a)(b)] | $ 67 | $ 56 | Discounted Cash Flow | Forward power price | $17 | - | $167 | $14 | - | $174 |
| Mark-to-market derivatives (Exelon and ComEd) | $ (280) | $ (249) | Discounted Cash Flow | Forward heat rate[(c)] | 9x | - | 10x | 10x | - | 11x |
| | | | | Marketability reserve | 4% | - | 7% | 4% | - | 8% |
| | | | | Renewable factor | 87% | - | 119% | 86% | - | 120% |

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(a) The valuation techniques, unobservable inputs and ranges are the same for the asset and liability positions.
(b) The fair values do not include cash collateral posted on level three positions of $304 million and $76 million as of September 30, 2019 and December 31, 2018, respectively.
(c) Quoted forward natural gas rates are utilized to project the forward power curve for the delivery of energy at specified future dates. The natural gas curve is extrapolated beyond its observable period to the end of the contract's delivery.

The inputs listed above, which are as of the balance sheet date, would have a direct impact on the fair values of the above instruments if they were adjusted. The significant unobservable inputs used in the fair value measurement of Generation's commodity derivatives are forward commodity prices and for options is price volatility. Increases (decreases) in the forward commodity price in isolation would result in significantly higher (lower) fair values for long positions (contracts that give Generation the obligation or option to purchase a commodity), with offsetting impacts to short positions (contracts that give Generation the obligation or right to sell a commodity). Increases (decreases) in volatility would increase (decrease) the value for the holder of the option (writer of the option). Generally, a change in the estimate of forward commodity prices is unrelated to a change in the estimate of volatility of prices. An increase to the reserves listed above would decrease the fair value of the positions. An increase to the heat rate or renewable factors would increase the fair value accordingly. Generally, interrelationships exist between market prices of natural gas and power. As such, an increase in natural gas pricing would potentially have a similar impact on forward power markets.

## 10. Derivative Financial Instruments (All Registrants)

The Registrants use derivative instruments to manage commodity price risk, interest rate risk and foreign exchange risk related to ongoing business operations.

Authoritative guidance requires that derivative instruments be recognized as either assets or liabilities at fair value, with changes in fair value of the derivative recognized in earnings immediately. Other accounting treatments are available through special election and designation, provided they meet specific, restrictive criteria both at the time of designation and on an ongoing basis. These alternative permissible accounting treatments include NPNS, cash flow hedges and fair value hedges. All derivative economic hedges related to commodities, referred to as economic hedges, are recorded at fair value through earnings at Generation and offset by a corresponding regulatory asset or liability at ComEd. For all NPNS derivative instruments, accounts receivable or accounts payable are recorded when derivative settles and revenue or expense is recognized in earnings as the underlying physical commodity is sold or consumed.

Authoritative guidance about offsetting assets and liabilities requires the fair value of derivative instruments to be shown in the Combined Notes to Consolidated Financial Statements on a gross basis, even when the derivative instruments are subject to legally enforceable master netting agreements and qualify for net presentation in the Consolidated Balance Sheets. A master netting agreement is an agreement between two counterparties that may have derivative and non-derivative contracts with each other providing for the net settlement of all referencing contracts via one payment stream, which takes place as the contracts deliver, when collateral is requested or in the event of default. In the tables below that present fair value balances, Generation's energy-related economic hedges and proprietary trading derivatives are shown gross. The impact of the netting of fair value balances with the same counterparty that are subject to legally enforceable master netting agreements, as well as netting of cash collateral, including margin on exchange positions, is aggregated in the collateral and netting columns.

Generation's and ComEd's use of cash collateral is generally unrestricted unless Generation or ComEd are downgraded below investment grade. Cash collateral held by PECO, BGE, Pepco, DPL and ACE must be deposited in an unaffiliated major U.S. commercial bank or foreign bank with a U.S. branch office that meet certain qualifications.

**Commodity Price Risk (All Registrants)**

Each of the Registrants employ established policies and procedures to manage their risks associated with market fluctuations in commodity prices by entering into physical and financial derivative contracts, including swaps, futures, forwards, options and short-term and long-term commitments to purchase and sell energy and commodity products. The Registrants believe these instruments, which are either determined to be non-derivative or classified as economic hedges, mitigate exposure to fluctuations in commodity prices.

***Generation.*** To the extent the amount of energy Generation produces differs from the amount of energy it has contracted to sell, Exelon and Generation are exposed to market fluctuations in the prices of electricity, fossil fuels and other commodities. Within Exelon, Generation has the most exposure to commodity price risk. As such, Generation uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including power and gas sales, fuel and power purchases, natural gas transportation and pipeline capacity agreements and other energy-related products marketed and purchased. To manage these risks, Generation may enter into fixed-price derivative or non-derivative contracts to hedge the variability in future cash flows from expected sales of power and gas and purchases of power and fuel. The objectives for executing such hedges include fixing the price for a portion of anticipated future electricity sales at a level that provides an acceptable return. Generation is also exposed to differences between the locational settlement prices of certain economic hedges and the hedged generating units. This price difference is actively managed through other instruments which include derivative congestion products, whose changes in fair value are recognized in earnings each period, and auction revenue rights, which are accounted for on an accrual basis.

Additionally, Generation is exposed to certain market risks through its proprietary trading activities. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's overall energy marketing activities and are subject to limits established by Exelon's RMC.

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

***Utility Registrants***. The Utility Registrants procure electric and natural gas supply through a competitive procurement process approved by each of the respective state utility commissions. The Utility Registrants' hedging programs are intended to reduce exposure to energy and natural gas price volatility and have no direct earnings impact as the costs are fully recovered from customers through regulatory-approved recovery mechanisms. The following table provides a summary of the Utility Registrants' primary derivative hedging instruments, listed by commodity and accounting treatment.

| Registrant | Commodity | Accounting Treatment | Hedging instrument |
|---|---|---|---|
| ComEd | Electricity | NPNS | Fixed price contracts based on all requirements in the IPA procurement plans. |
| | Electricity | Changes in fair value of economic hedge recorded to an offsetting regulatory asset or liability[(a)] | 20-year floating-to-fixed energy swap contracts beginning June 2012 based on the renewable energy resource procurement requirements in the Illinois Settlement Legislation of approximately 1.3 million MWhs per year. |
| PECO[(b)] | Gas | NPNS | Fixed price contracts to cover about 20% of planned natural gas purchases in support of projected firm sales. |
| BGE | Electricity | NPNS | Fixed price contracts for all SOS requirements through full requirements contracts. |
| | Gas | NPNS | Fixed price contracts for between 10-20% of forecasted system supply requirements for flowing (i.e., non-storage) gas for the November through March period. |
| Pepco | Electricity | NPNS | Fixed price contracts for all SOS requirements through full requirements contracts. |
| DPL | Electricity | NPNS | Fixed price contracts for all SOS requirements through full requirements contracts. |
| | Gas | NPNS | Fixed price contracts through full requirements contracts. |
| | | Changes in fair value of economic hedge recorded to an offsetting regulatory asset or liability [(c)] | Exchange traded future contracts for 50% of estimated monthly purchase requirements each month, including purchases for storage injections. |
| ACE | Electricity | NPNS | Fixed price contracts for all BGS requirements through full requirements contracts. |

(a) See Note 4 - Regulatory Matters for additional information.
(b) As part of its hedging program, PECO enters into electric supply procurement contracts that do not meet the definition of a derivative instrument.
(c) The fair value of the DPL economic hedge is not material as of September 30, 2019 and December 31, 2018 and is not presented in the fair value tables below.

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

The following table provides a summary of the derivative fair value balances recorded by Exelon, Generation and ComEd as of September 30, 2019 and December 31, 2018:

| September 30, 2019 | Exelon | Generation | | | | | ComEd |
|---|---|---|---|---|---|---|---|
| Derivatives | Total Derivatives | Economic Hedges | Proprietary Trading | Collateral (a)(b) | Netting (a) | Subtotal | Economic Hedges |
| Mark-to-market derivative assets (current assets) | $ 602 | $ 2,452 | $ 143 | $ 212 | $ (2,205) | $ 602 | $ — |
| Mark-to-market derivative assets (noncurrent assets) | 483 | 1,386 | 67 | 104 | (1,074) | 483 | — |
| Total mark-to-market derivative assets | 1,085 | 3,838 | 210 | 316 | (3,279) | 1,085 | — |
| Mark-to-market derivative liabilities (current liabilities) | (224) | (2,550) | (101) | 249 | 2,205 | (197) | (27) |
| Mark-to-market derivative liabilities (noncurrent liabilities) | (394) | (1,324) | (47) | 156 | 1,074 | (141) | (253) |
| Total mark-to-market derivative liabilities | (618) | (3,874) | (148) | 405 | 3,279 | (338) | (280) |
| Total mark-to-market derivative net assets (liabilities) | $ 467 | $ (36) | $ 62 | $ 721 | $ — | $ 747 | $ (280) |

| December 31, 2018 | Exelon | Generation | | | | | ComEd |
|---|---|---|---|---|---|---|---|
| Description | Total Derivatives | Economic Hedges | Proprietary Trading | Collateral (a)(b) | Netting (a) | Subtotal | Economic Hedges |
| Mark-to-market derivative assets (current assets) | $ 801 | $ 3,505 | $ 105 | $ 121 | $ (2,930) | $ 801 | $ — |
| Mark-to-market derivative assets (noncurrent assets) | 445 | 1,266 | 41 | 51 | (913) | 445 | — |
| Total mark-to-market derivative assets | 1,246 | 4,771 | 146 | 172 | (3,843) | 1,246 | — |
| Mark-to-market derivative liabilities (current liabilities) | (473) | (3,429) | (74) | 125 | 2,931 | (447) | (26) |
| Mark-to-market derivative liabilities (noncurrent liabilities) | (474) | (1,203) | (20) | 60 | 912 | (251) | (223) |
| Total mark-to-market derivative liabilities | (947) | (4,632) | (94) | 185 | 3,843 | (698) | (249) |
| Total mark-to-market derivative net assets (liabilities) | $ 299 | $ 139 | $ 52 | $ 357 | $ — | $ 548 | $ (249) |

(a) Exelon and Generation net all available amounts allowed under the derivative authoritative guidance in the balance sheet. These amounts include unrealized derivative transactions with the same counterparty under legally enforceable master netting agreements and cash collateral. In some cases Exelon and Generation may have other offsetting exposures, subject to a master netting or similar agreement, such as trade receivables and payables, transactions that do not qualify as derivatives, letters of credit and other forms of non-cash collateral. These amounts are immaterial and not reflected in the table above.
(b) Of the collateral posted/(received), $306 million and $(94) million represents variation margin on the exchanges at September 30, 2019 and December 31, 2018 respectively.

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

***Economic Hedges (Commodity Price Risk)***

***Generation.*** For the three and nine months ended September 30, 2019 and 2018, Exelon and Generation recognized the following net pre-tax commodity mark-to-market gains (losses) which are also located in the Net fair value changes related to derivatives line in the Consolidated Statements of Cash Flows.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Income Statement Location | Gain (Loss) | | Gain (Loss) | |
| Operating revenues | $ 76 | $ 8 | $ 65 | $ (99) |
| Purchased power and fuel | (45) | 66 | (127) | (4) |
| Total Exelon and Generation | $ 31 | $ 74 | $ (62) | $ (103) |

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions that have not been hedged. Generation hedges commodity price risk on a ratable basis over three-year periods. As of September 30, 2019, the percentage of expected generation hedged for the Mid-Atlantic, Midwest, New York and ERCOT reportable segments is 96%-99%, 84%-87% and 54%-57% for 2019, 2020 and 2021, respectively.

***Proprietary Trading (Commodity Price Risk)***

Generation also executes commodity derivatives for proprietary trading purposes. Proprietary trading includes all contracts executed with the intent of benefiting from shifts or changes in market prices as opposed to those executed with the intent of hedging or managing risk. Gains and losses associated with proprietary trading are reported as Operating revenues in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and are included in the Net fair value changes related to derivatives line in the Consolidated Statements of Cash Flows. For the three and nine months ended September 30, 2019 and 2018, net pre-tax commodity mark-to-market gains (losses) for Exelon and Generation were not material. The Utility Registrants do not execute derivatives for proprietary trading purposes.

**Interest Rate and Foreign Exchange Risk (Exelon and Generation)**

Exelon and Generation utilize interest rate swaps, which are treated as economic hedges, to manage their interest rate exposure. On July 1, 2018, Exelon de-designated its fair value hedges related to interest rate risk and Generation de-designated its cash flow hedges related to interest rate risk. The notional amounts were $1,371 million and $1,420 million at September 30, 2019 and December 31, 2018, respectively, for Exelon and $571 million and $620 million at September 30, 2019 and December 31, 2018, respectively, for Generation.

Generation utilizes foreign currency derivatives to manage foreign exchange rate exposure associated with international commodity purchases in currencies other than U.S. dollars, which are treated as economic hedges. The notional amounts were $257 million and $268 million at September 30, 2019 and December 31, 2018, respectively.

The mark-to-market derivative assets and liabilities as of September 30, 2019 and December 31, 2018 and the mark-to-market gains and losses for the three and nine months ended September 30, 2019 and 2018 were not material for Exelon and Generation.

**Credit Risk (All Registrants)**

The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties on executed derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date.

***Generation.*** For commodity derivatives, Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allow for cross product netting. In addition to payment netting language in the enabling agreement, Generation's credit department establishes credit limits, margining thresholds and collateral requirements for each counterparty, which are defined in the derivative contracts. Counterparty credit limits are based on an internal credit review process that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings by credit rating agencies, and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

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

The following tables provide information on Generation's credit exposure for all derivative instruments, NPNS and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of September 30, 2019. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties. The figures in the tables below exclude credit risk exposure from individual retail counterparties, nuclear fuel procurement contracts and exposure through RTOs, ISOs, NYMEX, ICE, NASDAQ, NGX and Nodal commodity exchanges. Additionally, the figures in the tables below exclude exposures with affiliates, including net receivables with ComEd, PECO, BGE, Pepco, DPL and ACE of $68 million, $30 million, $32 million, $39 million, $15 million and $8 million as of September 30, 2019, respectively.

| Rating as of September 30, 2019 | Total Exposure Before Credit Collateral | Credit Collateral(a) | Net Exposure | Number of Counterparties Greater than 10% of Net Exposure | Net Exposure of Counterparties Greater than 10% of Net Exposure |
|---|---|---|---|---|---|
| Investment grade | $ 693 | $ 10 | $ 683 | — | $ — |
| Non-investment grade | 74 | 38 | 36 | | |
| No external ratings | | | | | |
| Internally rated — investment grade | 297 | 1 | 296 | | |
| Internally rated — non-investment grade | 175 | 24 | 151 | | |
| Total | $ 1,239 | $ 73 | $ 1,166 | — | $ — |

| Net Credit Exposure by Type of Counterparty | As of September 30, 2019 |
|---|---|
| Financial institutions | $ 1 |
| Investor-owned utilities, marketers, power producers | 875 |
| Energy cooperatives and municipalities | 255 |
| Other | 35 |
| Total | $ 1,166 |

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(a) As of September 30, 2019, credit collateral held from counterparties where Generation had credit exposure included $18 million of cash and $55 million of letters of credit. The credit collateral does not include non-liquid collateral.

***Utility Registrants.*** The Utility Registrants have contracts to procure electric and natural gas supply that provide suppliers with a certain amount of unsecured credit. If the exposure on the supply contract exceeds the amount of unsecured credit, the suppliers may be required to post collateral. The net credit exposure is mitigated primarily by the ability to recover procurement costs through customer rates. As of September 30, 2019, the Utility Registrants' counterparty credit risk with suppliers was immaterial.

***Credit-Risk-Related Contingent Features (All Registrants)***

***Generation.*** As part of the normal course of business, Generation routinely enters into physically or financially settled contracts for the purchase and sale of electric capacity, electricity, fuels, emissions allowances and other energy-related products. Certain of Generation's derivative instruments contain provisions that require Generation to post collateral. Generation also enters into commodity transactions on exchanges where the exchanges act as the counterparty to each trade. Transactions on the exchanges must adhere to comprehensive collateral and margining requirements. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Generation's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit-risk-related contingent features stipulate that if Generation were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. This incremental collateral requirement allows for the offsetting of derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master netting agreements. In the absence of expressly agreed-to provisions that specify the collateral that must be provided, collateral requested will be a function of the facts and circumstances of the situation at the time of the demand. In this case, Generation believes an amount of several months of future payments (i.e., capacity payments) rather than a calculation of fair value is the best estimate for the contingent collateral obligation, which has been factored into the disclosure below.

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

The aggregate fair value of all derivative instruments with credit-risk related contingent features in a liability position that are not fully collateralized (excluding transactions on the exchanges that are fully collateralized) is detailed in the table below:

| Credit-Risk Related Contingent Features | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Gross fair value of derivative contracts containing this feature[(a)] | $ (1,249) | $ (1,723) |
| Offsetting fair value of in-the-money contracts under master netting arrangements[(b)] | 947 | 1,105 |
| Net fair value of derivative contracts containing this feature[(c)] | $ (302) | $ (618) |

(a) Amount represents the gross fair value of out-of-the-money derivative contracts containing credit-risk related contingent features ignoring the effects of master netting agreements.
(b) Amount represents the offsetting fair value of in-the-money derivative contracts under legally enforceable master netting agreements with the same counterparty, which reduces the amount of any liability for which a Registrant could potentially be required to post collateral.
(c) Amount represents the net fair value of out-of-the-money derivative contracts containing credit-risk related contingent features after considering the mitigating effects of offsetting positions under master netting arrangements and reflects the actual net liability upon which any potential contingent collateral obligations would be based.

As of September 30, 2019 and December 31, 2018, Exelon and Generation posted or held the following amounts of cash collateral and letters of credit on derivative contracts with external counterparties, after giving consideration to offsetting derivative and non-derivative positions under master netting agreements.

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash collateral posted | $ 787 | $ 418 |
| Letters of credit posted | 273 | 367 |
| Cash collateral held | 96 | 47 |
| Letters of credit held | 58 | 44 |
| Additional collateral required in the event of a credit downgrade below investment grade | 1,481 | 2,104 |

Generation entered into supply forward contracts with certain utilities, including PECO and BGE, with one-sided collateral postings only from Generation. If market prices fall below the benchmark price levels in these contracts, the utilities are not required to post collateral. However, when market prices rise above the benchmark price levels, counterparty suppliers, including Generation, are required to post collateral once certain unsecured credit limits are exceeded.

***Utility Registrants***

The Utility Registrants' electric supply procurement contracts do not contain provisions that would require them to post collateral.

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

PECO's, BGE's, and DPL's natural gas procurement contracts contain provisions that could require PECO, BGE, and DPL to post collateral in the form of cash or credit support, which vary by contract and counterparty, with thresholds contingent upon PECO's, BGE, and DPL's credit rating. As of September 30, 2019, PECO, BGE, and DPL were not required to post collateral for any of these agreements. If PECO, BGE or DPL lost their investment grade credit ratings as of September 30, 2019, they could have been required to post incremental collateral to its counterparties of $28 million, $26 million and $11 million, respectively.

## 11. Debt and Credit Agreements (All Registrants)

### Short-Term Borrowings

Exelon Corporate, ComEd, BGE, Pepco, DPL and ACE meet their short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the Exelon intercompany money pool. PHI Corporate meets its short-term liquidity requirements primarily through the issuance of short-term notes and the Exelon intercompany money pool. The Registrants may use their respective credit facilities for general corporate purposes, including meeting short-term funding requirements and the issuance of letters of credit.

### *Commercial Paper*

The following table reflects the Registrants' commercial paper programs as of September 30, 2019 and December 31, 2018. Generation and PECO had no commercial paper borrowings as of both September 30, 2019 and December 31, 2018.

| | Outstanding Commercial Paper as of | | Average Interest Rate on Commercial Paper Borrowings as of | |
|---|---|---|---|---|
| Commercial Paper Issuer | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Exelon | $ 519 | $ 89 | 2.50% | 2.15% |
| ComEd | 387 | — | 2.51% | 2.14% |
| BGE | — | 35 | 2.49% | 2.18% |
| PHI | 132 | 54 | 2.52% | 2.15% |
| PEPCO | 12 | 40 | 2.61% | 2.24% |
| DPL | 57 | — | 2.42% | 2.07% |
| ACE | 63 | 14 | 2.57% | 2.21% |

See Note 13— Debt and Credit Agreements of the Exelon 2018 Form 10-K for additional information on the Registrants' credit facilities.

### *Short-Term Loan Agreements*

On March 23, 2017, Exelon Corporate entered into a term loan agreement for $500 million, which was renewed on March 22, 2018 with an expiration of March 21, 2019. The loan agreement was renewed on March 20, 2019 and will expire on March 19, 2020. Pursuant to the loan agreement, loans made thereunder bear interest at a variable rate equal to LIBOR plus 0.95% and all indebtedness thereunder is unsecured. The loan agreement is reflected in Exelon's Consolidated Balance Sheet within Short-Term borrowings.

### *Credit Agreements*

On February 21, 2019, Generation entered into a credit agreement establishing a $100 million bilateral credit facility. The facility will mature in March 2021. This facility will solely be used by Generation to issue letters of credit.

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

## Long-Term Debt

### *Issuance of Long-Term Debt*

During the nine months ended September 30, 2019, the following long-term debt was issued:

| Company | Type | Interest Rate | Maturity | Amount | Use of Proceeds |
|---|---|---|---|---|---|
| Generation | Energy Efficiency Project Financing | 3.95% | August 31, 2020 | $ 4 | Funding to install energy conservation measures for the Fort Meade project. |
| Generation | Energy Efficiency Project Financing | 3.46% | May 1, 2020 | $ 39 | Funding to install energy conservation measures for the Marine Corps. Logistics Project. |
| ComEd | First Mortgage Bonds, Series 126 | 4.00% | March 1, 2049 | $ 400 | Repay a portion of ComEd's outstanding commercial paper obligations and fund other general corporate purposes. |
| PECO | First and Refunding Mortgage Bonds | 3.00% | September 15, 2049 | $ 325 | Repay short-term borrowings and for general corporate purposes |
| BGE | Senior Notes | 3.20% | September 15, 2049 | $ 400 | Repay commercial paper obligations and for general corporate purposes |
| Pepco | First Mortgage Bonds | 3.45% | June 13, 2029 | $ 150 | Repay existing indebtedness and for general corporate purposes |
| Pepco | Unsecured Tax-Exempt Bonds | 1.70% | September 1, 2022 | $ 110 | Refinance existing indebtedness |
| ACE | First Mortgage Bonds | 3.50% | May 21, 2029 | $ 100 | Repay existing indebtedness and for general corporate purposes |
| ACE | First Mortgage Bonds | 4.14% | May 21, 2049 | $ 50 | Repay existing indebtedness and for general corporate purposes |

## Debt Covenants

As of September 30, 2019, the Registrants are in compliance with debt covenants, except for Antelope Valley's nonrecourse debt event of default as discussed below.

## Nonrecourse Debt

Exelon and Generation have issued nonrecourse debt financing. Borrowings under these agreements are secured by the assets and equity of each respective project. The lenders do not have recourse against Exelon or Generation in the event of a default.

***Antelope Valley Solar Ranch One.*** In December 2011, the DOE Loan Programs Office issued a guarantee for up to $646 million for a nonrecourse loan from the Federal Financing Bank to support the financing of the construction of the Antelope Valley facility. The project became fully operational in 2014. The loan will mature on January 5, 2037. As of September 30, 2019, approximately $495 million was outstanding. In 2017, Generation's interests in Antelope Valley were also contributed to and are pledged as collateral for the EGR IV financing structure referenced below.

Antelope Valley sells all of its output to PG&E through a PPA. On January 29, 2019, PG&E filed for protection under Chapter 11 of the U.S. Bankruptcy Code, which created an event of default for Antelope Valley's nonrecourse debt that provides the lender with a right to accelerate amounts outstanding under the loan such that they would become immediately due and payable. As a result of the ongoing event of default and the absence of a waiver from the lender foregoing their acceleration rights, the debt was reclassified as current in Exelon's and Generation's Consolidated Balance Sheets in the first quarter of 2019 and continues to be classified as current as of September 30, 2019. Further, distributions from Antelope Valley to EGR IV are currently suspended.

***ExGen Renewables IV.*** In November 2017, EGR IV, an indirect subsidiary of Exelon and Generation, entered into an $850 million nonrecourse senior secured term loan credit facility agreement. Generation's interests in EGRP, Antelope Valley, SolGen, and Albany Green Energy were all contributed to and are pledged as collateral for this financing. The loan is scheduled to mature on November 28, 2024. As of September 30, 2019, $796 million was outstanding.

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

Although Antelope Valley's debt is in default, it is nonrecourse to EGR IV. However, if in the future Antelope Valley were to file for bankruptcy protection as a result of events culminating from PG&E's bankruptcy proceedings this would represent an event of default for EGR IV's debt that would provide the lender with an opportunity to accelerate EGR IV's debt.

See Note 13— Debt and Credit Agreements of the Exelon 2018 Form 10-K for additional information on nonrecourse debt.

## 12. Income Taxes (All Registrants)

### Rate Reconciliation

The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

| | Three Months Ended September 30, 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| U.S. Federal statutory rate | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Increase (decrease) due to: | | | | | | | | | |
| State income taxes, net of Federal income tax benefit | 6.4 | 5.2 | 8.1 | (0.3) | 6.3 | 4.8 | 1.9 | 6.6 | 6.9 |
| Qualified NDT fund income | 3.2 | 7.1 | — | — | — | — | — | — | — |
| Amortization of investment tax credit, including deferred taxes on basis difference | (4.1) | (8.9) | (0.2) | — | (0.1) | (0.2) | (0.1) | (0.2) | (0.3) |
| Plant basis differences | (1.7) | — | (1.0) | (7.5) | (1.1) | (1.8) | (2.6) | (0.6) | (1.9) |
| Production tax credits and other credits | (1.2) | (2.7) | — | — | — | — | — | — | — |
| Noncontrolling interests | (2.2) | (4.8) | — | — | — | — | — | — | — |
| Excess deferred tax amortization | (6.5) | — | (9.9) | (3.6) | (8.0) | (17.7) | (16.3) | (13.5) | (23.3) |
| Other | 0.7 | 0.5 | 0.4 | (0.5) | (0.2) | 0.8 | 1.0 | (0.1) | 0.7 |
| Effective income tax rate | 15.6% | 17.4% | 18.4% | 9.1% | 17.9% | 6.9% | 4.9% | 13.2% | 3.1% |

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

| | Three Months Ended September 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| U.S. Federal statutory rate | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Increase (decrease) due to: | | | | | | | | | |
| State income taxes, net of Federal income tax benefit | (1.2) | (9.0) | 8.3 | (3.6) | 7.3 | 0.2 | 1.0 | 6.6 | 7.3 |
| Qualified NDT fund income | 2.4 | 5.8 | — | — | — | — | — | — | — |
| Amortization of investment tax credit, including deferred taxes on basis difference | (0.6) | (1.1) | (0.2) | (0.1) | — | (0.2) | (0.1) | (0.3) | (0.3) |
| Plant basis differences | (2.5) | — | (0.3) | (15.2) | (0.8) | (2.0) | (3.4) | (0.7) | (1.3) |
| Production tax credits and other credits | (1.2) | (2.9) | (0.1) | — | — | — | — | — | — |
| Noncontrolling interests | (1.1) | (2.8) | — | — | — | — | — | — | — |
| Excess deferred tax amortization | (6.8) | — | (7.8) | (4.6) | (7.9) | (17.7) | (21.2) | (14.0) | (15.4) |
| Tax Cuts and Jobs Act of 2017 | 1.3 | 3.5 | — | — | — | 0.2 | 0.1 | — | — |
| Other | 3.2 | 5.6 | 0.3 | 0.9 | 2.6 | 0.6 | 0.3 | 0.6 | 0.3 |
| Effective income tax rate | 14.5% | 20.1% | 21.2% | (1.6)% | 22.2% | 2.1% | (2.3)% | 13.2% | 11.6% |

| | Nine Months Ended September 30, 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| U.S. Federal statutory rate | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Increase (decrease) due to: | | | | | | | | | |
| State income taxes, net of Federal income tax benefit | 5.1 | 4.2 | 8.2 | — | 6.4 | 4.8 | 2.0 | 6.7 | 6.9 |
| Qualified NDT fund income | 5.3 | 11.9 | — | — | — | — | — | — | — |
| Amortization of investment tax credit, including deferred taxes on basis difference | (1.9) | (4.0) | (0.2) | — | (0.1) | (0.2) | (0.1) | (0.2) | (0.3) |
| Plant basis differences | (1.6) | — | (0.7) | (6.8) | (1.1) | (1.8) | (2.3) | (0.6) | (2.0) |
| Production tax credits and other credits | (1.0) | (2.1) | — | — | — | — | — | — | — |
| Noncontrolling interests | (1.0) | (2.3) | — | — | — | — | — | — | — |
| Excess deferred tax amortization | (6.0) | — | (9.2) | (2.9) | (7.9) | (18.6) | (17.3) | (15.0) | (23.4) |
| Other | 0.8 | (0.1) | 0.2 | (0.2) | 0.1 | 0.5 | 0.7 | 0.2 | — |
| Effective income tax rate | 20.7% | 28.6% | 19.3% | 11.1% | 18.4% | 5.7% | 4.0% | 12.1% | 2.2% |

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

| | Nine Months Ended September 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| U.S. Federal statutory rate | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Increase (decrease) due to: | | | | | | | | | |
| State income taxes, net of Federal income tax benefit | 1.7 | (2.6) | 8.2 | (3.6) | 6.6 | 2.7 | 2.4 | 6.5 | 7.3 |
| Qualified NDT fund income | 0.9 | 2.6 | — | — | — | — | — | — | — |
| Amortization of investment tax credit, including deferred taxes on basis difference | (0.9) | (2.2) | (0.2) | (0.1) | (0.1) | (0.2) | (0.1) | (0.3) | (0.3) |
| Plant basis differences | (2.7) | — | (0.1) | (15.4) | (0.7) | (1.9) | (2.9) | (0.7) | (1.3) |
| Production tax credits and other credits | (1.8) | (5.1) | (0.1) | — | — | — | — | — | — |
| Noncontrolling interests | (1.1) | (3.2) | — | — | — | — | — | — | — |
| Excess deferred tax amortization | (6.1) | — | (7.6) | (3.4) | (8.1) | (14.5) | (16.5) | (11.0) | (14.0) |
| Tax Cuts and Jobs Act of 2017 | 0.2 | 1.3 | (0.2) | — | — | 0.3 | — | — | — |
| Other | 0.4 | 2.0 | 0.1 | — | 0.9 | 0.3 | — | 0.4 | 0.9 |
| Effective income tax rate | 11.6% | 13.8% | 21.1% | (1.5)% | 19.6% | 7.7% | 3.9% | 15.9% | 13.6% |

**Accounting for Uncertainty in Income Taxes**

Exelon, Generation, ComEd, PHI and ACE have the following unrecognized tax benefits as of September 30, 2019 and December 31, 2018. PECO, BGE, Pepco and DPL do not have unrecognized tax benefits for the periods presented.

| | Exelon | Generation | ComEd | PHI | ACE |
|---|---|---|---|---|---|
| September 30, 2019 | $ 448 | $ 411 | $ — | $ 45 | $ 14 |
| December 31, 2018 | $ 477 | $ 408 | $ 2 | $ 45 | $ 14 |

In 2016, the Tax Court held that Exelon was not entitled to defer a gain on its 1999 like-kind exchange transaction. In addition to the tax and interest related to the gain deferral, the Tax Court also ruled that Exelon was liable for penalties and interest on the penalties. Exelon had fully paid the amounts assessed resulting from the Tax Court decision in 2017. In September 2017, Exelon appealed the Tax Court decision to the U.S. Court of Appeals for the Seventh Circuit. In October 2018, the U.S. Court of Appeals for the Seventh Circuit affirmed the Tax Court's decision. Exelon filed a petition seeking rehearing of the Seventh Circuit's decision, but the Seventh Circuit denied that petition in December 2018. In the first quarter of 2019, Exelon elected not to seek a further review by the U.S. Supreme Court. As a result, Exelon's and ComEd's unrecognized tax benefits decreased by approximately $33 million and $2 million, respectively, in the first quarter of 2019.

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

**Reasonably possible the total amount of unrecognized tax benefits could significantly increase or decrease within 12 months after the reporting date**

***Settlement of Income Tax Audits, Refund Claims, and Litigation***

Exelon, Generation, PHI and ACE have the following unrecognized federal and state tax benefits that could significantly decrease within the 12 months after the reporting date as a result of completing audits, potential settlements, refund claims, and the outcomes of pending court cases as of September 30, 2019:

| Exelon[(a)] | Generation[(a)] | PHI[(b)] | ACE[(b)] |
|---|---|---|---|
| $ 425 | $ 411 | $ 14 | $ 14 |

(a) Exelon and Generation have $411 million that, if recognized, would decrease the effective tax rate.
(b) The unrecognized tax benefit related to PHI and ACE, if recognized, may be included in future base rates and that portion would have no impact to the effective tax rate.

**Other Income Tax Matters**

***Marginal State Income Tax Rate (Exelon, Generation)***

In the third quarter of 2019, Exelon reviewed and updated its marginal state income tax rates based on 2018 state apportionment rates. As a result of the rate changes, the following accounting adjustments were recorded as of September 30, 2019:

| | Exelon | Generation |
|---|---|---|
| Increase to deferred income tax liability | $ 23 | $ 9 |
| Increase to income tax expense, net of federal taxes | 23 | 9 |

***State Income Tax Law Changes***

On June 5, 2019, the Governor of Illinois signed a tax bill which would increase the Illinois corporate income tax rate from 9.50% to 10.49% effective for tax years beginning on or after January 1, 2021. The tax rate is contingent upon ratification of state constitutional amendments in November 2020. The effect of the rate change will be recognized in the period in which the new legislation is enacted. Exelon, Generation and ComEd do not expect a material impact to their financial statements as a result of the rate change.

**13. Nuclear Decommissioning (Exelon and Generation)**

**Nuclear Decommissioning Asset Retirement Obligations (Exelon and Generation)**

Generation has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. To estimate its decommissioning obligation related to its nuclear generating stations for financial accounting and reporting purposes, Generation uses a probability-weighted, discounted cash flow model which, on a unit-by-unit basis, considers multiple outcome scenarios that include significant estimates and assumptions, and are based on decommissioning cost studies, cost escalation rates, probabilistic cash flow models and discount rates. Generation updates its ARO annually, unless circumstances warrant more frequent updates, based on its review of updated cost studies and its annual evaluation of cost escalation factors and probabilities assigned to various scenarios.

The financial statement impact for changes in the ARO, on an individual unit basis, due to the changes in and timing of estimated cash flows generally result in a corresponding change in the unit's ARC within Property, plant and equipment on Exelon's and Generation's Consolidated Balance Sheets. If the ARO decreases for a Non-Regulatory Agreement unit without any remaining ARC, the corresponding change is recorded as decrease in Operating and maintenance expense within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

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

The following table provides a rollforward of the nuclear decommissioning ARO reflected in Exelon's and Generation's Consolidated Balance Sheets from December 31, 2018 to September 30, 2019:

| | | |
|---|---|---|
| Nuclear decommissioning ARO at December 31, 2018 [(a)(b)] | $ | 10,005 |
| Sale of Oyster Creek | | (755) |
| Accretion expense | | 361 |
| Net increase due to changes in, and timing of, estimated future cash flows | | 211 |
| Costs incurred related to decommissioning plants | | (52) |
| Nuclear decommissioning ARO at September 30, 2019 [(a)] | $ | 9,770 |

(a) Includes $127 million and $22 million as the current portion of the ARO at September 30, 2019 and December 31, 2018, respectively, which is included in Other current liabilities in Exelon's and Generation's Consolidated Balance Sheets.
(b) Includes $772 million of ARO related to Oyster Creek which was classified as Liabilities held for sale in Exelon's and Generation's Consolidated Balance Sheets at December 31, 2018. See Note 3 — Mergers, Acquisitions and Dispositions for additional information.

During the nine months ended September 30, 2019, Exelon's and Generation's total nuclear ARO decreased by approximately $235 million, primarily reflecting the sale of Oyster Creek, partially offset by the accretion of the ARO liability due to the passage of time and the net impacts of ARO updates completed during the first and third quarters of 2019.

The first quarter 2019 ARO update included an increase of approximately $330 million for a change in the assumed retirement timing probabilities for certain economically challenged nuclear plants and a $110 million decrease for the impacts of revised decommissioning cost estimates for TMI which incorporate site specific decommissioning planning activities associated with the early retirement of TMI on September 20, 2019. The TMI ARO adjustment resulted in an $85 million decrease in Operating and maintenance expense within Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income. See Note 8 — Early Plant Retirements for additional information.

The third quarter 2019 ARO update included a decrease of approximately $300 million due to lower estimated costs to decommission Nine Mile Point, Ginna, Braidwood, Byron and LaSalle nuclear units resulting from the completion of updated cost studies, partially offset by an increase of approximately $280 million for other impacts that included updated cost escalation rates, primarily for labor, equipment and materials, and current discount rates. The third quarter ARO adjustment resulted in a $65 million decrease in Operating and maintenance expense within Exelon and Generation's Consolidated Statements of Operations and Comprehensive Income.

**NDT Funds (Exelon and Generation)**

Exelon and Generation had NDT funds totaling $12,862 million and $12,695 million at September 30, 2019 and December 31, 2018, respectively. The NDT funds included $890 million at December 31, 2018, related to Oyster Creek NDT funds which were classified as Assets held for sale in Exelon's and Generation's Consolidated Balance Sheets. See Note 3 — Mergers, Acquisitions and Dispositions for additional information regarding the sale of Oyster Creek. The NDT funds also include $156 million and $144 million for the current portion of the NDT funds at September 30, 2019 and December 31, 2018, respectively, which are included in Other current assets in Exelon's and Generation's Consolidated Balance Sheets. See Note 17 — Supplemental Financial Information for additional information on activities of the NDT funds.

**NRC Minimum Funding Requirements (Exelon and Generation)**

NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in specified minimum amounts to decommission the facility at the end of its life.

Generation filed its biennial decommissioning funding status report with the NRC on April 1, 2019 for all units except for Zion Station which is included in a separate report to the NRC submitted by ZionSolutions, LLC. The status report demonstrated adequate decommissioning funding assurance as of December 31, 2018 for all units except for Clinton and Peach Bottom Unit 1. As of February 28, 2019, Clinton demonstrated adequate minimum funding assurance due to market recovery and no further action is required. This demonstration was also included in the

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

April 1, 2019 submittal. As a former PECO plant, financial assurance for decommissioning Peach Bottom Unit 1 is provided by the NDT fund, collections from PECO ratepayers, and the ability to adjust those collections in accordance with the approved PAPUC tariff. No additional actions are required aside from the PAPUC filing in accordance with the tariff. See Note 15 — Asset Retirement Obligations of the Exelon 2018 Form 10-K for information regarding the amount collected from PECO ratepayers for decommissioning cost.

## 14. Retirement Benefits (All Registrants)

Effective January 1, 2019, Exelon merged the Exelon Corporation Cash Balance Pension Plan (CBPP) into the Exelon Corporation Retirement Program (ECRP). The merging of the plans is not changing the benefits offered to the plan participants and, thus, has no impact on Exelon's pension obligation. However, beginning in 2019, actuarial losses and gains related to the CBPP and ECRP are being amortized over participants' average remaining service period of the merged ECRP rather than each individual plan.

### Defined Benefit Pension and OPEB

During the first quarter of 2019, Exelon received an updated valuation of its pension and OPEB to reflect actual census data as of January 1, 2019. This valuation resulted in an increase to the pension and OPEB obligations of $75 million and $36 million, respectively. Additionally, accumulated other comprehensive loss increased by $39 million (after-tax) and regulatory assets and liabilities increased by $53 million and decreased by $5 million, respectively.

The majority of the 2019 pension benefit cost for Exelon-sponsored plans is calculated using an expected long-term rate of return on plan assets of 7.00% and a discount rate of 4.31%. The majority of the 2019 OPEB cost is calculated using an expected long-term rate of return on plan assets of 6.67% for funded plans and a discount rate of 4.30%.

A portion of the net periodic benefit cost for all plans is capitalized within the Consolidated Balance Sheets. The following table presents the components of Exelon's net periodic benefit costs, prior to capitalization, for the three and nine months ended September 30, 2019 and 2018.

| | Pension Benefits Three Months Ended September 30, | | OPEB Three Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Components of net periodic benefit cost:** | | | | |
| Service cost | $ 89 | $ 100 | $ 23 | $ 28 |
| Interest cost | 221 | 201 | 47 | 43 |
| Expected return on assets | (306) | (312) | (38) | (43) |
| Amortization of: | | | | |
| Prior service benefit | — | — | (45) | (47) |
| Actuarial loss | 104 | 158 | 11 | 18 |
| Settlement charges | 7 | — | — | — |
| Contractual termination benefits | 1 | — | — | — |
| **Net periodic benefit cost** | $ 116 | $ 147 | $ (2) | $ (1) |

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

| | Pension Benefits Nine Months Ended September 30, | | OPEB Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Components of net periodic benefit cost:** | | | | |
| Service cost | $ 267 | $ 303 | $ 70 | $ 84 |
| Interest cost | 663 | 602 | 141 | 131 |
| Expected return on assets | (918) | (939) | (115) | (130) |
| Amortization of: | | | | |
| Prior service cost (benefit) | — | 1 | (134) | (140) |
| Actuarial loss | 310 | 472 | 34 | 50 |
| Settlement charges | 7 | 1 | — | — |
| Contractual termination benefits | 1 | — | — | — |
| **Net periodic benefit cost** | $ 330 | $ 440 | $ (4) | $ (5) |

The amounts below represent the Registrants' allocated pension and OPEB plan costs. For Exelon, the service cost component is included in Operating and maintenance expense and Property, plant and equipment, net while the non-service cost components are included in Other, net and Regulatory assets. For Generation and the Utility Registrants, the service cost and non-service cost components are included in Operating and maintenance expense and Property, plant and equipment, net in their consolidated financial statements.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Pension and OPEB Costs** | 2019 | 2018 | 2019 | 2018 |
| Exelon | $ 114 | $ 145 | $ 326 | $ 435 |
| Generation | 37 | 50 | 100 | 151 |
| ComEd | 23 | 45 | 70 | 133 |
| PECO | 4 | 5 | 9 | 14 |
| BGE | 16 | 15 | 47 | 44 |
| PHI | 23 | 17 | 71 | 51 |
| Pepco | 6 | 3 | 19 | 10 |
| DPL | 4 | 2 | 11 | 5 |
| ACE | 4 | 3 | 12 | 10 |

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

**Defined Contribution Savings Plans**

The Registrants participate in various 401(k) defined contribution savings plans that are sponsored by Exelon. The plans are qualified under applicable sections of the IRC and allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. All Registrants match a percentage of the employee contributions up to certain limits. The following table presents the matching contributions to the savings plans during the three and nine months ended September 30, 2019 and 2018, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Savings Plan Matching Contributions** | **2019** | **2018** | **2019** | **2018** |
| Exelon | $ 36 | $ 44 | $ 101 | $ 126 |
| Generation | 14 | 23 | 41 | 65 |
| ComEd | 9 | 8 | 26 | 23 |
| PECO | 2 | 2 | 7 | 7 |
| BGE | 4 | 2 | 9 | 5 |
| PHI | 4 | 4 | 8 | 10 |
| Pepco | 1 | 1 | 2 | 2 |
| DPL | 1 | 1 | 2 | 2 |
| ACE | 1 | 1 | 1 | 2 |

## 15. Changes in Accumulated Other Comprehensive Income (Exelon)

The following tables present changes in Exelon's AOCI, net of tax, by component:

| Three Months Ended September 30, 2019 | Losses on Cash Flow Hedges | Pension and Non-Pension Postretirement Benefit Plan Items [(a)] | Foreign Currency Items | AOCI of Investments in Unconsolidated Affiliates [(b)] | Total |
|---|---|---|---|---|---|
| Beginning balance | $ (2) | $ (2,957) | $ (29) | $ (2) | $ (2,990) |
| OCI before reclassifications | — | 6 | (2) | — | 4 |
| Amounts reclassified from AOCI | — | 21 | — | 2 | 23 |
| Net current-period OCI | — | 27 | (2) | 2 | 27 |
| Ending balance | $ (2) | $ (2,930) | $ (31) | $ — | $ (2,963) |

| Three Months Ended September 30, 2018 | Losses on Cash Flow Hedges | Pension and Non-Pension Postretirement Benefit Plan Items [(a)] | Foreign Currency Items | AOCI of Investments in Unconsolidated Affiliates [(b)] | Total |
|---|---|---|---|---|---|
| Beginning balance | $ (2) | $ (2,890) | $ (29) | $ — | $ (2,921) |
| OCI before reclassifications | — | 5 | 2 | — | 7 |
| Amounts reclassified from AOCI | — | 45 | — | — | 45 |
| Net current-period OCI | — | 50 | 2 | — | 52 |
| Ending balance | $ (2) | $ (2,840) | $ (27) | $ — | $ (2,869) |

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

| Nine Months Ended September 30, 2019 | Losses on Cash Flow Hedges | Pension and Non-Pension Postretirement Benefit Plan Items [(a)] | Foreign Currency Items | AOCI of Investments in Unconsolidated Affiliates [(b)] | Total |
|---|---|---|---|---|---|
| Beginning balance | $ (2) | $ (2,960) | $ (33) | $ — | $ (2,995) |
| OCI before reclassifications | — | (32) | 2 | (2) | (32) |
| Amounts reclassified from AOCI | — | 62 | — | 2 | 64 |
| Net current-period OCI | — | 30 | 2 | — | 32 |
| Ending balance | $ (2) | $ (2,930) | $ (31) | $ — | $ (2,963) |

| Nine Months Ended September 30, 2018 | Gains (Losses) on Cash Flow Hedges | Unrealized gains (losses) on Marketable Securities | Pension and Non-Pension Postretirement Benefit Plan Items [(a)] | Foreign Currency Items | AOCI of Investments in Unconsolidated Affiliates [(b)] | Total |
|---|---|---|---|---|---|---|
| Beginning balance | $ (14) | $ 10 | $ (2,998) | $ (23) | $ (1) | $ (3,026) |
| OCI before reclassifications | 11 | — | 22 | (4) | 1 | 30 |
| Amounts reclassified from AOCI | 1 | — | 136 | — | — | 137 |
| Net current-period OCI | 12 | — | 158 | (4) | 1 | 167 |
| Impact of adoption of Recognition and Measurement of Financial Assets and Liabilities standard[(c)] | — | (10) | — | — | — | (10) |
| Ending balance | $ (2) | $ — | $ (2,840) | $ (27) | $ — | $ (2,869) |

(a) AOCI amounts are included in the computation of net periodic pension and OPEB cost. See Note 14 — Retirement Benefits for additional information. See Exelon's Statements of Operations and Comprehensive Income for individual components of AOCI.
(b) All amounts are net of noncontrolling interests.
(c) Exelon prospectively adopted the new standard Recognition and Measurement of Financial Assets and Liabilities. The standard was adopted as of January 1, 2018, which resulted in an increase to Retained earnings and Accumulated other comprehensive loss of $10 million for Exelon. The amounts reclassified related to Rabbi Trusts.

The following table presents income tax benefit (expense) allocated to each component of Exelon's other comprehensive income (loss):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Pension and non-pension postretirement benefit plans: | | | | |
| Prior service benefit reclassified to periodic benefit cost | $ 6 | $ 6 | $ 18 | $ 18 |
| Actuarial loss reclassified to periodic benefit cost | (13) | (21) | (39) | (65) |
| Pension and non-pension postretirement benefit plans valuation adjustment | — | (2) | 14 | (8) |

## 16. Commitments and Contingencies (All Registrants)

The following is an update to the current status of commitments and contingencies set forth in Note 22 of the Exelon 2018 Form 10-K. See Note 5 — Mergers, Acquisitions and Dispositions of the Exelon 2018 Form 10-K for additional information on the PHI Merger commitments.

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

### Commitments

***PHI Merger Commitments (Exelon, PHI, Pepco, DPL and ACE).*** Approval of the PHI Merger in Delaware, New Jersey, Maryland and the District of Columbia was conditioned upon Exelon and PHI agreeing to certain commitments. The following amounts represent total commitment costs that have been recorded since the acquisition date and the total remaining obligations for Exelon, PHI, Pepco, DPL and ACE as of September 30, 2019:

| Description | Exelon | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|
| Total commitments | $ 513 | $ 320 | $ 120 | $ 89 | $ 111 |
| Remaining commitments[(a)] | 112 | 82 | 67 | 9 | 6 |

__________
(a) Remaining commitments extend through 2026 and include rate credits, energy efficiency programs. and delivery system modernization.

In addition, Exelon is committed to develop or to assist in the commercial development of approximately 37 MWs of new solar generation in Maryland, District of Columbia, and Delaware at an estimated cost of approximately $127 million, which will generate future earnings at Exelon and Generation. Investment costs, which are expected to be primarily capital in nature, are recognized as incurred and recorded in Exelon's and Generation's financial statements. As of September 30, 2019, 27 MWs of new generation were developed and Exelon and Generation have incurred costs of $107 million. Exelon has also committed to purchase 100 MWs of wind energy in PJM. DPL has committed to conducting three RFPs to procure up to a total of 120 MWs of wind RECs for the purpose of meeting Delaware's renewable portfolio standards. DPL has conducted two of the three wind REC RFPs. The first 40 MW wind REC tranche was conducted in 2017 and did not result in a purchase agreement. The second 40 MW wind REC tranche was conducted in 2018 and resulted in a proposed REC purchase agreement that was approved by the DPSC in March 2019. The third and final 40 MW wind REC tranche will be conducted in 2022.

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

***Commercial Commitments (All Registrants).*** The Registrants' commercial commitments as of September 30, 2019, representing commitments potentially triggered by future events were as follows:

| | | Expiration within | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and beyond |
| **Exelon** | | | | | | | |
| Letters of credit | $ 1,718 | $ 1,192 | $ 515 | $ 11 | $ — | $ — | $ — |
| Surety bonds[a] | 991 | 315 | 638 | 38 | — | — | — |
| Financing trust guarantees | 378 | — | — | — | — | — | 378 |
| Guaranteed lease residual values[b] | 26 | — | 2 | 3 | 4 | 3 | 15 |
| Total commercial commitments | $ 3,113 | $ 1,507 | $ 1,155 | $ 52 | $ 4 | $ 3 | $ 393 |
| **Generation** | | | | | | | |
| Letters of credit | $ 1,686 | $ 1,179 | $ 496 | $ 11 | $ — | $ — | $ — |
| Surety bonds[a] | 790 | 298 | 492 | — | — | — | — |
| Total commercial commitments | $ 2,476 | $ 1,477 | $ 988 | $ 11 | $ — | $ — | $ — |
| **ComEd** | | | | | | | |
| Letters of credit | $ 7 | $ 4 | $ 3 | $ — | $ — | $ — | $ — |
| Surety bonds[a] | 50 | 5 | 43 | 2 | — | — | — |
| Financing trust guarantees | 200 | — | — | — | — | — | 200 |
| Total commercial commitments | $ 257 | $ 9 | $ 46 | $ 2 | $ — | $ — | $ 200 |
| **PECO** | | | | | | | |
| Surety bonds[a] | $ 9 | $ 1 | $ 8 | $ — | $ — | $ — | $ — |
| Financing trust guarantees | 178 | — | — | — | — | — | 178 |
| Total commercial commitments | $ 187 | $ 1 | $ 8 | $ — | $ — | $ — | $ 178 |
| **BGE** | | | | | | | |
| Letters of credit | $ 8 | $ 2 | $ 6 | $ — | $ — | $ — | $ — |
| Surety bonds[a] | 17 | 2 | 15 | — | — | — | — |
| Total commercial commitments | $ 25 | $ 4 | $ 21 | $ — | $ — | $ — | $ — |
| **PHI** | | | | | | | |
| Letters of credit | $ 11 | $ 1 | $ 10 | $ — | $ — | $ — | $ — |
| Surety bonds[a] | 24 | 5 | 19 | — | — | — | — |
| Guaranteed lease residual values[b] | 26 | — | 2 | 3 | 4 | 3 | 15 |
| Total commercial commitments | $ 61 | $ 6 | $ 31 | $ 3 | $ 4 | $ 3 | $ 15 |
| **Pepco** | | | | | | | |
| Letters of credit | $ 10 | $ — | $ 10 | $ — | $ — | $ — | $ — |
| Surety bonds[a] | 17 | 2 | 15 | — | — | — | — |
| Guaranteed lease residual values[b] | 9 | — | — | 1 | 1 | 1 | 6 |
| Total commercial commitments | $ 36 | $ 2 | $ 25 | $ 1 | $ 1 | $ 1 | $ 6 |
| **DPL** | | | | | | | |
| Letters of credit | $ 1 | $ 1 | $ — | $ — | $ — | $ — | $ — |
| Surety bonds[a] | 4 | 2 | 2 | — | — | — | — |
| Guaranteed lease residual values[b] | 11 | — | 1 | 1 | 2 | 1 | 6 |
| Total commercial commitments | $ 16 | $ 3 | $ 3 | $ 1 | $ 2 | $ 1 | $ 6 |
| **ACE** | | | | | | | |
| Surety bonds[a] | $ 3 | $ 1 | $ 2 | $ — | $ — | $ — | $ — |
| Guaranteed lease residual values[b] | 7 | — | 1 | 1 | 1 | 1 | 3 |
| Total commercial commitments | $ 10 | $ 1 | $ 3 | $ 1 | $ 1 | $ 1 | $ 3 |

(a) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.
(b) Represents the maximum potential obligation in the event that the fair value of certain leased equipment and fleet vehicles is zero at the end of the maximum lease term. The lease term associated with these assets ranges from 1 to 8 years. The maximum potential obligation at the end of the minimum lease term would be $68 million guaranteed by Exelon and PHI, of which $22 million, $29 million and $17 million is guaranteed by Pepco, DPL and ACE, respectively. Historically, payments under the guarantees have not been made and PHI believes the likelihood of payments being required under the guarantees is remote.

**Environmental Remediation Matters**

***General (All Registrants).*** The Registrants' operations have in the past, and may in the future, require substantial expenditures to comply with environmental laws. Additionally, under Federal and state environmental laws, the Registrants are generally liable for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances generated by them. The Registrants own or lease a number of real estate parcels, including parcels on which their operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. In addition, the Registrants are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future. Unless otherwise disclosed, the Registrants cannot reasonably estimate whether they will incur significant liabilities for additional investigation and remediation costs at these or additional sites identified by the Registrants, environmental agencies or others, or whether such costs will be recoverable from third parties, including customers. Additional costs could have a material, unfavorable impact in the Registrants' financial statements.

***MGP Sites (Exelon, ComEd, PECO, BGE, PHI and DPL).*** ComEd, PECO, BGE and DPL have identified sites where former MGP or gas purification activities have or may have resulted in actual site contamination. For almost all of these sites, there are additional PRPs that may share responsibility for the ultimate remediation of each location.

- ComEd has identified 21 sites that are currently under some degree of active study and/or remediation. ComEd expects the majority of the remediation at these sites to continue through at least 2025.
- PECO has 8 sites that are currently under some degree of active study and/or remediation. PECO expects the majority of the remediation at these sites to continue through at least 2022.
- BGE has 4 sites that currently require some level of remediation and/or ongoing activity. BGE expects the majority of the remediation at these sites to continue through at least 2021.
- DPL has 1 site that is currently under study and the required cost at the site is not expected to be material.

The historical nature of the MGP and gas purification sites and the fact that many of the sites have been buried and built over, impacts the ability to determine a precise estimate of the ultimate costs prior to initial sampling and determination of the exact scope and method of remedial activity. Management determines its best estimate of remediation costs using all available information at the time of each study, including probabilistic and deterministic modeling for ComEd and PECO, and the remediation standards currently required by the applicable state environmental agency. Prior to completion of any significant clean up, each site remediation plan is approved by the appropriate state environmental agency.

ComEd, pursuant to an ICC order, and PECO, pursuant to settlements of natural gas distribution rate cases with the PAPUC, are currently recovering environmental remediation costs of former MGP facility sites through customer rates. While BGE and DPL do not have riders for MGP clean-up costs, they have historically received recovery of actual clean-up costs in distribution rates.

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

As of September 30, 2019 and December 31, 2018, the Registrants had accrued the following undiscounted amounts for environmental liabilities in Other current liabilities and Other deferred credits and other liabilities within their respective Consolidated Balance Sheets:

| | September 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Total environmental investigation and remediation liabilities | Portion of total related to MGP investigation and remediation | Total environmental investigation and remediation liabilities | Portion of total related to MGP investigation and remediation |
| Exelon | $ 507 | $ 346 | $ 496 | $ 356 |
| Generation | 107 | — | 108 | — |
| ComEd | 328 | 327 | 329 | 327 |
| PECO | 20 | 18 | 27 | 25 |
| BGE | 3 | 1 | 5 | 4 |
| PHI | 49 | — | 27 | — |
| Pepco | 47 | — | 25 | — |
| DPL | 1 | — | 1 | — |
| ACE | 1 | — | 1 | — |

***Cotter Corporation (Exelon and Generation).*** The EPA has advised Cotter Corporation (Cotter), a former ComEd subsidiary, that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. In 2000, ComEd sold Cotter to an unaffiliated third-party. As part of the sale, ComEd agreed to indemnify Cotter for any liability arising in connection with the West Lake Landfill. In connection with Exelon's 2001 corporate restructuring, this responsibility to indemnify Cotter was transferred to Generation. Including Cotter, there are three PRPs participating in the West Lake Landfill remediation proceeding. Investigation by Generation has identified a number of other parties who also may be PRPs and could be liable to contribute to the final remedy. Further investigation is ongoing.

In September 2018 the EPA issued its Record of Decision (ROD) Amendment for the selection of the final remedy. The ROD modified the EPA's previously proposed plan for partial excavation of the radiological materials by reducing the depths of the excavation. The ROD also allows for variation in depths of excavation depending on radiological concentrations. The EPA and the PRPs have entered into a Consent Agreement to perform the Remedial Design, which is expected to be completed in the 2020 - 2021 time frame. In March 2019 the PRPs received Special Notice Letters from the EPA to perform the Remedial Action work. The EPA has established a deadline of October 2019 for the PRPs to provide a good faith offer to conduct, or finance, the Remedial Action work. This schedule can be extended by the EPA pending completion of the Remedial Design. The estimated cost of the remedy, taking into account the current EPA technical requirements and the total costs expected to be incurred by the PRPs in fully executing the remedy, is approximately $280 million, including cost escalation on an undiscounted basis, which would be allocated among the final group of PRPs. Generation has determined that a loss associated with the EPA's partial excavation and enhanced landfill cover remedy is probable and has recorded a liability included in the table above, that reflects management's best estimate of Cotter's allocable share of the ultimate cost. Given the joint and several nature of this liability, the magnitude of Generation's ultimate liability will depend on the actual costs incurred to implement the required remediation remedy as well as on the nature and terms of any cost-sharing arrangements with the final group of PRPs. Therefore, it is reasonably possible that the ultimate cost and Generation's associated allocable share could differ significantly once these uncertainties are resolved, which could have a material impact on Exelon's and Generation's future financial statements.

One of the other PRPs has indicated it will be making a contribution claim against Cotter for costs that it has incurred to prevent the subsurface fire from spreading to those areas of the West Lake Landfill where radiological materials are believed to have been disposed. At this time, Exelon and Generation do not possess sufficient information to assess this claim and therefore are unable to estimate a range of loss, if any. As such, no liability has been recorded for the potential contribution claim. It is reasonably possible, however, that resolution of this matter could have a material, unfavorable impact on Exelon's and Generation's financial statements.

In January 2018, the PRPs were advised by the EPA that it will begin an additional investigation and evaluation of groundwater conditions at the West Lake Landfill. In September 2018, the PRPs agreed to an Administrative Settlement Agreement and Order on Consent for the performance by the PRPs of the groundwater RI/FS. The purpose of this RI/FS is to define the nature and extent of any groundwater contamination from the West Lake Landfill site and evaluate remedial alternatives. Generation estimates the undiscounted cost for the groundwater RI/FS to be approximately $20 million. Generation determined a loss associated with the RI/FS is probable and has recorded a liability included in the table above that reflects management’s best estimate of Cotter’s allocable share of the cost among the PRPs. At this time Generation cannot predict the likelihood or the extent to which, if any, remediation activities may be required and therefore cannot estimate a reasonably possible range of loss for response costs beyond those associated with the RI/FS component. It is reasonably possible, however, that resolution of this matter could have a material, unfavorable impact on Exelon’s and Generation’s future financial statements.

In August 2011, Cotter was notified by the DOJ that Cotter is considered a PRP with respect to the government’s clean-up costs for contamination attributable to low level radioactive residues at a former storage and reprocessing facility named Latty Avenue near St. Louis, Missouri. The Latty Avenue site is included in ComEd’s indemnification responsibilities discussed above as part of the sale of Cotter. The radioactive residues had been generated initially in connection with the processing of uranium ores as part of the U.S. Government’s Manhattan Project. Cotter purchased the residues in 1969 for initial processing at the Latty Avenue facility for the subsequent extraction of uranium and metals. In 1976, the NRC found that the Latty Avenue site had radiation levels exceeding NRC criteria for decontamination of land areas. Latty Avenue was investigated and remediated by the United States Army Corps of Engineers pursuant to funding under FUSRAP. The DOJ has not yet formally advised the PRPs of the amount that it is seeking, but it is believed to be approximately $90 million from all PRPs. Pursuant to a series of annual agreements since 2011, the DOJ and the PRPs have tolled the statute of limitations until February 2020 so that settlement discussions could proceed. Generation has determined that a loss associated with this matter is probable under its indemnification agreement with Cotter and has recorded an estimated liability, which is included in the table above.

***Benning Road Site (Exelon, Generation, PHI and Pepco)***. In September 2010, PHI received a letter from EPA identifying the Benning Road site as one of six land-based sites potentially contributing to contamination of the lower Anacostia River. A portion of the site was formerly the location of a Pepco Energy Services electric generating facility, which was deactivated in June 2012. The remaining portion of the site consists of a Pepco transmission and distribution service center that remains in operation. In December 2011, the U.S. District Court for the District of Columbia approved a Consent Decree entered into by Pepco and Pepco Energy Services with the DOEE, which requires Pepco and Pepco Energy Services to conduct a Remediation Investigation (RI)/ Feasibility Study (FS) for the Benning Road site and an approximately 10 to 15-acre portion of the adjacent Anacostia River.

Since 2013, Pepco and Pepco Energy Services (now Generation, pursuant to Exelon's 2016 acquisition of PHI) have been performing RI work and have submitted multiple draft RI reports to the DOEE. Once the RI work is completed, Pepco and Generation will issue a draft “final” RI report for review and comment by DOEE and the public. Pepco and Generation will then proceed to develop a FS to evaluate possible remedial alternatives for submission to DOEE. The Court has established a schedule for completion of the RI and FS, and approval by the DOEE, by September 16, 2021.

DOEE will then prepare a Proposed Plan and issue a Record of Decision identifying any further response actions determined to be necessary, after considering public comment on the Proposed Plan. PHI, Pepco and Generation have determined that a loss associated with this matter is probable and have accrued an estimated liability, which is included in the table above.

***Anacostia River Tidal Reach (Exelon, PHI and Pepco)***. Contemporaneous with the Benning Road site RI/FS being performed by Pepco and Generation, DOEE and the National Park Service have been conducting a separate RI/FS focused on the entire tidal reach of the Anacostia River extending from just north of the Maryland-District of Columbia boundary line to the confluence of the Anacostia and Potomac Rivers. The river-wide RI incorporated the results of the river sampling performed by Pepco and Pepco Energy Services as part of the Benning RI/FS, as well as similar sampling efforts conducted by owners of other sites adjacent to this segment of the river and supplemental river sampling conducted by DOEE’s contractor. DOEE asked Pepco, along with parties responsible for other sites along the river, to participate in a "Consultative Working Group" to provide input into the process for future remedial actions and to ensure proper coordination with the other river cleanup efforts currently underway, including cleanup of the river segment adjacent to the Benning Road site resulting from the Benning Road site RI/FS. In addition, the District of Columbia Council directed DOEE to form an official advisory committee made up of members of federal, state and local environmental regulators, community and environmental groups and various academic and technical experts to provide guidance and support to DOEE as the project progressed. This group, called the Anacostia Leadership Council, has met regularly since it was formed. Pepco has participated in the Consultative Working

Group. In April 2018, DOEE released a draft RI report for public review and comment. Pepco submitted written comments to the draft RI and participated in a public hearing. The District of Columbia Council has set a deadline of December 31, 2019 for completion of the Record of Decision. An appropriate liability for Pepco's share of investigation costs has been accrued and is included in the table above.

Pepco has determined that it is probable that costs for remediation will be incurred and recorded a liability in the third quarter 2019 for management's best estimate of its share based on DOEE's stated position following a series of meetings attended by representatives from the Anacostia Leadership Council and the Consultative Working Group. A draft FS, which Pepco believes will include the process to identify potential short-term remedies and actions based on the technical findings in the RI report and their estimated costs to the extent possible, is being prepared by DOEE and is expected later in the fourth quarter of 2019. DOEE and likely the National Park Service will continue to oversee ongoing remediation efforts and potential longer-term remedies for the Anacostia River. Pepco has concluded that incremental exposure remains reasonably possible, however management cannot reasonably estimate a range of loss beyond the amounts recorded, which are included in the table above.

In addition to the activities associated with the remedial process outlined above, there is a complementary statutory program that requires an assessment to determine if any natural resources have been damaged as a result of the contamination that is being remediated, and, if so, that a plan be developed by the federal, state and local Natural Resource Damage Trustees, who are defined by CERCLA as the responsible parties for the restoration or compensation for any loss of those resources from the environmental contaminants at the site. If natural resources cannot be restored, then compensation for the injury can be sought from the responsible parties. The assessment of Natural Resource Damages (NRD) typically takes place following cleanup because cleanups sometimes also effectively restore habitat. During the second quarter of 2018, Pepco became aware that the Trustees are in the beginning stages of this process that often takes many years beyond the remedial decision to complete. Pepco has concluded that a loss associated with the eventual NRD assessment is reasonably possible. Due to the very early stage of the assessment process it cannot reasonably estimate the range of loss.

**Litigation and Regulatory Matters**

***Asbestos Personal Injury Claims (Exelon and Generation).*** Generation maintains a reserve for claims associated with asbestos-related personal injury actions in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. The estimated liabilities are recorded on an undiscounted basis and exclude the estimated legal costs associated with handling these matters, which could be material.

At September 30, 2019 and December 31, 2018, Exelon and Generation had recorded estimated liabilities of approximately $83 million and $79 million, respectively, in total for asbestos-related bodily injury claims. As of September 30, 2019, approximately $25 million of this amount related to 257 open claims presented to Generation, while the remaining $58 million is for estimated future asbestos-related bodily injury claims anticipated to arise through 2055, based on actuarial assumptions and analyses, which are updated on an annual basis. On a quarterly basis, Generation monitors actual experience against the number of forecasted claims to be received and expected claim payments and evaluates whether adjustments to the estimated liabilities are necessary.

It is reasonably possible that additional exposure to estimated future asbestos-related bodily injury claims in excess of the amount accrued could have a material, unfavorable impact on Exelon's and Generation's financial statements.

***City of Everett Tax Increment Financing Agreement (Exelon and Generation).*** On April 10, 2017, the City of Everett petitioned the Massachusetts Economic Assistance Coordinating Council (EACC) to revoke the 1999 tax increment financing agreement (TIF Agreement) relating to Mystic Units 8 and 9 on the grounds that the total investment in Mystic Units 8 and 9 materially deviates from the investment set forth in the TIF Agreement. On October 31, 2017, a three-member panel of the EACC conducted an administrative hearing on the City's petition. On November 30, 2017, the hearing panel issued a tentative decision denying the City's petition, finding that there was no material misrepresentation that would justify revocation of the TIF Agreement. On December 13, 2017, the tentative decision was adopted by the full EACC. On January 12, 2018, the City filed a complaint in Massachusetts Superior Court requesting, among other things, that the court set aside the EACC's decision, grant the City's request to decertify the Project and the TIF Agreement, and award the City damages for alleged underpaid taxes over the period of the TIF Agreement. Generation vigorously contested the City's claims before the EACC and will continue to do so in the Massachusetts Superior Court proceeding. Generation continues to believe that the City's claim lacks merit. Accordingly, Generation has not recorded a liability for payment resulting from such a revocation, nor can Generation estimate a reasonably possible range of loss, if any, associated with any such revocation. Further, it is reasonably possible that property taxes assessed in future periods, including those following the expiration of the current TIF Agreement in 2020, could be material to Generation's financial statements.

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

***Subpoenas (Exelon and ComEd).*** Exelon and ComEd received a grand jury subpoena in the second quarter of 2019 from the U.S. Attorney's Office for the Northern District of Illinois requiring production of information concerning their lobbying activities in the State of Illinois. On October 4, 2019, Exelon and ComEd received a second grand jury subpoena from the U.S. Attorney's Office for the Northern District of Illinois requiring production of records of any communications with certain individuals and entities. On October 22, 2019, the SEC notified Exelon and ComEd that it has also opened an investigation into their lobbying activities. Exelon and ComEd have cooperated fully and intend to continue to cooperate fully and expeditiously with the U.S. Attorney's Office and the SEC. Exelon and ComEd cannot predict the outcome of the subpoenas or the SEC investigation.

***General (All Registrants).*** The Registrants are involved in various other litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. The Registrants maintain accruals for such losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of reasonably possible loss, particularly where (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

## 17. Supplemental Financial Information (All Registrants)

### Supplemental Statement of Operations Information

The following tables provide additional information about material items recorded in the Registrants' Consolidated Statements of Operations and Comprehensive Income.

| | Taxes other than income | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Exelon** | **Generation** | **ComEd** | **PECO** | **BGE** | **PHI** | **Pepco** | **DPL** | **ACE** |
| **Three Months Ended September 30, 2019** | | | | | | | | | |
| Utility taxes[(a)] | $ 241 | $ 29 | $ 66 | $ 38 | $ 21 | $ 86 | $ 81 | $ 5 | $ — |
| Property | 148 | 66 | 7 | 5 | 39 | 31 | 21 | 9 | — |
| Payroll | 57 | 28 | 7 | 3 | 4 | 6 | 2 | 1 | 1 |
| **Three Months Ended September 30, 2018** | | | | | | | | | |
| Utility taxes[(a)] | $ 253 | $ 32 | $ 67 | $ 39 | $ 23 | $ 92 | $ 87 | $ 5 | $ — |
| Property | 145 | 70 | 7 | 4 | 37 | 26 | 16 | 9 | — |
| Payroll | 58 | 31 | 6 | 3 | 4 | 5 | 1 | 1 | 1 |
| **Nine Months Ended September 30, 2019** | | | | | | | | | |
| Utility taxes[(a)] | $ 672 | $ 87 | $ 183 | $ 102 | $ 68 | $ 231 | $ 217 | $ 14 | $ — |
| Property | 444 | 205 | 22 | 12 | 114 | 91 | 64 | 25 | 2 |
| Payroll | 185 | 92 | 21 | 11 | 13 | 20 | 5 | 3 | 2 |
| **Nine Months Ended September 30, 2018** | | | | | | | | | |
| Utility taxes[(a)] | $ 705 | $ 92 | $ 188 | $ 102 | $ 70 | $ 253 | $ 238 | $ 15 | $ — |
| Property | 416 | 204 | 22 | 12 | 106 | 71 | 45 | 24 | 2 |
| Payroll | 191 | 99 | 20 | 11 | 12 | 19 | 5 | 3 | 2 |

(a) Generation's utility tax represents gross receipts tax related to its retail operations, and the Utility Registrants' utility taxes represents municipal and state utility taxes and gross receipts taxes related to their operating revenues. The offsetting collection of utility taxes from customers is recorded in revenues in the Registrants' Consolidated Statements of Operations and Comprehensive Income.

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

| | Other, Net | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **Three Months Ended September 30, 2019** | | | | | | | | | |
| Decommissioning-related activities: | | | | | | | | | |
| Net realized income on NDT funds[(a)] | | | | | | | | | |
| Regulatory agreement units | $ 67 | $ 67 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Non-regulatory agreement units | 33 | 33 | — | — | — | — | — | — | — |
| Net unrealized gains on NDT funds | | | | | | | | | |
| Regulatory agreement units | 89 | 89 | — | — | — | — | — | — | — |
| Non-regulatory agreement units | 55 | 55 | — | — | — | — | — | — | — |
| Regulatory offset to NDT fund-related activities[(b)] | (125) | (125) | — | — | — | — | — | — | — |
| Decommissioning-related activities | 119 | 119 | — | — | — | — | — | — | — |
| AFUDC — Equity | 22 | — | 4 | 3 | 6 | 9 | 7 | 1 | 1 |
| Non-service net periodic benefit cost | (2) | — | — | — | — | — | — | — | — |
| | | | | | | | | | |
| **Three Months Ended September 30, 2018** | | | | | | | | | |
| Decommissioning-related activities: | | | | | | | | | |
| Net realized income on NDT funds[(a)] | | | | | | | | | |
| Regulatory agreement units | $ 214 | $ 214 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Non-regulatory agreement units | 58 | 58 | — | — | — | — | — | — | — |
| Net unrealized (losses) gains on NDT funds | | | | | | | | | |
| Regulatory agreement units | (66) | (66) | — | — | — | — | — | — | — |
| Non-regulatory agreement units | 72 | 72 | — | — | — | — | — | — | — |
| Regulatory offset to NDT fund-related activities[(b)] | (110) | (110) | — | — | — | — | — | — | — |
| Decommissioning-related activities | 168 | 168 | — | — | — | — | — | — | — |
| AFUDC — Equity | 16 | — | 4 | 1 | 5 | 6 | 6 | — | — |
| Non-service net periodic benefit cost | (12) | — | — | — | — | — | — | — | — |

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

| | Other, Net | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **Nine Months Ended September 30, 2019** | | | | | | | | | |
| Decommissioning-related activities: | | | | | | | | | |
| Net realized income on NDT funds[a] | | | | | | | | | |
| Regulatory agreement units | $ 197 | $ 197 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Non-regulatory agreement units | 316 | 316 | — | — | — | — | — | — | — |
| Net unrealized gains on NDT funds | | | | | | | | | |
| Regulatory agreement units | 565 | 565 | — | — | — | — | — | — | — |
| Non-regulatory agreement units | 236 | 236 | — | — | — | — | — | — | — |
| Regulatory offset to NDT fund-related activities[b] | (611) | (611) | — | — | — | — | — | — | — |
| Decommissioning-related activities | 703 | 703 | — | — | — | — | — | — | — |
| AFUDC — Equity | 64 | — | 13 | 9 | 16 | 26 | 18 | 3 | 4 |
| Non-service net periodic benefit cost | 8 | — | — | — | — | — | — | — | — |
| | | | | | | | | | |
| **Nine Months Ended September 30, 2018** | | | | | | | | | |
| Decommissioning-related activities: | | | | | | | | | |
| Net realized income on NDT funds[a] | | | | | | | | | |
| Regulatory agreement units | $ 476 | $ 476 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Non-regulatory agreement units | 257 | 257 | — | — | — | — | — | — | — |
| Net unrealized losses on NDT funds | | | | | | | | | |
| Regulatory agreement units | (335) | (335) | — | — | — | — | — | — | — |
| Non-regulatory agreement units | (143) | (143) | — | — | — | — | — | — | — |
| Regulatory offset to NDT fund-related activities[b] | (110) | (110) | — | — | — | — | — | — | — |
| Decommissioning-related activities | 145 | 145 | — | — | — | — | — | — | — |
| AFUDC — Equity | 47 | — | 12 | 3 | 13 | 19 | 17 | 2 | — |
| Non-service net periodic benefit cost | (33) | — | — | — | — | — | — | — | — |

(a) Realized income includes interest, dividends and realized gains and losses on sales of NDT fund investments.
(b) Includes the elimination of decommissioning-related activities for the Regulatory Agreement Units, including the elimination of income taxes related to all NDT fund activity for those units. See Note 15 — Asset Retirement Obligations of the Exelon 2018 Form 10-K for additional information regarding the accounting for nuclear decommissioning.

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

**Supplemental Cash Flow Information**

The following tables provide additional information about material items recorded in the Registrants' Consolidated Statements of Cash Flows.

| | Depreciation, amortization and accretion | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **Nine Months Ended September 30, 2019** | | | | | | | | | |
| Property, plant and equipment[a] | $ 2,803 | $ 1,184 | $ 661 | $ 225 | $ 263 | $ 405 | $ 178 | $ 109 | $ 89 |
| Amortization of regulatory assets[a] | 390 | — | 106 | 22 | 105 | 157 | 103 | 29 | 25 |
| Amortization of intangible assets, net[a] | 44 | 37 | — | — | — | — | — | — | — |
| Amortization of energy contract assets and liabilities[b] | 14 | 14 | — | — | — | — | — | — | — |
| Nuclear fuel[c] | 771 | 771 | — | — | — | — | — | — | — |
| ARO accretion[d] | 371 | 371 | — | — | — | — | — | — | — |
| Total depreciation, amortization and accretion | $ 4,393 | $ 2,377 | $ 767 | $ 247 | $ 368 | $ 562 | $ 281 | $ 138 | $ 114 |
| **Nine Months Ended September 30, 2018** | | | | | | | | | |
| Property, plant and equipment[a] | $ 2,829 | $ 1,347 | $ 613 | $ 204 | $ 249 | $ 355 | $ 161 | $ 97 | $ 70 |
| Amortization of regulatory assets[a] | 412 | — | 83 | 20 | 109 | 200 | 125 | 38 | 37 |
| Amortization of intangible assets, net[a] | 43 | 36 | — | — | — | — | — | — | — |
| Amortization of energy contract assets and liabilities[b] | 8 | 8 | — | — | — | — | — | — | — |
| Nuclear fuel[c] | 852 | 852 | — | — | — | — | — | — | — |
| ARO accretion[d] | 367 | 365 | — | — | — | — | — | — | — |
| Total depreciation, amortization and accretion | $ 4,511 | $ 2,608 | $ 696 | $ 224 | $ 358 | $ 555 | $ 286 | $ 135 | $ 107 |

(a) Included in Depreciation and amortization in the Registrants' Consolidated Statements of Operations and Comprehensive Income.
(b) Included in Operating revenues or Purchased power and fuel expense in the Registrants' Consolidated Statements of Operations and Comprehensive Income.
(c) Included in Purchased power and fuel expense in the Registrants' Consolidated Statements of Operations and Comprehensive Income.
(d) Included in Operating and maintenance expense in the Registrants' Consolidated Statements of Operations and Comprehensive Income.

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

| | Other non-cash operating activities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **Nine Months Ended September 30, 2019** | | | | | | | | | |
| Pension and non-pension postretirement benefit costs | $ 324 | $ 98 | $ 70 | $ 9 | $ 45 | $ 71 | $ 19 | $ 11 | $ 12 |
| Provision for uncollectible accounts | 89 | 20 | 26 | 22 | 5 | 16 | 7 | 2 | 6 |
| Other decommissioning-related activity[(a)] | (400) | (400) | — | — | — | — | — | — | — |
| Energy-related options[(b)] | 21 | 21 | — | — | — | — | — | — | — |
| Amortization of rate stabilization deferral | (8) | — | — | — | — | (8) | (9) | 1 | — |
| Discrete impacts from EIMA and FEJA[(c)] | 80 | — | 80 | — | — | — | — | — | — |
| Long-term incentive plan | 33 | — | — | — | — | — | — | — | — |
| Amortization of operating ROU asset | 193 | 138 | 2 | — | 23 | 26 | 6 | 7 | 4 |
| Change in environmental liabilities | 23 | — | — | — | — | 23 | 23 | — | — |
| | | | | | | | | | |
| **Nine Months Ended September 30, 2018** | | | | | | | | | |
| Pension and non-pension postretirement benefit costs | $ 435 | $ 151 | $ 133 | $ 14 | $ 43 | $ 51 | $ 10 | $ 5 | $ 10 |
| Provision for uncollectible accounts | 133 | 38 | 30 | 25 | 6 | 32 | 12 | 6 | 14 |
| Other decommissioning-related activity[(a)] | (39) | (39) | — | — | — | — | — | — | — |
| Energy-related options[(b)] | 4 | 4 | — | — | — | — | — | — | — |
| Amortization of rate stabilization deferral | — | — | — | — | — | — | — | — | — |
| Discrete impacts from EIMA and FEJA[(c)] | 27 | — | 27 | — | — | — | — | — | — |
| Long-term incentive plan | 84 | — | — | — | — | — | — | — | — |
| Asset retirement costs | 20 | — | — | — | — | 20 | 22 | (1) | (1) |

(a) Includes the elimination of decommissioning-related activity for the Regulatory Agreement Units, including the elimination of operating revenues, ARO accretion, ARC amortization, investment income and income taxes related to all NDT fund activity for these units. See Note 15 — Asset Retirement Obligations of the Exelon 2018 Form 10-K for additional information regarding the accounting for nuclear decommissioning.
(b) Includes option premiums reclassified to realized at the settlement of the underlying contracts and recorded in Operating revenues and expenses.
(c) Reflects the change in ComEd's distribution and energy efficiency formula rates. See Note 6 — Regulatory Matters for additional information.

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

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported within the Registrants' Consolidated Balance Sheets that sum to the total of the same amounts in their Consolidated Statements of Cash Flows.

| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| **September 30, 2019** | | | | | | | | | |
| Cash and cash equivalents | $ 1,683 | $ 1,019 | $ 76 | $ 224 | $ 130 | $ 99 | $ 18 | $ 11 | $ 13 |
| Restricted cash | 309 | 126 | 124 | 6 | 1 | 38 | 34 | — | 3 |
| Restricted cash included in other long-term assets | 186 | — | 171 | — | — | 15 | — | — | 15 |
| Total cash, cash equivalents and restricted cash | $ 2,178 | $ 1,145 | $ 371 | $ 230 | $ 131 | $ 152 | $ 52 | $ 11 | $ 31 |
| **December 31, 2018** | | | | | | | | | |
| Cash and cash equivalents | $ 1,349 | $ 750 | $ 135 | $ 130 | $ 7 | $ 124 | $ 16 | $ 23 | $ 7 |
| Restricted cash | 247 | 153 | 29 | 5 | 6 | 43 | 37 | 1 | 4 |
| Restricted cash included in other long-term assets | 185 | — | 166 | — | — | 19 | — | — | 19 |
| Total cash, cash equivalents and restricted cash | $ 1,781 | $ 903 | $ 330 | $ 135 | $ 13 | $ 186 | $ 53 | $ 24 | $ 30 |
| **September 30, 2018** | | | | | | | | | |
| Cash and cash equivalents | $ 1,918 | $ 1,187 | $ 124 | $ 102 | $ 113 | $ 153 | $ 12 | $ 110 | $ 11 |
| Restricted cash | 240 | 152 | 12 | 5 | 3 | 42 | 35 | — | 7 |
| Restricted cash included in other long-term assets | 163 | — | 144 | — | — | 19 | — | — | 19 |
| Total cash, cash equivalents and restricted cash | $ 2,321 | $ 1,339 | $ 280 | $ 107 | $ 116 | $ 214 | $ 47 | $ 110 | $ 37 |
| **December 31, 2017** | | | | | | | | | |
| Cash and cash equivalents | $ 898 | $ 416 | $ 76 | $ 271 | $ 17 | $ 30 | $ 5 | $ 2 | $ 2 |
| Restricted cash | 207 | 138 | 5 | 4 | 1 | 42 | 35 | — | 6 |
| Restricted cash included in other long-term assets | 85 | — | 63 | — | — | 23 | — | — | 23 |
| Total cash, cash equivalents and restricted cash | $ 1,190 | $ 554 | $ 144 | $ 275 | $ 18 | $ 95 | $ 40 | $ 2 | $ 31 |

For additional information on restricted cash see Note 1 — Significant Accounting Policies of the Exelon 2018 Form 10-K.

### Supplemental Balance Sheet Information

The following tables provide additional information about material items recorded in the Registrants' Consolidated Balance Sheets.

| | Unbilled customer revenues | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **September 30, 2019** | $ 1,256 | $ 676 | $ 212 | $ 102 | $ 103 | $ 163 | $ 91 | $ 38 | $ 34 |
| **December 31, 2018** | 1,656 | 965 | 223 | 114 | 168 | 186 | 97 | 59 | 30 |

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

| | Accrued expenses | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **September 30, 2019** | | | | | | | | | |
| Compensation-related accruals[(a)] | $ 880 | $ 336 | $ 133 | $ 48 | $ 63 | $ 86 | $ 26 | $ 17 | $ 13 |
| Taxes accrued | 431 | 247 | 56 | 13 | 64 | 80 | 61 | 17 | 3 |
| Interest accrued | 421 | 106 | 62 | 33 | 36 | 78 | 37 | 20 | 19 |
| **December 31, 2018** | | | | | | | | | |
| Compensation-related accruals[(a)] | $ 1,191 | $ 479 | $ 187 | $ 49 | $ 68 | $ 99 | $ 29 | $ 19 | $ 12 |
| Taxes accrued | 412 | 226 | 71 | 28 | 46 | 74 | 58 | 4 | 5 |
| Interest accrued | 334 | 77 | 105 | 33 | 39 | 50 | 25 | 8 | 12 |

(a) Primarily includes accrued payroll, bonuses and other incentives, vacation and benefits.

## 18. Segment Information (All Registrants)

Operating segments for each of the Registrants are determined based on information used by the CODM in deciding how to evaluate performance and allocate resources at each of the Registrants.

Exelon has eleven reportable segments, which include Generation's five reportable segments consisting of the Mid-Atlantic, Midwest, New York, ERCOT and all other power regions referred to collectively as “Other Power Regions” and ComEd, PECO, BGE, and PHI's three reportable segments consisting of Pepco, DPL and ACE. ComEd, PECO, BGE, Pepco, DPL and ACE each represent a single reportable segment, and as such, no separate segment information is provided for these Registrants. Exelon, ComEd, PECO, BGE, Pepco, DPL and ACE's CODMs evaluate the performance of and allocate resources to ComEd, PECO, BGE, Pepco, DPL and ACE based on net income.

The basis for Generation's reportable segments is the integrated management of its electricity business that is located in different geographic regions, and largely representative of the footprints of ISO/RTO and/or NERC regions, which utilize multiple supply sources to provide electricity through various distribution channels (wholesale and retail). Generation's hedging strategies and risk metrics are also aligned to these same geographic regions. Descriptions of each of Generation’s five reportable segments are as follows:

- **Mid-Atlantic** represents operations in the eastern half of PJM, which includes New Jersey, Maryland, Virginia, West Virginia, Delaware, the District of Columbia and parts of Pennsylvania and North Carolina.
- **Midwest** represents operations in the western half of PJM and the United States footprint of MISO, excluding MISO’s Southern Region.
- **New York** represents operations within ISO-NY.
- **ERCOT** represents operations within Electric Reliability Council of Texas.
- **Other Power Regions:**
  - **New England** represents the operations within ISO-NE.
  - **South** represents operations in the FRCC, MISO’s Southern Region, and the remaining portions of the SERC not included within MISO or PJM.
  - **West** represents operations in the WECC, which includes California ISO.
  - **Canada** represents operations across the entire country of Canada and includes AESO, OIESO and the Canadian portion of MISO.

The CODMs for Exelon and Generation evaluate the performance of Generation’s electric business activities and allocate resources based on RNF. Generation believes that RNF is a useful measurement of operational performance. RNF is not a presentation defined under GAAP and may not be comparable to other companies’ presentations or deemed more useful than the GAAP information provided elsewhere in this report. Generation's operating revenues include all sales to third parties and affiliated sales to the Utility Registrants. Purchased power costs include all costs associated with the procurement and supply of electricity including capacity, energy and ancillary services. Fuel expense includes the fuel costs for Generation's owned generation and fuel costs associated with tolling agreements. The results of Generation's other business activities are not regularly reviewed by the CODM and are therefore not classified as operating segments or included in the regional reportable segment amounts. These activities include natural gas, as well as other miscellaneous business activities that are not significant to Generation's overall operating revenues or results of operations. Further, Generation's unrealized mark-to-market gains and losses on economic hedging activities and its amortization of certain intangible assets and liabilities relating to commodity contracts recorded at fair value from mergers and acquisitions are also excluded from the regional reportable segment amounts. Exelon and Generation do not use a measure of total assets in making decisions regarding allocating resources to or assessing the performance of these reportable segments.

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

During the first quarter of 2019, due to a change in economics in our New England region, Generation changed the way that information is reviewed by the CODM. The New England region is no longer regularly reviewed as a separate region by the CODM nor is it presented separately in any external information presented to third parties. Information for the New England region is reviewed by the CODM as part of Other Power Regions. Exelon and Generation retrospectively applied this change.

An analysis and reconciliation of the Registrants' reportable segment information to the respective information in the consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 is as follows:

**Three Months Ended September 30, 2019 and 2018**

| | Generation[(a)] | ComEd | PECO | BGE | PHI | Other[(b)] | Intersegment Eliminations | Exelon |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues[(c)]:** | | | | | | | | |
| 2019 | | | | | | | | |
| Competitive businesses electric revenues | $ 4,314 | $ — | $ — | $ — | $ — | $ — | $ (275) | $ 4,039 |
| Competitive businesses natural gas revenues | 265 | — | — | — | — | — | 1 | 266 |
| Competitive businesses other revenues | 195 | — | — | — | — | — | (1) | 194 |
| Rate-regulated electric revenues | — | 1,583 | 716 | 619 | 1,357 | — | (7) | 4,268 |
| Rate-regulated natural gas revenues | — | — | 62 | 84 | 20 | — | (3) | 163 |
| Shared service and other revenues | — | — | — | — | 3 | 474 | (478) | (1) |
| Total operating revenues | $ 4,774 | $ 1,583 | $ 778 | $ 703 | $ 1,380 | $ 474 | $ (763) | $ 8,929 |

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

| | Generation[a] | ComEd | PECO | BGE | PHI | Other[b] | Intersegment Eliminations | Exelon |
|---|---|---|---|---|---|---|---|---|
| 2018 | | | | | | | | |
| Competitive businesses electric revenues | $ 4,741 | $ — | $ — | $ — | $ — | $ — | $ (306) | $ 4,435 |
| Competitive businesses natural gas revenues | 397 | — | — | — | — | — | — | 397 |
| Competitive businesses other revenues | 140 | — | — | — | — | — | (1) | 139 |
| Rate-regulated electric revenues | — | 1,598 | 700 | 645 | 1,334 | — | (7) | 4,270 |
| Rate-regulated natural gas revenues | — | — | 57 | 86 | 24 | — | (5) | 162 |
| Shared service and other revenues | — | — | — | — | 3 | 458 | (461) | — |
| Total operating revenues | $ 5,278 | $ 1,598 | $ 757 | $ 731 | $ 1,361 | $ 458 | $ (780) | $ 9,403 |
| **Intersegment revenues[d]:** | | | | | | | | |
| 2019 | $ 275 | $ 4 | $ 1 | $ 6 | $ 4 | $ 474 | $ (764) | $ — |
| 2018 | 308 | 4 | 2 | 6 | 3 | 456 | (779) | — |
| **Depreciation and amortization:** | | | | | | | | |
| 2019 | $ 407 | $ 259 | $ 83 | $ 116 | $ 193 | $ 25 | $ — | $ 1,083 |
| 2018 | 468 | 237 | 75 | 110 | 192 | 23 | — | 1,105 |
| **Operating expenses:** | | | | | | | | |
| 2019 | $ 4,274 | $ 1,256 | $ 595 | $ 612 | $ 1,124 | $ 457 | $ (759) | $ 7,559 |
| 2018 | 4,961 | 1,275 | 603 | 628 | 1,116 | 459 | (790) | 8,252 |
| **Interest expense, net:** | | | | | | | | |
| 2019 | $ 109 | $ 91 | $ 33 | $ 31 | $ 66 | $ 79 | $ — | $ 409 |
| 2018 | 101 | 85 | 32 | 27 | 65 | 83 | — | 393 |
| **Income (loss) before income taxes:** | | | | | | | | |
| 2019 | $ 501 | $ 245 | $ 154 | $ 67 | $ 203 | $ (68) | $ — | $ 1,102 |
| 2018 | 389 | 245 | 124 | 81 | 191 | (83) | — | 947 |
| **Income Taxes:** | | | | | | | | |
| 2019 | $ 87 | $ 45 | $ 14 | $ 12 | $ 14 | $ — | $ — | $ 172 |
| 2018 | 78 | 52 | (2) | 18 | 4 | (13) | — | 137 |
| **Net income (loss):** | | | | | | | | |
| 2019 | $ 244 | $ 200 | $ 140 | $ 55 | $ 189 | $ (68) | $ — | $ 760 |
| 2018 | 300 | 193 | 126 | 63 | 187 | (69) | — | 800 |
| **Capital Expenditures** | | | | | | | | |
| 2019 | $ 392 | $ 452 | $ 228 | $ 300 | $ 308 | $ 7 | $ — | $ 1,687 |
| 2018 | 362 | 514 | 204 | 233 | 359 | 18 | — | 1,690 |

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(a) Intersegment revenues for Generation in 2019 include revenue from sales to PECO of $43 million, sales to BGE of $65 million, sales to Pepco of $65 million, sales to DPL of $14 million and sales to ACE of $3 million in the Mid-Atlantic region, and sales to ComEd of $83 million in the Midwest region, which eliminate upon consolidation. Intersegment revenues for Generation in 2018 include revenue from sales to PECO of $35 million, sales to BGE of $69 million, sales to Pepco of $46 million, sales to DPL of $26 million and sales to ACE of $10 million in the Mid-Atlantic region, and sales to ComEd of $122 million in the Midwest region, which eliminate upon consolidation.
(b) Other primarily includes Exelon's corporate operations, shared service entities and other financing and investment activities.
(c) Includes gross utility tax receipts from customers. The offsetting remittance of utility taxes to the governing bodies is recorded in expenses in the Registrants' Consolidated Statements of Operations and Comprehensive Income. See Note 17 — Supplemental Financial Information for additional information on total utility taxes.
(d) Intersegment revenues exclude sales to unconsolidated affiliates. The intersegment profit associated with Generation's sale of certain products and services by and between Exelon's segments is not eliminated in consolidation due to the recognition of intersegment profit in accordance with regulatory accounting guidance. For Exelon, these amounts are included in Operating revenues in the Consolidated Statements of Operations and Comprehensive Income.

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

**PHI:**

| | Pepco | DPL | ACE | Other[b] | Intersegment Eliminations | PHI |
|---|---|---|---|---|---|---|
| **Operating revenues[a]:** | | | | | | |
| 2019 | | | | | | |
| Rate-regulated electric revenues | $ 642 | $ 299 | $ 419 | $ — | $ (3) | $ 1,357 |
| Rate-regulated natural gas revenues | — | 20 | — | — | — | 20 |
| Shared service and other revenues | — | — | — | 92 | (89) | 3 |
| Total operating revenues | $ 642 | $ 319 | $ 419 | $ 92 | $ (92) | $ 1,380 |
| 2018 | | | | | | |
| Rate-regulated electric revenues | $ 628 | $ 304 | $ 406 | $ — | $ (4) | $ 1,334 |
| Rate-regulated natural gas revenues | — | 24 | — | — | — | 24 |
| Shared service and other revenues | — | — | — | 103 | (100) | 3 |
| Total operating revenues | $ 628 | $ 328 | $ 406 | $ 103 | $ (104) | $ 1,361 |
| **Intersegment revenues:** | | | | | | |
| 2019 | $ 2 | $ 1 | $ 1 | $ 93 | $ (93) | $ 4 |
| 2018 | 2 | 2 | 1 | 103 | (105) | 3 |
| **Depreciation and amortization:** | | | | | | |
| 2019 | $ 95 | $ 46 | $ 43 | $ 9 | $ — | $ 193 |
| 2018 | 99 | 47 | 38 | 8 | — | 192 |
| **Operating expenses:** | | | | | | |
| 2019 | $ 515 | $ 268 | $ 340 | $ 95 | $ (94) | $ 1,124 |
| 2018 | 516 | 277 | 322 | 105 | (104) | 1,116 |
| **Interest expense, net:** | | | | | | |
| 2019 | $ 33 | $ 15 | $ 15 | $ 3 | $ — | $ 66 |
| 2018 | 32 | 15 | 16 | 2 | — | 65 |
| **Income (loss) before income taxes:** | | | | | | |
| 2019 | $ 103 | $ 38 | $ 65 | $ 192 | $ (195) | $ 203 |
| 2018 | 87 | 38 | 69 | 179 | (182) | 191 |
| **Income Taxes:** | | | | | | |
| 2019 | $ 5 | $ 5 | $ 2 | $ 3 | $ (1) | $ 14 |
| 2018 | (2) | 5 | 8 | (8) | 1 | 4 |
| **Net income (loss):** | | | | | | |
| 2019 | $ 98 | $ 33 | $ 63 | $ (9) | $ 4 | $ 189 |
| 2018 | 89 | 33 | 61 | 1 | 3 | 187 |
| **Capital Expenditures** | | | | | | |
| 2019 | $ 157 | $ 85 | $ 73 | $ (7) | $ — | $ 308 |
| 2018 | 188 | 88 | 77 | 6 | — | 359 |

(a) Includes gross utility tax receipts from customers. The offsetting remittance of utility taxes to the governing bodies is recorded in expenses in the Registrants' Consolidated Statements of Operations and Comprehensive Income. See Note 17 — Supplemental Financial Information for additional information on total utility taxes.
(b) Other primarily includes PHI's corporate operations, shared service entities and other financing and investment activities.

The following tables disaggregate the Registrants' 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. For Generation, the disaggregation of revenues reflects Generation's two primary products of power sales and natural gas sales, with further disaggregation of power sales provided by geographic region. For the Utility Registrants, the disaggregation of revenues reflects the two primary utility services of rate-regulated electric sales and rate-regulated natural gas sales (where applicable), with further disaggregation of these tariff sales provided by major customer groups. Exelon's disaggregated revenues are consistent with Generation and the Utility Registrants, but exclude any intercompany revenues.

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

**Competitive Business Revenues (Generation):**

| | Three Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Revenues from external customers[a] | | | Intersegment revenues | Total Revenues |
| | Contracts with customers | Other[b] | Total | | |
| Mid-Atlantic | $ 1,351 | $ 10 | $ 1,361 | $ 3 | $ 1,364 |
| Midwest | 1,052 | 47 | 1,099 | (17) | 1,082 |
| New York | 414 | 15 | 429 | — | 429 |
| ERCOT | 288 | 72 | 360 | 5 | 365 |
| Other Power Regions | 873 | 192 | 1,065 | (25) | 1,040 |
| Total Competitive Businesses Electric Revenues | 3,978 | 336 | 4,314 | (34) | 4,280 |
| Competitive Businesses Natural Gas Revenues | 160 | 105 | 265 | 34 | 299 |
| Competitive Businesses Other Revenues[c] | 112 | 83 | 195 | — | 195 |
| Total Generation Consolidated Operating Revenues | $ 4,250 | $ 524 | $ 4,774 | $ — | $ 4,774 |

| | Three Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Revenues from external customers[a] | | | Intersegment revenues | Total Revenues |
| | Contracts with customers | Other[b] | Total | | |
| Mid-Atlantic | $ 1,397 | $ 52 | $ 1,449 | $ 7 | $ 1,456 |
| Midwest | 1,095 | 26 | 1,121 | (4) | 1,117 |
| New York | 475 | (6) | 469 | — | 469 |
| ERCOT | 156 | 289 | 445 | (1) | 444 |
| Other Power Regions | 959 | 298 | 1,257 | (45) | 1,212 |
| Total Competitive Businesses Electric Revenues | 4,082 | 659 | 4,741 | (43) | 4,698 |
| Competitive Businesses Natural Gas Revenues | 200 | 197 | 397 | 43 | 440 |
| Competitive Businesses Other Revenues[c] | 130 | 10 | 140 | — | 140 |
| Total Generation Consolidated Operating Revenues | $ 4,412 | $ 866 | $ 5,278 | $ — | $ 5,278 |

(a) Includes all wholesale and retail electric sales to third parties and affiliated sales to the Utility Registrants.
(b) Includes revenues from derivatives and leases.
(c) Other represents activities not allocated to a region. See text above for a description of included activities. Includes unrealized mark-to-market gains of $77 million and $6 million in 2019 and 2018, respectively, and elimination of intersegment revenues.

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

**Revenues net of purchased power and fuel expense (Generation):**

| | Three Months Ended September 30, 2019 | | | Three Months Ended September 30, 2018 | | |
|---|---|---|---|---|---|---|
| | RNF from external customers[(a)] | Intersegment RNF | Total RNF | RNF from external customers[(a)] | Intersegment RNF | Total RNF |
| Mid-Atlantic | $ 684 | $ 5 | $ 689 | $ 746 | $ 17 | $ 763 |
| Midwest | 763 | (16) | 747 | 763 | 5 | 768 |
| New York | 288 | 3 | 291 | 290 | 2 | 292 |
| ERCOT | 76 | (4) | 72 | 161 | (63) | 98 |
| Other Power Regions | 212 | (28) | 184 | 226 | (46) | 180 |
| Total Revenues net of purchased power and fuel for Reportable Segments | 2,023 | (40) | 1,983 | 2,186 | (85) | 2,101 |
| Other[(b)] | 100 | 40 | 140 | 112 | 85 | 197 |
| Total Generation Revenues net of purchased power and fuel expense | $ 2,123 | $ — | $ 2,123 | $ 2,298 | $ — | $ 2,298 |

(a) Includes purchases and sales from/to third parties and affiliated sales to the Utility Registrants.
(b) Other represents activities not allocated to a region. See text above for a description of included activities. Includes unrealized mark-to-market gains of $17 million and $71 million in 2019 and 2018, respectively, accelerated nuclear fuel amortization associated with announced early plant retirements as discussed in Note 8 — Early Plant Retirements of $3 million and $18 million decrease to RNF in 2019 and 2018, respectively, and the elimination of intersegment RNF.

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

**Electric and Gas Revenue by Customer Class (Utility Registrants):**

| | Three Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenues from contracts with customers** | **ComEd** | **PECO** | **BGE** | **PHI** | **Pepco** | **DPL** | **ACE** |
| **Rate-regulated electric revenues** | | | | | | | |
| Residential | $ 865 | $ 479 | $ 352 | $ 741 | $ 311 | $ 178 | $ 252 |
| Small commercial & industrial | 393 | 109 | 64 | 147 | 41 | 48 | 58 |
| Large commercial & industrial | 141 | 63 | 116 | 297 | 222 | 26 | 49 |
| Public authorities & electric railroads | 12 | 9 | 7 | 17 | 11 | 3 | 3 |
| Other[(a)] | 222 | 63 | 82 | 164 | 58 | 50 | 56 |
| Total rate-regulated electric revenues[(b)] | $ 1,633 | $ 723 | $ 621 | $ 1,366 | $ 643 | $ 305 | $ 418 |
| **Rate-regulated natural gas revenues** | | | | | | | |
| Residential | $ — | $ 38 | $ 49 | $ 9 | $ — | $ 9 | $ — |
| Small commercial & industrial | — | 17 | 9 | 4 | — | 4 | — |
| Large commercial & industrial | — | — | 20 | 1 | — | 1 | — |
| Transportation | — | 5 | — | 4 | — | 4 | — |
| Other[(c)] | — | 2 | 5 | 2 | — | 2 | — |
| Total rate-regulated natural gas revenues[(d)] | $ — | $ 62 | $ 83 | $ 20 | $ — | $ 20 | $ — |
| **Total rate-regulated revenues from contracts with customers** | $ 1,633 | $ 785 | $ 704 | $ 1,386 | $ 643 | $ 325 | $ 418 |
| | | | | | | | |
| **Other revenues** | | | | | | | |
| Revenues from alternative revenue programs | $ (56) | $ (11) | $ (5) | $ (9) | $ (3) | $ (6) | $ 1 |
| Other rate-regulated electric revenues[(e)] | 6 | 4 | 3 | 3 | 2 | — | — |
| Other rate-regulated natural gas revenues[(e)] | — | — | 1 | — | — | — | — |
| **Total other revenues** | $ (50) | $ (7) | $ (1) | $ (6) | $ (1) | $ (6) | $ 1 |
| **Total rate-regulated revenues for reportable segments** | $ 1,583 | $ 778 | $ 703 | $ 1,380 | $ 642 | $ 319 | $ 419 |

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

| | Three Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenues from contracts with customers** | **ComEd** | **PECO** | **BGE** | **PHI** | **Pepco** | **DPL** | **ACE** |
| **Rate-regulated electric revenues** | | | | | | | |
| Residential | $ 861 | $ 458 | $ 366 | $ 726 | $ 306 | $ 180 | $ 240 |
| Small commercial & industrial | 391 | 108 | 68 | 140 | 39 | 48 | 53 |
| Large commercial & industrial | 131 | 64 | 117 | 303 | 230 | 25 | 48 |
| Public authorities & electric railroads | 11 | 7 | 7 | 14 | 8 | 3 | 3 |
| Other[(a)] | 212 | 59 | 91 | 156 | 47 | 47 | 63 |
| Total rate-regulated electric revenues[(b)] | $ 1,606 | $ 696 | $ 649 | $ 1,339 | $ 630 | $ 303 | $ 407 |
| **Rate-regulated natural gas revenues** | | | | | | | |
| Residential | $ — | $ 36 | $ 46 | $ 8 | $ — | $ 8 | $ — |
| Small commercial & industrial | — | 15 | 8 | 5 | — | 5 | — |
| Large commercial & industrial | — | — | 17 | 2 | — | 2 | — |
| Transportation | — | 5 | — | 3 | — | 3 | — |
| Other[(c)] | — | 1 | 12 | 6 | — | 6 | — |
| Total rate-regulated natural gas revenues[(d)] | $ — | $ 57 | $ 83 | $ 24 | $ — | $ 24 | $ — |
| **Total rate-regulated revenues from contracts with customers** | $ 1,606 | $ 753 | $ 732 | $ 1,363 | $ 630 | $ 327 | $ 407 |
| | | | | | | | |
| **Other revenues** | | | | | | | |
| Revenues from alternative revenue programs | $ (15) | $ 1 | $ (6) | $ (5) | $ (4) | $ — | $ (1) |
| Other rate-regulated electric revenues[(e)] | 7 | 3 | 4 | 3 | 2 | 1 | — |
| Other rate-regulated natural gas revenues[(e)] | — | — | 1 | — | — | — | — |
| **Total other revenues** | $ (8) | $ 4 | $ (1) | $ (2) | $ (2) | $ 1 | $ (1) |
| **Total rate-regulated revenues for reportable segments** | $ 1,598 | $ 757 | $ 731 | $ 1,361 | $ 628 | $ 328 | $ 406 |

(a) Includes revenues from transmission revenue from PJM, wholesale electric revenue and mutual assistance revenue.
(b) Includes operating revenues from affiliates of $4 million, $1 million, $2 million, $4 million, $2 million, $1 million and $1 million at ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, respectively, in 2019 and $4 million, $2 million, $1 million, $3 million $2 million, $2 million and $1 million at ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, respectively, in 2018.
(c) Includes revenues from off-system natural gas sales.
(d) Includes operating revenues from affiliates of less than $1 million and $4 million at PECO and BGE, respectively, in 2019 and less than $1 million and $5 million at PECO and BGE, respectively, in 2018.
(e) Includes late payment charge revenues.

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

**Nine Months Ended September 30, 2019 and 2018**

| | Generation[a] | ComEd | PECO | BGE | PHI | Other[b] | Intersegment Eliminations | Exelon |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues[c]:** | | | | | | | | |
| 2019 | | | | | | | | |
| Competitive businesses electric revenues | $ 12,365 | $ — | $ — | $ — | $ — | $ — | $ (840) | $ 11,525 |
| Competitive businesses natural gas revenues | 1,479 | — | — | — | — | — | — | 1,479 |
| Competitive businesses other revenues | 436 | — | — | — | — | — | (4) | 432 |
| Rate-regulated electric revenues | — | 4,342 | 1,901 | 1,817 | 3,574 | — | (25) | 11,609 |
| Rate-regulated natural gas revenues | — | — | 432 | 510 | 116 | — | (12) | 1,046 |
| Shared service and other revenues | — | — | — | — | 10 | 1,410 | (1,415) | 5 |
| Total operating revenues | $ 14,280 | $ 4,342 | $ 2,333 | $ 2,327 | $ 3,700 | $ 1,410 | $ (2,296) | $ 26,096 |
| 2018 | | | | | | | | |
| Competitive businesses electric revenues | $ 13,190 | $ — | $ — | $ — | $ — | $ — | $ (969) | $ 12,221 |
| Competitive businesses natural gas revenues | 1,839 | — | — | — | — | — | (8) | 1,831 |
| Competitive businesses other revenues | 339 | — | — | — | — | — | (4) | 335 |
| Rate-regulated electric revenues | — | 4,508 | 1,893 | 1,850 | 3,549 | — | (34) | 11,766 |
| Rate-regulated natural gas revenues | — | — | 382 | 519 | 129 | — | (13) | 1,017 |
| Shared service and other revenues | — | — | — | — | 10 | 1,398 | (1,408) | — |
| Total operating revenues | $ 15,368 | $ 4,508 | $ 2,275 | $ 2,369 | $ 3,688 | $ 1,398 | $ (2,436) | $ 27,170 |
| **Shared service and other revenues** | | | | | | | | |
| **Intersegment revenues[d]:** | | | | | | | | |
| 2019 | $ 844 | $ 13 | $ 4 | $ 18 | $ 11 | $ 1,410 | $ (2,300) | $ — |
| 2018 | 981 | 23 | 5 | 18 | 11 | 1,392 | (2,430) | — |
| **Depreciation and amortization:** | | | | | | | | |
| 2019 | $ 1,221 | $ 767 | $ 247 | $ 368 | $ 562 | $ 72 | $ — | $ 3,237 |
| 2018 | 1,383 | 696 | 224 | 358 | 555 | 68 | — | 3,284 |
| **Operating expenses:** | | | | | | | | |
| 2019 | $ 13,333 | $ 3,431 | $ 1,783 | $ 1,936 | $ 3,106 | $ 1,405 | $ (2,291) | $ 22,703 |
| 2018 | 14,475 | 3,610 | 1,853 | 2,005 | 3,165 | 1,395 | (2,467) | 24,036 |
| **Interest expense, net:** | | | | | | | | |
| 2019 | $ 336 | $ 268 | $ 100 | $ 89 | $ 197 | $ 231 | $ — | $ 1,221 |
| 2018 | 305 | 261 | 96 | 78 | 193 | 205 | — | 1,138 |

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

| | Generation[(a)] | ComEd | PECO | BGE | PHI | Other[(b)] | Intersegment Eliminations | Exelon |
|---|---|---|---|---|---|---|---|---|
| **Income (loss) before income taxes:** | | | | | | | | |
| 2019 | $ 1,355 | $ 674 | $ 461 | $ 320 | $ 436 | $ (218) | $ — | $ 3,028 |
| 2018 | 800 | 663 | 331 | 301 | 363 | (195) | — | 2,263 |
| **Income Taxes:** | | | | | | | | |
| 2019 | $ 388 | $ 130 | $ 51 | $ 59 | $ 25 | $ (27) | $ — | $ 626 |
| 2018 | 110 | 140 | (5) | 59 | 28 | (70) | — | 262 |
| **Net income (loss):** | | | | | | | | |
| 2019 | $ 784 | $ 544 | $ 410 | $ 261 | $ 412 | $ (191) | $ — | $ 2,220 |
| 2018 | 667 | 523 | 336 | 242 | 336 | (125) | — | 1,979 |
| **Capital Expenditures** | | | | | | | | |
| 2019 | $ 1,282 | $ 1,413 | $ 675 | $ 842 | $ 1,006 | $ 41 | $ — | $ 5,259 |
| 2018 | 1,660 | 1,540 | 615 | 667 | 988 | 27 | — | 5,497 |
| **Total assets:** | | | | | | | | |
| September 30, 2019 | $ 47,984 | $ 32,326 | $ 11,379 | $ 10,304 | $ 22,576 | $ 8,254 | $ (10,085) | $ 122,738 |
| December 31, 2018 | 47,556 | 31,213 | 10,642 | 9,716 | 21,984 | 8,355 | (9,800) | 119,666 |

(a) Intersegment revenues for Generation in 2019 include revenue from sales to PECO of $123 million, sales to BGE of $199 million, sales to Pepco of $188 million, sales to DPL of $50 million and sales to ACE of $16 million in the Mid-Atlantic region, and sales to ComEd of $266 million in the Midwest region, which eliminate upon consolidation. Intersegment revenues for Generation in 2018 include revenue from sales to PECO of $97 million, sales to BGE of $198 million, sales to Pepco of $143 million, sales to DPL of $103 million and sales to ACE of $21 million in the Mid-Atlantic region, and sales to ComEd of $419 million in the Midwest region, which eliminate upon consolidation.

(b) Other primarily includes Exelon's corporate operations, shared service entities and other financing and investment activities.

(c) Includes gross utility tax receipts from customers. The offsetting remittance of utility taxes to the governing bodies is recorded in expenses in the Registrants' Consolidated Statements of Operations and Comprehensive Income. See Note 17 — Supplemental Financial Information for additional information on total utility taxes.

(d) Intersegment revenues exclude sales to unconsolidated affiliates. The intersegment profit associated with Generation's sale of certain products and services by and between Exelon's segments is not eliminated in consolidation due to the recognition of intersegment profit in accordance with regulatory accounting guidance. For Exelon, these amounts are included in Operating revenues in the Consolidated Statements of Operations and Comprehensive Income.

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

**PHI:**

| | Pepco | DPL | ACE | Other[b] | Intersegment Eliminations | PHI |
|---|---|---|---|---|---|---|
| **Operating revenues[a]:** | | | | | | |
| 2019 | | | | | | |
| Rate-regulated electric revenues | $ 1,748 | $ 871 | $ 966 | $ (1) | $ (10) | $ 3,574 |
| Rate-regulated natural gas revenues | — | 116 | — | — | — | 116 |
| Shared service and other revenues | — | — | — | 298 | (288) | 10 |
| Total operating revenues | $ 1,748 | $ 987 | $ 966 | $ 297 | $ (298) | $ 3,700 |
| 2018 | | | | | | |
| Rate-regulated electric revenues | $ 1,708 | $ 872 | $ 981 | $ — | $ (12) | $ 3,549 |
| Rate-regulated natural gas revenues | — | 129 | — | — | — | 129 |
| Shared service and other revenues | — | — | — | 326 | (316) | 10 |
| Total operating revenues | $ 1,708 | $ 1,001 | $ 981 | $ 326 | $ (328) | $ 3,688 |
| **Intersegment revenues:** | | | | | | |
| 2019 | $ 5 | $ 5 | $ 2 | $ 297 | $ (298) | $ 11 |
| 2018 | 5 | 6 | 2 | 325 | (327) | 11 |
| **Depreciation and amortization:** | | | | | | |
| 2019 | $ 281 | $ 138 | $ 114 | $ 29 | $ — | $ 562 |
| 2018 | 286 | 135 | 107 | 27 | — | 555 |
| **Operating expenses:** | | | | | | |
| 2019 | $ 1,444 | $ 820 | $ 838 | $ 302 | $ (298) | $ 3,106 |
| 2018 | 1,454 | 859 | 847 | 329 | (324) | 3,165 |
| **Interest expense, net:** | | | | | | |
| 2019 | $ 100 | $ 45 | $ 44 | $ 8 | $ — | $ 197 |
| 2018 | 96 | 42 | 48 | 7 | — | 193 |
| **Income (loss) before income taxes:** | | | | | | |
| 2019 | $ 226 | $ 132 | $ 89 | $ 411 | $ (422) | $ 436 |
| 2018 | 181 | 107 | 88 | 326 | (339) | 363 |
| **Income Taxes:** | | | | | | |
| 2019 | $ 9 | $ 16 | $ 2 | $ (1) | $ (1) | $ 25 |
| 2018 | 7 | 17 | 12 | (8) | — | 28 |
| **Net income (loss):** | | | | | | |
| 2019 | $ 217 | $ 116 | $ 87 | $ (19) | $ 11 | $ 412 |
| 2018 | 174 | 90 | 76 | (15) | 11 | 336 |
| **Capital Expenditures** | | | | | | |
| 2019 | $ 455 | $ 245 | $ 300 | $ 6 | $ — | $ 1,006 |
| 2018 | 475 | 254 | 247 | 12 | — | 988 |
| **Total assets:** | | | | | | |
| September 30, 2019 | $ 8,603 | $ 4,724 | $ 3,916 | $ 11,071 | $ (5,738) | $ 22,576 |
| December 31, 2018 | 8,299 | 4,588 | 3,699 | 10,819 | (5,421) | 21,984 |

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

(a) Includes gross utility tax receipts from customers. The offsetting remittance of utility taxes to the governing bodies is recorded in expenses in the Registrants' Consolidated Statements of Operations and Comprehensive Income. See Note 17 — Supplemental Financial Information for additional information on total utility taxes.
(b) Other primarily includes PHI's corporate operations, shared service entities and other financing and investment activities.

The following tables disaggregate the Registrants' 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. For Generation, the disaggregation of revenues reflects Generation's two primary products of power sales and natural gas sales, with further disaggregation of power sales provided by geographic region. For the Utility Registrants, the disaggregation of revenues reflects the two primary utility services of rate-regulated electric sales and rate-regulated natural gas sales (where applicable), with further disaggregation of these tariff sales provided by major customer groups. Exelon's disaggregated revenues are consistent with Generation and the Utility Registrants, but exclude any intercompany revenues.

**Competitive Business Revenues (Generation):**

| | Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Revenues from external customers[a] | | | | |
| | Contracts with customers | Other[b] | Total | Intersegment Revenues | Total Revenues |
| Mid-Atlantic | $ 3,798 | $ 9 | $ 3,807 | $ 2 | $ 3,809 |
| Midwest | 3,083 | 172 | 3,255 | (31) | 3,224 |
| New York | 1,195 | 16 | 1,211 | — | 1,211 |
| ERCOT | 594 | 198 | 792 | 13 | 805 |
| Other Power Regions | 2,849 | 451 | 3,300 | (46) | 3,254 |
| Total Competitive Businesses Electric Revenues | 11,519 | 846 | 12,365 | (62) | 12,303 |
| Competitive Businesses Natural Gas Revenues | 1,041 | 438 | 1,479 | 62 | 1,541 |
| Competitive Businesses Other Revenues[c] | 343 | 93 | 436 | — | 436 |
| Total Generation Consolidated Operating Revenues | $ 12,903 | $ 1,377 | $ 14,280 | $ — | $ 14,280 |

| | Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Revenues from external customers[a] | | | | |
| | Contracts with customers | Other[b] | Total | Intersegment revenues | Total Revenues |
| Mid-Atlantic | $ 3,971 | $ 191 | $ 4,162 | $ 17 | $ 4,179 |
| Midwest | 3,432 | 169 | 3,601 | (8) | 3,593 |
| New York | 1,305 | (37) | 1,268 | 1 | 1,269 |
| ERCOT | 470 | 459 | 929 | 1 | 930 |
| Other Power Regions | 2,656 | 574 | 3,230 | (116) | 3,114 |
| Total Competitive Businesses Electric Revenues | 11,834 | 1,356 | 13,190 | (105) | 13,085 |
| Competitive Businesses Natural Gas Revenues | 1,016 | 823 | 1,839 | 105 | 1,944 |
| Competitive Businesses Other Revenues[c] | 385 | (46) | 339 | — | 339 |
| Total Generation Consolidated Operating Revenues | $ 13,235 | $ 2,133 | $ 15,368 | $ — | $ 15,368 |

(a) Includes all wholesale and retail electric sales to third parties and affiliated sales to the Utility Registrants.
(b) Includes revenues from derivatives and leases.
(c) Other represents activities not allocated to a region. See text above for a description of included activities. Includes unrealized mark-to-market gains of $64 million and losses of $96 million in 2019 and 2018, respectively, and elimination of intersegment revenues.

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

**Revenues net of purchased power and fuel expense (Generation):**

| | Nine Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|---|---|---|
| | RNF from external customers[(a)] | Intersegment RNF | Total RNF | RNF from external customers[(a)] | Intersegment RNF | Total RNF |
| Mid-Atlantic | $ 2,007 | $ 16 | $ 2,023 | $ 2,303 | $ 45 | $ 2,348 |
| Midwest | 2,269 | (22) | 2,247 | 2,381 | 19 | 2,400 |
| New York | 800 | 10 | 810 | 832 | 9 | 841 |
| ERCOT | 252 | (27) | 225 | 396 | (180) | 216 |
| Other Power Regions | 542 | (64) | 478 | 740 | (133) | 607 |
| Total Revenues net of purchased power and fuel expense for Reportable Segments | 5,870 | (87) | 5,783 | 6,652 | (240) | 6,412 |
| Other[(b)] | 262 | 87 | 349 | 164 | 240 | 404 |
| Total Generation Revenues net of purchased power and fuel expense | $ 6,132 | $ — | $ 6,132 | $ 6,816 | $ — | $ 6,816 |

(a) Includes purchases and sales from/to third parties and affiliated sales to the Utility Registrants.
(b) Other represents activities not allocated to a region. See text above for a description of included activities. Includes unrealized mark-to-market losses of $84 million and $104 million in 2019 and 2018, respectively, accelerated nuclear fuel amortization associated with announced early plant retirements as discussed in Note 8 — Early Plant Retirements of $13 million and $53 million decrease to RNF in 2019 and 2018, respectively, and the elimination of intersegment RNF.

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

**Electric and Gas Revenue by Customer Class (Utility Registrants):**

| | Nine Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| Revenues from contracts with customers | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
| **Rate-regulated electric revenues** | | | | | | | |
| Residential | $ 2,221 | $ 1,231 | $ 1,019 | $ 1,816 | $ 792 | $ 499 | $ 525 |
| Small commercial & industrial | 1,103 | 304 | 193 | 387 | 114 | 141 | 132 |
| Large commercial & industrial | 399 | 163 | 335 | 843 | 633 | 75 | 135 |
| Public authorities & electric railroads | 35 | 23 | 20 | 47 | 27 | 10 | 10 |
| Other[(a)] | 660 | 186 | 242 | 481 | 166 | 151 | 164 |
| Total rate-regulated electric revenues[(b)] | 4,418 | 1,907 | 1,809 | 3,574 | 1,732 | 876 | 966 |
| **Rate-regulated natural gas revenues** | | | | | | | |
| Residential | — | 285 | 327 | 64 | — | 64 | — |
| Small commercial & industrial | — | 122 | 55 | 30 | — | 30 | — |
| Large commercial & industrial | — | 1 | 93 | 4 | — | 4 | — |
| Transportation | — | 18 | — | 11 | — | 11 | — |
| Other[(c)] | — | 5 | 19 | 6 | — | 6 | — |
| Total rate-regulated natural gas revenues[(d)] | — | 431 | 494 | 115 | — | 115 | — |
| **Total rate-regulated revenues from contracts with customers** | 4,418 | 2,338 | 2,303 | 3,689 | 1,732 | 991 | 966 |
| | | | | | | | |
| **Other revenues** | | | | | | | |
| Revenues from alternative revenue programs | (98) | (16) | 11 | 4 | 10 | (6) | — |
| Other rate-regulated electric revenues[(e)] | 22 | 10 | 10 | 7 | 6 | 1 | — |
| Other rate-regulated natural gas revenues[(e)] | — | 1 | 3 | — | — | 1 | — |
| **Total other revenues** | (76) | (5) | 24 | 11 | 16 | (4) | — |
| **Total rate-regulated revenues for reportable segments** | $ 4,342 | $ 2,333 | $ 2,327 | $ 3,700 | $ 1,748 | $ 987 | $ 966 |

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

| | Nine Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenues from contracts with customers** | **ComEd** | **PECO** | **BGE** | **PHI** | **Pepco** | **DPL** | **ACE** |
| **Rate-regulated electric revenues** | | | | | | | |
| Residential | $ 2,277 | $ 1,199 | $ 1,054 | $ 1,839 | $ 792 | $ 513 | $ 534 |
| Small commercial & industrial | 1,132 | 306 | 196 | 370 | 104 | 138 | 128 |
| Large commercial & industrial | 411 | 174 | 325 | 845 | 632 | 74 | 139 |
| Public authorities & electric railroads | 36 | 21 | 21 | 44 | 24 | 10 | 10 |
| Other[(a)] | 656 | 181 | 246 | 446 | 145 | 129 | 174 |
| Total rate-regulated electric revenues[(b)] | 4,512 | 1,881 | 1,842 | 3,544 | 1,697 | 864 | 985 |
| **Rate-regulated natural gas revenues** | | | | | | | |
| Residential | — | 259 | 345 | 68 | — | 68 | — |
| Small commercial & industrial | — | 102 | 55 | 31 | — | 31 | — |
| Large commercial & industrial | — | 1 | 88 | 7 | — | 7 | — |
| Transportation | — | 16 | — | 12 | — | 12 | — |
| Other[(c)] | — | 4 | 49 | 11 | — | 11 | — |
| Total rate-regulated natural gas revenues[(d)] | — | 382 | 537 | 129 | — | 129 | — |
| **Total rate-regulated revenues from contracts with customers** | 4,512 | 2,263 | 2,379 | 3,673 | 1,697 | 993 | 985 |
| | | | | | | | |
| **Other revenues** | | | | | | | |
| Revenues from alternative revenue programs | (27) | 2 | (23) | 7 | 6 | 5 | (4) |
| Other rate-regulated electric revenues[(e)] | 23 | 10 | 10 | 8 | 5 | 3 | — |
| Other rate-regulated natural gas revenues[(e)] | — | — | 3 | — | — | — | — |
| **Total other revenues** | (4) | 12 | (10) | 15 | 11 | 8 | (4) |
| **Total rate-regulated revenues for reportable segments** | $ 4,508 | $ 2,275 | $ 2,369 | $ 3,688 | $ 1,708 | $ 1,001 | $ 981 |

(a) Includes revenues from transmission revenue from PJM, wholesale electric revenue and mutual assistance revenue.
(b) Includes operating revenues from affiliates of $13 million, $4 million, $5 million, $11 million, $5 million, $5 million and $2 million at ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, respectively, in 2019 and $23 million, $5 million, $5 million, $11 million $5 million, $6 million and $2 million at ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, respectively, in 2018.
(c) Includes revenues from off-system natural gas sales.
(d) Includes operating revenues from affiliates of less than $1 million and $13 million at PECO and BGE in 2019 and 2018, respectively.
(e) Includes late payment charge revenues.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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

## Exelon

## Executive Overview

Exelon is a utility services holding company engaged in the generation, delivery, and marketing of energy through Generation and the energy distribution and transmission businesses through ComEd, PECO, BGE, Pepco, DPL and ACE.

Exelon has eleven reportable segments consisting of Generation's five reportable segments (Mid-Atlantic, Midwest, New York, ERCOT and Other Power Regions), ComEd, PECO, BGE, Pepco, DPL and ACE. During the first quarter of 2019, due to a change in economics in our New England region, Generation changed the way that information is reviewed by the CODM. The New England region will no longer be regularly reviewed as a separate region by the CODM nor will it be presented separately in any external information presented to third parties. Information for the New England region will be reviewed by the CODM as part of Other Power Regions. As a result, beginning in the first quarter of 2019, Generation disclosed five reportable segments consisting of Mid-Atlantic, Midwest, New York, ERCOT and Other Power Regions. See Note 1 — Significant Accounting Policies and Note 18 — Segment Information of the Combined Notes to Consolidated Financial Statements for additional information regarding Exelon's principal subsidiaries and reportable segments.

Exelon's consolidated financial information includes the results of its eight separate operating subsidiary registrants, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, which, along with Exelon, are collectively referred to as the Registrants. The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE. However, none of the Registrants makes any representation as to information related solely to any of the other Registrants.

### Financial Results of Operations

***GAAP Results of Operations.*** The following table sets forth Exelon's GAAP consolidated Net Income attributable to common shareholders by Registrant for the three and nine months ended September 30, 2019 compared to the same period in 2018. For additional information regarding the financial results for the three and nine months ended September 30, 2019 and 2018 see the discussions of Results of Operations by Registrant.

| | Three Months Ended September 30, | | Favorable (unfavorable) variance | Nine Months Ended September 30, | | Favorable (unfavorable) variance |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | | 2019 | 2018 | |
| Exelon | 772 | 733 | $ 39 | $ 2,164 | $ 1,858 | $ 306 |
| Generation | 257 | 234 | 23 | 728 | 547 | 181 |
| ComEd | 200 | 193 | 7 | 544 | 523 | 21 |
| PECO | 140 | 126 | 14 | 410 | 336 | 74 |
| BGE | 55 | 63 | (8) | 261 | 242 | 19 |
| PHI | 189 | 187 | 2 | 412 | 336 | 76 |
| Pepco | 98 | 89 | 9 | 217 | 174 | 43 |
| DPL | 33 | 33 | — | 116 | 90 | 26 |
| ACE | 63 | 61 | 2 | 87 | 76 | 11 |
| Other[(a)] | (69) | (70) | 1 | (191) | (126) | (65) |

(a) Primarily includes eliminating and consolidating adjustments, Exelon's corporate operations, shared service entities and other financing and investing activities.

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income attributable to common shareholders** increased by $39 million and diluted earnings per average common share increased to $0.79 in 2019 from $0.76 in 2018 primarily due to:

- Absence of accelerated depreciation and amortization due to the early retirement of the Oyster Creek nuclear facility in September 2018 and the absence of a charge associated with the remeasurement of the Oyster Creek ARO;
- Decreased nuclear outage days in 2019;
- Increased New York ZEC prices and the approval of the New Jersey ZEC program in the second quarter of 2019;
- A benefit associated with the annual nuclear ARO update;
- Decreased Operating and maintenance expense, which includes the impacts of previous cost management programs and lower pension and OPEB costs; and
- Regulatory rate increases at PECO, BGE, Pepco, DPL and ACE.

The increases were partially offset by:

- Lower capacity prices;
- Lower mark-to-market gains;
- Lower realized energy prices; and
- Unfavorable weather conditions and volume at PECO.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net income attributable to common shareholders** increased by $306 million and diluted earnings per average common share increased to $2.22 in 2019 from $1.92 in 2018 primarily due to:

- Higher net unrealized and realized gains on NDT funds;
- Decreased accelerated depreciation and amortization due to the early retirement of the Oyster Creek nuclear facility in September 2018 and the absence of a charge associated with the remeasurement of the Oyster Creek ARO;
- Decreased Operating and maintenance expense which includes the impacts of previous cost management programs and lower pension and OPEB costs;
- Decreased nuclear outage days in 2019;
- A benefit associated with the remeasurement of the TMI ARO in the first quarter of 2019 and the annual nuclear ARO update in the third quarter of 2019;
- Regulatory rate increases at PECO, BGE, Pepco, DPL, and ACE; and
- Decreased storms costs at PECO and BGE.

The increases were partially offset by:

- Lower realized energy prices;
- Lower capacity prices;
- The absence of the revenues recognized in the first quarter of 2018 related to ZECs generated in Illinois from June through December 2017, partially offset by increased New York ZEC prices and the approval of the New Jersey ZEC Program in the second quarter of 2019;
- Higher mark-to-market losses; and
- Unfavorable weather conditions and volume at PECO.

***Adjusted (non-GAAP) Operating Earnings.*** In addition to net income, Exelon evaluates its operating performance using the measure of Adjusted (non-GAAP) operating earnings because management believes it represents earnings directly related to the ongoing operations of the business. Adjusted (non-GAAP) operating earnings exclude certain costs, expenses, gains and losses and other specified items. This information is intended to enhance an investor's overall understanding of year-to-year operating results and provide an indication of Exelon's baseline operating performance excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods. Adjusted (non-GAAP) operating earnings is not a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report.

The following tables provide a reconciliation between net income attributable to common shareholders as determined in accordance with GAAP and adjusted (non-GAAP) operating earnings for the three and nine months ended September 30, 2019 compared to the same period in 2018.

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| (All amounts in millions after tax) | | Earnings per Diluted Share | | Earnings per Diluted Share |
| **Net Income Attributable to Common Shareholders** | $ 772 | $ 0.79 | $ 733 | $ 0.76 |
| Mark-to-Market Impact of Economic Hedging Activities (net of taxes of $2 and $20, respectively) | (2) | — | (55) | (0.06) |
| Unrealized Gains Related to NDT Fund Investments (net of taxes of $34 and $4, respectively)[a] | (39) | (0.04) | (53) | (0.06) |
| Asset Impairments (net of taxes of $53 and $2, respectively)[b] | 113 | 0.12 | 6 | 0.01 |
| Plant Retirements and Divestitures (net of taxes of $40 and $70, respectively)[c] | 119 | 0.12 | 202 | 0.21 |
| Cost Management Program (net of taxes of $3 and $4, respectively)[d] | 14 | 0.01 | 13 | 0.01 |
| Asset Retirement Obligation[e] (net of taxes of $9 and $6, respectively) | (84) | (0.09) | 16 | 0.02 |
| Change in Environmental Liabilities (net of taxes of $5 and $3, respectively) | 18 | 0.02 | (9) | (0.01) |
| Income Tax-Related Adjustments (entire amount represents tax expense)[f] | 13 | 0.01 | (18) | (0.02) |
| Noncontrolling Interests (net of taxes of $3 and $4, respectively)[g] | (24) | (0.02) | 21 | 0.02 |
| **Adjusted (non-GAAP) Operating Earnings** | $ 900 | $ 0.92 | $ 856 | $ 0.88 |

| (All amounts in millions after tax) | Nine Months Ended September 30, 2019 | 2019 Earnings per Diluted Share | 2018 | 2018 Earnings per Diluted Share |
|---|---|---|---|---|
| **Net Income Attributable to Common Shareholders** | $ 2,164 | $ 2.22 | $ 1,858 | $ 1.92 |
| Mark-to-Market Impact of Economic Hedging Activities (net of taxes of $31 and $26, respectively) | 97 | 0.10 | 74 | 0.08 |
| Unrealized (Gains) Losses Related to NDT Fund Investments (net of taxes of $167 and $118, respectively)[(a)] | (181) | (0.19) | 94 | 0.10 |
| PHI Merger and Integration Costs (net of taxes of $1) | — | — | 5 | — |
| Asset Impairments (net of taxes of $54 and $13, respectively)[(b)] | 119 | 0.12 | 36 | 0.04 |
| Plant Retirements and Divestitures (net of taxes of $9 and $148, respectively)[(c)] | 114 | 0.12 | 422 | 0.43 |
| Cost Management Program (net of taxes of $10 and $10, respectively)[(d)] | 31 | 0.03 | 29 | 0.03 |
| Litigation Settlement Gain (net of taxes of $7) | (19) | (0.02) | — | — |
| Asset Retirement Obligation (net of taxes of $9 and $6, respectively)[(e)] | (84) | (0.09) | 16 | 0.02 |
| Change in Environmental Liabilities (net of taxes of $5 and $1, respectively) | 18 | 0.02 | (4) | — |
| Income Tax-Related Adjustments (entire amount represents tax expense)[(f)] | 13 | 0.01 | (27) | (0.03) |
| Noncontrolling Interests (net of taxes of $18 and $9, respectively)[(g)] | 58 | 0.06 | (36) | (0.04) |
| **Adjusted (non-GAAP) Operating Earnings** | $ 2,329 | $ 2.39 | $ 2,467 | $ 2.55 |

Note:
Amounts may not sum due to rounding.
Unless otherwise noted, the income tax impact of each reconciling item between GAAP Net Income and Adjusted (non-GAAP) Operating Earnings is based on the marginal statutory federal and state income tax rates for each Registrant, taking into account whether the income or expense item is taxable or deductible, respectively, in whole or in part. For all items except the unrealized gains and losses related to NDT fund investments, the marginal statutory income tax rates for 2019 and 2018 ranged from 26.0 percent to 29.0 percent. Under IRS regulations, NDT fund investment returns are taxed at different rates for investments if they are in qualified or non-qualified funds. The effective tax rates for the unrealized gains and losses related to NDT fund investments were 47.1 percent and 7.7 percent for the three months ended September 30, 2019 and 2018, respectively. The effective tax rates for the unrealized gains and losses related to NDT fund investments were 48.1 percent and 55.5 percent for the nine months ended September 30, 2019 and 2018, respectively.

(a) Reflects the impact of net unrealized gains and losses on Generation's NDT fund investments for Non-Regulatory and Regulatory Agreement Units. The impacts of the Regulatory Agreement Units, including the associated income taxes, are contractually eliminated, resulting in no earnings impact.
(b) In 2018, primarily reflects the impairment of certain wind projects at Generation. In 2019, primarily reflects the impairment of equity method investments in certain distributed energy companies.
(c) In 2018, primarily reflects accelerated depreciation and amortization expenses and one-time charges associated with Generation's decision to early retire the Oyster Creek and TMI nuclear facilities, a charge associated with a remeasurement of the Oyster Creek ARO, partially offset by a gain associated with Generation's sale of its electrical contracting business. In 2019, primarily reflects accelerated depreciation and amortization expenses associated with the early retirement of the TMI nuclear facility and certain fossil sites and the loss on the sale of Oyster Creek to Holtec, partially offset by net realized gains related to Oyster Creek's NDT fund investments, a net benefit associated with remeasurements of the TMI ARO and a gain on the sale of certain wind assets.
(d) Primarily represents reorganization costs related to cost management programs.
(e) In 2018, reflects an increase at Pepco related primarily to asbestos identified at its Buzzard Point property. In 2019, reflects a benefit related to Generation's annual nuclear ARO update for non-regulatory units.
(f) In 2018, reflects an adjustment to the remeasurement of deferred income taxes as a result of the TCJA. In 2019, primarily reflects the adjustment to deferred income taxes due to changes in forecasted apportionment.
(g) Represents elimination from Generation's results of the noncontrolling interests related to certain exclusion items. In 2018, primarily related to the impact of unrealized losses on NDT fund investments for CENG units. In 2019, primarily related to

the impact of unrealized gains on NDT fund investments and the impact of the Generation's annual nuclear ARO update for CENG units, partially offset by the impairment of certain equity investments in distributed energy companies.

## Significant 2019 Transactions and Developments

### *Cost Management Programs*

Exelon continues to be committed to managing its costs. On October 31, 2019, Exelon announced additional annual cost savings of approximately $100 million, at Generation, to be achieved by 2022. These actions are in response to the continuing economic challenges confronting Generation's business, necessitating continued focus on cost management through enhanced efficiency and productivity.

### *Conowingo Hydroelectric Project*

In connection with Generation's pursuit of a new FERC license for Conowingo, on October 29, 2019, Generation and MDE entered into a settlement agreement that would resolve all outstanding issues between the parties, effective upon and subject to FERC's approval and incorporation of the terms into the new license when issued. The financial impact of this settlement, along with other anticipated and prior license commitments, would be recognized over the term of the new 50-year license and is estimated to be, on average, $11 million to $14 million per year, including capital and operating costs. The actual timing and amount of a majority of these costs are not currently fixed and will vary from year to year throughout the life of the new license. Generation cannot currently predict when FERC will issue the new license.

### *Utility Rates and Base Rate Proceedings*

The Utility Registrants file base rate cases with their regulatory commissions seeking increases or decreases to their electric transmission and distribution, and gas distribution rates to recover their costs and earn a fair return on their investments. The outcomes of these regulatory proceedings impact the Utility Registrants' current and future financial statements.

The following tables show the Utility Registrants' completed and pending distribution base rate case proceedings in 2019. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information on these and other regulatory proceedings.

*Completed Distribution Base Rate Case Proceedings*

| Registrant/Jurisdiction | Filing Date | Requested Revenue Requirement (Decrease) Increase | Approved Revenue Requirement (Decrease) Increase | Approved ROE | Approval Date | Rate Effective Date |
|---|---|---|---|---|---|---|
| ComEd - Illinois (Electric) | April 16, 2018 | $ (23) | $ (24) | 8.69% | December 4, 2018 | January 1, 2019 |
| PECO - Pennsylvania (Electric) | March 29, 2018 | $ 82 | $ 25 | N/A | December 20, 2018 | January 1, 2019 |
| BGE - Maryland (Natural Gas) | June 8, 2018 (amended October 12, 2018) | $ 61 | $ 43 | 9.8% | January 4, 2019 | January 4, 2019 |
| ACE - New Jersey (Electric) | August 21, 2018 (amended November 19, 2018) | $ 122 | $ 70 | 9.6% | March 13, 2019 | April 1, 2019 |
| Pepco - Maryland (Electric) | January 15, 2019 (amended May 16, 2019) | $ 27 | $ 10 | 9.6% | August 12, 2019 | August 13, 2019 |

*Pending Distribution Base Rate Case Proceedings*

| Registrant/Jurisdiction | Filing Date | Requested Revenue Requirement (Decrease) Increase | Requested ROE | Expected Approval Timing |
|---|---|---|---|---|
| ComEd - Illinois (Electric) | April 8, 2019 | $ (6) | 8.91% | December 2019 |
| BGE - Maryland (Electric)[(a)] | May 24, 2019 (amended October 4, 2019) | $ 74 | 10.3% | December 2019 |
| BGE - Maryland (Natural Gas)[(a)] | May 24, 2019 (amended October 4, 2019) | $ 59 | 10.3% | December 2019 |
| Pepco - District of Columbia (Electric) | May 30, 2019 (amended September 16, 2019) | $ 160 | 10.3% | Fourth quarter of 2020 |

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(a) On October 25, 2019, BGE filed a settlement agreement with the MDPSC. The settlement provides for an increase to BGE's annual electric and natural gas distribution rates of $18 million and $45 million, respectively.

***Transmission Formula Rate***

The following total increases/(decreases) were included in ComEd's, BGE's, Pepco's, DPL's and ACE's 2019 annual electric transmission formula rate updates.

| Registrant | Initial Revenue Requirement Increase (Decrease) | Annual Reconciliation Increase (Decrease) | Total Revenue Requirement Increase (Decrease) | Allowed Return on Rate Base | Allowed ROE |
|---|---|---|---|---|---|
| ComEd | 21 | (16) | 5 | 8.21% | 11.50% |
| BGE | (10) | (23) | (19) | 7.35% | 10.50% |
| Pepco | 15 | 11 | 26 | 7.75% | 10.50% |
| DPL | 17 | (1) | 16 | 7.14% | 10.50% |
| ACE | 11 | (2) | 9 | 7.79% | 10.50% |

***PECO Transmission Formula Rate***

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. PECO's initial formula rate filing included a requested increase of $22 million to PECO's annual transmission revenue requirement, which reflected a ROE of 11%, inclusive of a 50 basis point adder for being a member of a RTO. 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.

Pursuant to the transmission formula rate request discussed above, PECO made its annual formula rate updates in May 2018 and 2019, which included a decrease of $6 million and an increase of $8 million, respectively, to the annual transmission revenue requirement. The updated transmission formula rates were effective on June 1, 2018 and 2019, respectively, subject to refund.

On July 22, 2019, PECO and other parties filed with FERC a settlement agreement, which includes a ROE of 10.35%, inclusive of a 50 basis point adder for being a member of a RTO. The settlement did not have a material impact on PECO's 2017, 2018, or 2019 annual transmission revenue requirements. A final order from FERC is expected before the end of the first quarter of 2020. PECO cannot predict the outcome of this proceeding, or the transmission formula FERC may approve.

***Early Plant Retirements and Divestitures***

*Oyster Creek.* Generation permanently ceased generation operations at Oyster Creek on September 17, 2018. On July 31, 2018, Generation entered into an agreement with Holtec International and its wholly owned subsidiary, Oyster Creek Environmental Protection, LLC, for the sale and decommissioning of Oyster Creek. The sale was completed on July 1, 2019. Exelon and Generation recognized a loss on the sale in the third quarter 2019, which was immaterial. See Note 3 — Mergers, Acquisitions and Dispositions of the Combined Notes to Consolidated Financial Statements for additional information.

*Three Mile Island.* Generation permanently ceased operations at TMI on September 20, 2019. As a result of the decision to early retire TMI, Exelon and Generation recorded a $113 million and $185 million incremental pre-tax net charge for the three and nine months ended September 30, 2019 primarily due to accelerated depreciation of the plant assets, partially offset by a benefit associated with the remeasurement of the TMI ARO in the first quarter of 2019.

*Salem.* In 2017, PSEG announced that its New Jersey nuclear plants, including Salem, of which Generation owns a 42.59% ownership interest, were showing increased signs of economic distress, which could lead to an early retirement. PSEG is the operator of Salem and also has the decision-making authority to retire Salem. In 2018, New Jersey enacted legislation that established a ZEC program that provides compensation for nuclear plants that demonstrate to the NJBPU that they meet certain requirements, including that they make a significant contribution to air quality in the state and that their revenues are insufficient to cover their costs and risks. On April 18, 2019, the NJBPU approved the award of ZECs to Salem 1 and Salem 2. Assuming the continued effectiveness of the New Jersey ZEC program, Generation no longer considers Salem to be at heightened risk for early retirement.

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

See Note 6 — Regulatory Matters, Note 8 — Early Plant Retirements and Note 13 — Nuclear Decommissioning of the Combined Notes to Consolidated Financial Statements for additional information.

***Pacific Gas & Electric Bankruptcy***

Generation's Antelope Valley, a 242 MW solar facility in Lancaster, CA, sells all of its output to PG&E through a PPA. On January 29, 2019, PG&E filed for protection under Chapter 11 of the U.S. Bankruptcy Code. As of September 30, 2019, Generation had approximately $730 million and $495 million of net long-lived assets and nonrecourse debt outstanding, respectively, related to Antelope Valley. PG&E's bankruptcy created an event of default for Antelope Valley's nonrecourse debt that provides the lender with a right to accelerate amounts outstanding under the loan such that they would become immediately due and payable. As a result of the ongoing event of default and the absence of a waiver from the lender foregoing their acceleration rights, the debt was reclassified as current in Exelon's and Generation's Consolidated Balance Sheets in the first quarter of 2019 and continues to be classified as current as of September 30, 2019.

In the first quarter of 2019, Generation assessed and determined that Antelope Valley's long-lived assets were not impaired. Significant changes in assumptions such as the likelihood of the PPA being rejected as part of the bankruptcy proceedings could potentially result in future impairments of Antelope Valley's net long-lived assets, which could be material. Generation is monitoring the bankruptcy proceedings for any changes in circumstances that would indicate the carrying amount of the net long-lived assets of Antelope Valley may not be recoverable.

See Note 7 — Asset Impairments and Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information on the PG&E bankruptcy.

## Other Key Business Drivers and Management Strategies

The following discussion of other key business driver and management strategies includes current developments of previously disclosed matters and new issues arising during the period that may impact future financial statements. This section should be read in conjunction with ITEM 1. Business and ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Other Key Business Drivers and Management Strategies in the Registrants' combined 2018 Form 10-K and Note 16 - Commitments and Contingencies to the Consolidated Financial Statements in this report for additional information on various environmental matters.

### Power Markets

***Complaints and PJM Filing at FERC Seeking to Mitigate ZEC Programs***

PJM and NYISO capacity markets include a MOPR that is intended to preclude buyers from exercising buyer market power. If a resource is subjected to a MOPR, its offer is adjusted to effectively remove the revenues it receives through a government-provided financial support program - resulting in a higher offer that may not clear the capacity market. Currently, the MOPRs in PJM and NYISO apply only to certain new gas-fired resources.

On January 9, 2017, EPSA filed two requests with FERC: one seeking to amend a prior complaint against PJM and another seeking expedited action on a pending NYISO compliance filing in an existing proceeding. A similar complaint also against PJM was filed at FERC on May 31, 2018. These complaints generally allege that the relevant MOPR should be expanded to also apply to existing resources including those receiving ZEC compensation under the New Jersey ZEC, New York CES and Illinois ZES programs. Exelon filed protests at FERC in response to each filing, arguing generally that ZEC payments provide compensation for an environmental attribute and are no different than other renewable support programs that have generally not been subject to a MOPR. However, if successful, for Generation’s facilities in PJM and NYISO that are currently receiving ZEC compensation, an expanded MOPR could require exclusion of ZEC compensation when bidding into future capacity auctions, resulting in an increased risk of these facilities not receiving capacity revenues in future auctions, which could have a material effect on Exelon’s and Generation’s future cash flows and results of operations.

In June 2018, FERC addressed one of the MOPR complaints involving PJM and concluded that PJM’s existing tariff allows resources receiving out-of-market support to affect capacity prices in a manner that will cause unjust and unreasonable and unduly discriminatory rates in PJM. FERC suggested that modifying two elements of PJM’s existing tariff, as follows could produce a just and reasonable replacement.

- An expansion of the current MOPR mechanism to cover all existing generating resources, regardless of resource type, including those receiving either ZEC or REC compensation, could protect the capacity markets from unwanted price suppression.
- A modified version of PJM’s existing Fixed Resource Requirement (FRR) option could enable state subsidized resources and a corresponding amount of load to be removed from the capacity market, thereby alleviating their price suppressive effects on capacity clearing prices. Under this alternative, state supported generating resources would potentially be compensated through mechanisms other than through PJM’s existing market mechanism.

FERC established March 21, 2016 as the refund effective date and also allowed PJM to delay its next capacity auction from May 2019 to August 2019 to allow parties time to file proposals in the FERC proceeding, FERC time to determine the appropriate solution and PJM time to implement FERC's solution. On October 2, 2018, Exelon, along with several ratepayer advocates, environmental organizations and other nuclear generators, submitted shared principles supporting a workable new FRR mechanism. FERC has not yet issued a decision on the second MOPR complaint involving PJM or the MOPR complaint involving NYISO. On April 10, 2019, PJM notified FERC of its intent to proceed with the next capacity auction in August 2019 under the existing market rules and asked FERC to clarify that it would not require PJM to re-run the auction in the event FERC alters those market rules in its decision on the MOPR complaint. On July 25, 2019, FERC issued an order denying PJM’s request to clarify that any alteration of PJM’s existing market rules would operate prospectively and, therefore, directed PJM to not conduct the capacity auction in August 2019. It is too early to predict the final outcome of each of these proceedings or their potential financial impact, if any, on Exelon or Generation.

***Complaint at FERC Seeking to Alter Capacity Market Default Offer Caps***

On February 21, 2019, PJM's Independent Market Monitor (IMM) filed a complaint alleging that the number of performance assessment intervals used to calculate the default offer cap for bids to supply capacity in PJM is too high, resulting in an overstated default offer cap that obviates the need for most sellers to seek unit-specific approval of their offers. The IMM claims that this allows for the exercise of market power. The IMM asks FERC to require PJM to reduce the number of performance assessment intervals used to calculate the opportunity costs of a capacity supplier assuming a capacity obligation. This would, in turn, lower the default offer cap and allow the IMM to review more offers on a unit-specific basis. It is too early to predict the final outcome of this proceeding or its potential financial impact, if any, on Exelon or Generation.

***Section 232 Uranium Petition***

On January 16, 2018, two Canadian-owned uranium mining companies with operations in the U.S. jointly submitted a petition to the U.S. Department of Commerce (DOC) seeking relief under Section 232 of the Trade Expansion Act of 1962, as amended, (the Act) from imports of uranium products, alleging that these imports threaten national security (the Petition). The relief requested would have required U.S. nuclear reactors to purchase at least 25% of their uranium needs from domestic mines for the next 10 years or more. The Act was promulgated by Congress to protect essential national security industries whose survival is threatened by imports. As such, the Act authorizes the Secretary of Commerce (the Secretary) to conduct investigations to evaluate the effects of imports of any item on the national security of the U.S. The Petition alleges that the loss of a viable U.S. uranium mining industry would have a significant detrimental impact on the national, energy, and economic security of the U.S. and the ability of the country to sustain an independent nuclear fuel cycle.

On July 18, 2018, the Secretary announced that the DOC had initiated an investigation in response to the petition. The Secretary submitted a report to President Trump on April 14, 2019 that has not been made public. On July 12, 2019, the President issued a memorandum indicating that he did not agree with the Secretary's finding that uranium imports threaten to impair the national security of the United States, choosing not to impose any trade restrictions at this time. The President found that a fuller analysis of national security considerations with respect to the entire nuclear fuel supply chain is necessary and directed that a United States Nuclear Fuel Working Group (Working Group) be established to develop recommendations for reviving and expanding domestic nuclear fuel production with a mandate to submit a report back to him within 90 days. On October 10, 2019, the President granted a 30-day extension to the deadline for the Working Group to submit the report. The Working Group is to be co-chaired by the Assistant to the President for National Security Affairs and the Assistant to the President for Economic Policy. Exelon will monitor and volunteer to provide information to support the Working Group's efforts. Exelon and Generation cannot currently predict the outcome of the Working Group report and subsequent actions.

## Hedging Strategy

Exelon's policy to hedge commodity risk on a ratable basis over three-year periods is intended to reduce the financial impact of market price volatility. Generation is exposed to commodity price risk associated with the unhedged portion of its electricity portfolio. Generation enters into non-derivative and derivative contracts, including financially-settled swaps, futures contracts and swap options, and physical options and physical forward contracts, all with credit-approved counterparties, to hedge this anticipated exposure. As of September 30, 2019, the percentage of expected generation hedged for the Mid-Atlantic, Midwest, New York and ERCOT reportable segments is 96%-99%, 84%-87% and 54%-57% for 2019, 2020, and 2021 respectively. Generation has been and will continue to be proactive in using hedging strategies to mitigate commodity price risk.

Generation procures natural gas through long-term and short-term contracts and spot-market purchases. Nuclear fuel assemblies are obtained predominantly through long-term uranium concentrate supply contracts, contracted conversion services, contracted enrichment services, or a combination thereof, and contracted fuel fabrication services. The supply markets for uranium concentrates and certain nuclear fuel services are subject to price fluctuations and availability restrictions. Approximately 63% of Generation's uranium concentrate requirements from 2019 through 2023 are supplied by three producers. In the event of non-performance by these or other suppliers, Generation believes that replacement uranium concentrate can be obtained, although at prices that may be unfavorable when compared to the prices under the current supply agreements. Non-performance by these counterparties could have a material adverse impact on Exelon's and Generation's financial statements.

See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements and Item 3. Quantitative and Qualitative Disclosures about Market Risk for additional information.

The Utility Registrants mitigate commodity price risk through regulatory mechanisms that allow them to recover procurement costs from retail customers.

## Environmental Legislative and Regulatory Developments

### *Air Quality*

***Clean Power Plan.*** On April 28, 2017, the D.C. Circuit Court issued orders in separate litigation related to the EPA's actions under the Clean Power Plan (CPP) to amend Clean Air Act Section 111(d) regulation of existing fossil-fired electric generating units and Section 111(b) regulation of new fossil-fired electric generating units. In both cases, the Court has determined to hold the litigation in abeyance pending a determination whether the rule should be remanded to the EPA. In June 2019, EPA issued a final rule that repealed the CPP, and finalized the Affordable Clean Energy rule to replace the CPP with less stringent emissions guidelines based on heat rate improvement measures that could be achieved within the fence line of existing power plants.

***Primary SO2 National Ambient Air Quality Standards (NAAQS).*** EPA took final action on April 17, 2019 to retain the current primary SO2 standard without revision, leaving the standard established in 2010 in effect.

See Note 16 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements for additional information related to environmental matters, including the impact of environmental regulation.

## Other Legislative and Regulatory Developments

### *Illinois Clean Energy Progress Act*

On March 14, 2019, the Clean Energy Progress Act was introduced in the Illinois General Assembly to preserve Illinois' clean energy choices arising from FEJA and empower the IPA to conduct capacity procurements outside of PJM's base residual auction process, while utilizing the fixed resource requirement provisions in PJM's tariffs which are still subject to penalties and other obligations under the PJM tariffs. The most significant provisions of the proposed legislation are as follows: (1) it allows the IPA to procure capacity directly from clean energy resources that have previously sold ZECs or RECs, including certain of Generation's nuclear plants in Illinois, or from new clean energy resources, (2) it establishes a goal of achieving 100% carbon-free power in the ComEd service territory by 2032, and (3) it implements reforms to enhance consumer protections in the state's competitive retail electricity and natural gas markets, including Generation's retail customers. Energy legislation has also been proposed by other stakeholders, including renewable resource developers, environmental advocates, and coal-fueled generators. Exelon and Generation are working with legislators and stakeholders and cannot predict the outcome or the potential financial impact, if any, on Exelon or Generation.

### *Keep Powering Pennsylvania Act*

On March 11, 2019, the Keep Powering Pennsylvania Act was introduced in the Pennsylvania General Assembly to amend the Alternative Energy Portfolio Standards Act of 2004. The proposed legislation recognizes the value that all zero-emission electric generation resources provide to Pennsylvania by adding nuclear plants and certain other renewable generation resources (Tier III resources) to the zero-emission electric generation resources that currently receive alternative energy credits in Pennsylvania. Further, the proposed legislation would allow for these Tier III resources to continue to receive capacity payments at the same level as the PJM capacity auction clearing price. In order to initially qualify as a Tier III resource, a resource must make a commitment to operate for at least six years. The price of the alternative energy credits for Tier III resources is tied to the value of existing Tier I resources, with a price cap. Regulated utilities, including PECO, would be required to purchase alternative energy credits for all retail customers and allowed to recover those costs from customers. Exelon and Generation are working with legislators and stakeholders and cannot predict the outcome or the potential financial impact, if any, on Exelon or Generation.

### *Nuclear Powers Act of 2019*

On April 12, 2019, the Nuclear Powers America Act of 2019 was introduced to the United States Congress, which expands the current investment tax credit to existing nuclear power plants. The proposed legislation would provide a credit equal to 30% of continued capital investment in certain nuclear energy-related expenditures, including capital expenses and nuclear fuel, starting from tax years 2019 through 2023. Thereafter, the credit rate would be reduced to 26% in 2024, 22% in 2025, and 10% in 2026 and beyond. To qualify for the credit, the plant must be currently operational and must have applied for an operating license renewal before 2026. Exelon and Generation are working with legislators and stakeholders and cannot predict the outcome or the potential financial impact, if any, on Exelon or Generation.

**Employees**

In April 2019, the CBAs with IBEW Local 15 covering employees at BSC, ComEd and Generation, were extended through 2024. In June 2019, BGE’s union contract for approximately 1,400 employees within Local 410 was ratified, which did not have a material impact on BGE's financial statements. In July 2019, the CBA between Generation and the Security Officer’s union at Byron, which was scheduled to expire on September 30, 2019, was extended to December 31, 2019. In September 2019, negotiations completed between Pepco and IBEW Local 1900 and the CBA will expire in 2022. In September 2019, the CBA between Generation and Local 614 at Conowingo, Eddystone and Fairless Hills stations, which was scheduled to expire on November 3, 2019, was extended to March 3, 2020.

## Critical Accounting Policies and Estimates

Management of each of the Registrants makes a number of significant estimates, assumptions and judgments in the preparation of its financial statements. At September 30, 2019, the Registrants’ critical accounting policies and estimates had not changed significantly from December 31, 2018. See ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Critical Accounting Policies and Estimates in the Registrants' 2018 Form 10-K for further information.

## Results of Operations by Registrant

The Registrants' Results of Operations includes discussion of RNF, which is a financial measure not defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. The CODMs for Exelon and Generation evaluate the performance of Generation's electric business activities and allocate resources based on RNF. Generation believes that RNF is a useful measure because it provides information that can be used to evaluate its operational performance. For the Utility Registrants, their Operating revenues reflect the full and current recovery of commodity procurement costs given the rider mechanisms approved by their respective state regulators. The commodity procurement costs, which are recorded in Purchased power and fuel expense, and the associated revenues can be volatile. Therefore, the Utility Registrants believe that RNF is a useful measure because it excludes the effect on Operating revenues caused by the volatility in these expenses.

## Results of Operations — Generation

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 4,774 | $ 5,278 | $ (504) | $ 14,280 | $ 15,368 | $ (1,088) |
| **Purchased power and fuel expense** | 2,651 | 2,980 | 329 | 8,148 | 8,552 | 404 |
| **Revenues net of purchased power and fuel expense** | 2,123 | 2,298 | (175) | 6,132 | 6,816 | (684) |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 1,087 | 1,370 | 283 | 3,570 | 4,126 | 556 |
| Depreciation and amortization | 407 | 468 | 61 | 1,221 | 1,383 | 162 |
| Taxes other than income | 129 | 143 | 14 | 394 | 414 | 20 |
| Total other operating expenses | 1,623 | 1,981 | 358 | 5,185 | 5,923 | 738 |
| **(Loss) gain on sales of assets and businesses** | (18) | (6) | (12) | 15 | 48 | (33) |
| **Operating income** | 482 | 311 | 171 | 962 | 941 | 21 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (109) | (101) | (8) | (336) | (305) | (31) |
| Other, net | 128 | 179 | (51) | 729 | 164 | 565 |
| Total other income and (deductions) | 19 | 78 | (59) | 393 | (141) | 534 |
| **Income before income taxes** | 501 | 389 | 112 | 1,355 | 800 | 555 |
| **Income taxes** | 87 | 78 | (9) | 388 | 110 | (278) |
| **Equity in losses of unconsolidated affiliates** | (170) | (11) | (159) | (183) | (23) | (160) |
| **Net income** | 244 | 300 | (56) | 784 | 667 | 117 |
| **Net (loss) income attributable to noncontrolling interests** | (13) | 66 | 79 | 56 | 120 | 64 |
| **Net income attributable to membership interest** | $ 257 | $ 234 | $ 23 | $ 728 | $ 547 | $ 181 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income attributable to membership interest** increased by $23 million primarily due to:

- Absence of accelerated depreciation and amortization due to the early retirement of the Oyster Creek nuclear facility in September 2018 and the absence of a charge associated with the remeasurement of the Oyster Creek ARO;
- Decreased nuclear outage days in 2019;
- Increased New York ZEC prices and the approval of the New Jersey ZEC program in the second quarter of 2019;
- A benefit associated with the annual nuclear ARO update; and
- Decreased Operating and maintenance expense, which includes the impacts of previous cost management programs and lower pension and OPEB costs.

The increases were partially offset by:

- Lower capacity prices;

- Lower mark-to-market gains; and
- Lower realized energy prices.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net income attributable to membership interest** increased by $181 million primarily due to:

- Higher net unrealized and realized gains on NDT funds;
- Decreased accelerated depreciation and amortization due to the early retirement of the Oyster Creek nuclear facility in September 2018 and the absence of a charge associated with the remeasurement of the Oyster Creek ARO;
- Decreased Operating and maintenance expense which includes the impacts of previous cost management programs and lower pension and OPEB costs;
- Decreased nuclear outage days in 2019; and
- A benefit associated with the remeasurement of the TMI ARO in the first quarter of 2019 and the annual nuclear ARO update in the third quarter of 2019.

The increases were partially offset by:

- Lower realized energy prices;
- Lower capacity prices;
- The absence of the revenues recognized in the first quarter of 2018 related to ZECs generated in Illinois from June through December 2017, partially offset by increased New York ZEC prices and the approval of the New Jersey ZEC Program in the second quarter of 2019; and
- Higher mark-to-market losses.

***Revenues Net of Purchased Power and Fuel Expense.*** The basis for Generation's reportable segments is the integrated management of its electricity business that is located in different geographic regions, and largely representative of the footprints of ISO/RTO and/or NERC regions, which utilize multiple supply sources to provide electricity through various distribution channels (wholesale and retail). Generation's hedging strategies and risk metrics are also aligned with these same geographic regions. Generation's five reportable segments are Mid-Atlantic, Midwest, New York, ERCOT and Other Power Regions. During the first quarter of 2019, due to a change in economics in our New England region, Generation is changing the way that information is reviewed by the CODM. The New England region will no longer be regularly reviewed as a separate region by the CODM nor will it be presented separately in any external information presented to third parties. Information for the New England region will be reviewed by the CODM as part of Other Power Regions. See Note 24 - Segment Information of the Combined Notes to Consolidated Financial Statements for additional information.

The following business activities are not allocated to a region and are reported under Other: natural gas, as well as other miscellaneous business activities that are not significant to overall operating revenues or results of operations. Further, the following activities are not allocated to a region and are reported in Other: accelerated nuclear fuel amortization associated with nuclear decommissioning; and other miscellaneous revenues.

Generation evaluates the operating performance of electric business activities using the measure of RNF. Operating revenues include all sales to third parties and affiliated sales to the Utility Registrants. Purchased power costs include all costs associated with the procurement and supply of electricity including capacity, energy and ancillary services. Fuel expense includes the fuel costs for owned generation and fuel costs associated with tolling agreements.

For the three and nine months ended September 30, 2019 and 2018, RNF by region were as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Mid-Atlantic[a] | $ 689 | $ 763 | $ (74) | (9.7)% | $ 2,023 | $ 2,348 | $ (325) | (13.8)% |
| Midwest[b] | 747 | 768 | (21) | (2.7)% | 2,247 | 2,400 | (153) | (6.4)% |
| New York | 291 | 292 | (1) | (0.3)% | 810 | 841 | (31) | (3.7)% |
| ERCOT | 72 | 98 | (26) | (26.5)% | 225 | 216 | 9 | 4.2 % |
| Other Power Regions | 184 | 180 | 4 | 2.2 % | 478 | 607 | (129) | (21.3)% |
| Total electric revenue net of purchased power and fuel expense | 1,983 | 2,101 | (118) | (5.6)% | 5,783 | 6,412 | (629) | (9.8)% |
| Proprietary Trading | (1) | 5 | (6) | (120.0)% | 10 | 39 | (29) | (74.4)% |
| Mark-to-market gains (losses) | 17 | 71 | (54) | (76.1)% | (84) | (104) | 20 | (19.2)% |
| Other | 124 | 121 | 3 | 2.5 % | 423 | 469 | (46) | (9.8)% |
| Total revenue net of purchased power and fuel expense | $ 2,123 | $ 2,298 | $ (175) | (7.6)% | $ 6,132 | $ 6,816 | $ (684) | (10.0)% |

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(a) Includes results of transactions with PECO, BGE, Pepco, DPL and ACE.
(b) Includes results of transactions with ComEd.

Generation's supply sources by region are summarized below:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| Supply source (GWhs) | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Nuclear Generation[(a)] | | | | | | | | |
| Mid-Atlantic | 15,281 | 16,197 | (916) | (5.7)% | 44,436 | 48,924 | (4,488) | (9.2)% |
| Midwest | 23,730 | 23,834 | (104) | (0.4)% | 71,459 | 70,532 | 927 | 1.3 % |
| New York | 7,204 | 6,518 | 686 | 10.5 % | 20,783 | 19,758 | 1,025 | 5.2 % |
| Total Nuclear Generation | 46,215 | 46,549 | (334) | (0.7)% | 136,678 | 139,214 | (2,536) | (1.8)% |
| Fossil and Renewables | | | | | | | | |
| Mid-Atlantic | 485 | 853 | (368) | (43.1)% | 2,351 | 2,660 | (309) | (11.6)% |
| Midwest | 262 | 244 | 18 | 7.4 % | 981 | 1,020 | (39) | (3.8)% |
| New York | 3 | 1 | 2 | 200.0 % | 4 | 3 | 1 | 33.3 % |
| ERCOT | 4,500 | 3,137 | 1,363 | 43.4 % | 10,644 | 8,389 | 2,255 | 26.9 % |
| Other Power Regions | 3,135 | 3,628 | (493) | (13.6)% | 8,789 | 10,692 | (1,903) | (17.8)% |
| Total Fossil and Renewables | 8,385 | 7,863 | 522 | 6.6 % | 22,769 | 22,764 | 5 | — % |
| Purchased Power | | | | | | | | |
| Mid-Atlantic | 5,235 | 3,504 | 1,731 | 49.4 % | 10,359 | 4,828 | 5,531 | 114.6 % |
| Midwest | 124 | 174 | (50) | (28.7)% | 662 | 733 | (71) | (9.7)% |
| ERCOT | 1,329 | 1,811 | (482) | (26.6)% | 3,585 | 5,504 | (1,919) | (34.9)% |
| Other Power Regions | 13,006 | 12,705 | 301 | 2.4 % | 36,693 | 32,731 | 3,962 | 12.1 % |
| Total Purchased Power | 19,694 | 18,194 | 1,500 | 8.2 % | 51,299 | 43,796 | 7,503 | 17.1 % |
| Total Supply/Sales by Region | | | | | | | | |
| Mid-Atlantic[(b)] | 21,001 | 20,554 | 447 | 2.2 % | 57,146 | 56,412 | 734 | 1.3 % |
| Midwest[(b)] | 24,116 | 24,252 | (136) | (0.6)% | 73,102 | 72,285 | 817 | 1.1 % |
| New York | 7,207 | 6,519 | 688 | 10.6 % | 20,787 | 19,761 | 1,026 | 5.2 % |
| ERCOT | 5,829 | 4,948 | 881 | 17.8 % | 14,229 | 13,893 | 336 | 2.4 % |
| Other Power Regions | 16,141 | 16,333 | (192) | (1.2)% | 45,482 | 43,423 | 2,059 | 4.7 % |
| Total Supply/Sales by Region | 74,294 | 72,606 | 1,688 | 2.3 % | 210,746 | 205,774 | 4,972 | 2.4 % |

(a) Includes the proportionate share of output where Generation has an undivided ownership interest in jointly-owned generating plants and includes the total output of plants that are fully consolidated (e.g. CENG).
(b) Includes affiliate sales to PECO, BGE, Pepco, DPL and ACE in the Mid-Atlantic region and affiliate sales to ComEd in the Midwest region.

For the three and nine months ended September 30, 2019 and 2018, changes in **RNF** by region were as follows:

| | Increase/ (Decrease) | Three Months Ended September 30, 2019 | Increase/ (Decrease) | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Mid-Atlantic | $ (74) | • decreased capacity prices<br>• decreased revenue due to permanent cease of generation operations at Oyster Creek in Q3 2018<br>• lower realized energy prices, partially offset by<br>• increased ZEC revenues due to the approval of the NJ ZEC program in Q2 2019 | $ (325) | • lower realized energy prices<br>• decreased revenue due to permanent cease of generation operations at Oyster Creek in Q3 2018<br>• increased nuclear outage days primarily at Salem<br>• decreased capacity prices, partially offset by<br>• increased ZEC revenues due to the approval of the NJ ZEC program in Q2 2019 |
| Midwest | (21) | • decreased capacity prices partially offset by<br>• higher realized energy prices | (153) | • the absence of the revenue recognized in the first quarter 2018 related to ZECs generated in Illinois from June through December 2017, partially offset by<br>• higher realized energy prices and<br>• decreased nuclear outage days |
| New York | (1) | • lower realized energy prices<br>• decreased capacity prices, partially offset by<br>• increased ZEC revenues due to higher ZEC prices and increased output at Fitzpatrick<br>• decreased nuclear outage days | (31) | • lower realized energy prices<br>• decreased capacity prices, partially offset by<br>• increased ZEC revenues due to higher ZEC prices and increased output at Fitzpatrick<br>• decreased nuclear outage days |
| ERCOT | (26) | • decrease due to higher procurement costs for owned and contracted assets | 9 | • higher realized energy prices, partially offset by<br>• higher procurements costs for owned and contracted assets |
| Other Power Regions | 4 | • higher realized energy prices, partially offset by<br>• decreased capacity prices | (129) | • lower realized energy prices<br>• decreased capacity prices |
| Proprietary Trading | (6) | • congestion activity | (29) | • congestion activity |
| Mark-to-market[(a)] | (54) | • gains on economic hedging activities of $17 million in 2019 compared to gains of $71 million in 2018 | 20 | • losses on economic hedging activities of $84 million in 2019 compared to losses of $104 million in 2018 |
| Other | 3 | • no significant changes | (46) | • the impacts of declining natural gas prices, partially offset by<br>• decrease in accelerated nuclear fuel amortization associated with announced early plant retirements |
| Total | $ (175) | | $ (684) | |

(a) See Note 10 — Derivative Financial Instruments for additional information on mark-to-market losses.

***Nuclear Fleet Capacity Factor.*** The following table presents nuclear fleet operating data for the Generation-operated plants, which reflects ownership percentage of stations operated by Exelon, excluding Salem, which is operated by PSEG. The nuclear fleet capacity factor presented in the table is defined as the ratio of the actual output of a plant over a period of time to its output if the plant had operated at full average annual mean capacity for that time period. Generation considers capacity factor to be a useful measure to analyze the nuclear fleet performance between periods. Generation has included the analysis below as a complement to the financial information provided in accordance with GAAP. However, these measures are not a presentation defined under GAAP and may not be comparable to other companies' presentations or be more useful than the GAAP information provided elsewhere in this report.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Nuclear fleet capacity factor | 95.5% | 93.6% | 95.9% | 94.4% |
| Refueling outage days | 15 | 36 | 145 | 198 |
| Non-refueling outage days | 15 | 12 | 43 | 20 |

The changes in ***Operating and maintenance expense*** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Labor, other benefits, contracting, materials[(a)] | $ (77) | $ (135) |
| Nuclear refueling outage costs, including the co-owned Salem plants | (35) | (52) |
| Corporate allocations | (12) | (41) |
| Insurance[(b)] | — | 31 |
| Merger and integration costs | — | (5) |
| Plant retirements and divestitures[(c)] | (78) | (164) |
| Change in environmental liabilities | 13 | 6 |
| ARO update[(d)] | (66) | (66) |
| Asset Impairments[(e)] | (6) | (38) |
| Pension and non-pension postretirement benefits expense | (11) | (44) |
| Allowance for uncollectible accounts | (1) | (18) |
| Accretion expense | (11) | (28) |
| Other | 1 | (2) |
| Decrease in Operating and maintenance expense | $ (283) | $ (556) |

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(a) Primarily reflects decreased costs related to the permanent cease of generation operations at Oyster Creek, lower labor costs resulting from previous cost management programs, and lower pension and OPEB costs.
(b) Primarily reflects the absence of a supplemental NEIL insurance distribution received in the first quarter of 2018.
(c) Primarily due to the benefit recorded in the first quarter of 2019 for the remeasurement of the TMI ARO and the absence of a charge associated with the remeasurement of the Oyster Creek ARO in the third quarter of 2018.
(d) Primarily reflects a benefit related to Generation's annual nuclear ARO update for non-regulatory units.
(e) Primarily due to the impairment of certain wind projects recorded in the second quarter of 2018.

**Depreciation and Amortization Expense** for the three and nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to the permanent cease of generation operations at Oyster Creek in the third quarter of 2018.

**Gain (Loss) on Sales of Assets and Businesses** for the three months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to Generation's sale of Oyster Creek. Gain (loss) on sales of assets and businesses for the nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to Generation's sale of its electrical contracting business in the first quarter of 2018.

**Other, net** for the three months ended September 30, 2019 compared to the same period in 2018 decreased and for the nine months ended September 30, 2019 compared to the same period in 2018 increased due to activity associated with NDT funds as described in the table below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net unrealized gains (losses) on NDT funds[(a)] | $ 55 | $ 72 | $ 236 | $ (143) |
| Net realized gains on sale of NDT funds[(a)] | 9 | 29 | 231 | 164 |
| Interest and dividend income on NDT funds[(a)] | 24 | 29 | 85 | 93 |
| Contractual elimination of income tax expense[(b)] | 31 | 29 | 150 | 24 |
| Other | 9 | 20 | 27 | 26 |
| Total other, net | $ 128 | $ 179 | $ 729 | $ 164 |

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(a) Unrealized gains (losses), realized gains and interest and dividend income on the NDT funds are associated with the Non-Regulatory Agreement units.
(b) Contractual elimination of income tax expense is associated with the income taxes on the NDT funds of the Regulatory Agreement units.

**Effective income tax rates** were 17.4% and 20.1% for the three months ended September 30, 2019 and 2018, respectively. Generation's effective income tax rates were 28.6% and 13.8% for the nine months ended September 30, 2019 and 2018, respectively. The change is primarily related to a reduction in renewable tax credits and one-time tax adjustments. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information.

**Equity in losses of unconsolidated affiliates** for the three and nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to the impairment of equity method investments in certain distributed energy companies.

**Net income attributable to noncontrolling interests** for the three and nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to the offsetting noncontrolling interest impact of the impairment of equity method investments in certain distributed energy companies.

**Results of Operations — ComEd**

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 1,583 | $ 1,598 | $ (15) | $ 4,342 | $ 4,508 | $ (166) |
| **Purchased power expense** | 577 | 619 | 42 | 1,469 | 1,702 | 233 |
| **Revenues net of purchased power expense** | 1,006 | 979 | 27 | 2,873 | 2,806 | 67 |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 340 | 337 | (3) | 967 | 974 | 7 |
| Depreciation and amortization | 259 | 237 | (22) | 767 | 696 | (71) |
| Taxes other than income | 80 | 82 | 2 | 228 | 238 | 10 |
| Total other operating expenses | 679 | 656 | (23) | 1,962 | 1,908 | (54) |
| **Gain on sales of assets** | 1 | — | 1 | 4 | 5 | (1) |
| **Operating income** | 328 | 323 | 5 | 915 | 903 | 12 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (91) | (85) | (6) | (268) | (261) | (7) |
| Other, net | 8 | 7 | 1 | 27 | 21 | 6 |
| Total other income and (deductions) | (83) | (78) | (5) | (241) | (240) | (1) |
| **Income before income taxes** | 245 | 245 | — | 674 | 663 | 11 |
| **Income taxes** | 45 | 52 | 7 | 130 | 140 | 10 |
| **Net income** | $ 200 | $ 193 | $ 7 | $ 544 | $ 523 | $ 21 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018*.** **Net income** remained relatively consistent for the three months ended September 30, 2019 as compared to the same period in 2018.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net income** increased $21 million as compared to the same period in 2018, primarily due to higher electric distribution, transmission and energy efficiency formula rate earnings (reflecting the impacts of higher rate base, partially offset by lower allowed electric distribution ROE due to a decrease in treasury rates).

***Revenues Net of Purchased Power Expense.*** There are certain drivers of Operating revenues that are fully offset by their impact on Purchased power expense, such as commodity, REC, and ZEC procurement costs and participation in customer choice programs. ComEd recovers electricity, REC, and ZEC procurement costs from customers without mark-up. Therefore, fluctuations in these costs have no impact on RNF.

Customers have the choice to purchase electricity from competitive electric generation suppliers. Customer choice programs do not impact the volume of deliveries but do impact Operating revenues related to supplied electricity.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Electric distribution | $ 11 | $ 48 |
| Transmission | 5 | 27 |
| Energy efficiency | 9 | 36 |
| Uncollectible accounts recovery, net | (3) | (5) |
| Other | 5 | (39) |
| Total increase | $ 27 | $ 67 |

***Revenue Decoupling.*** The demand for electricity is affected by weather conditions and customer usage. Operating revenues are not impacted by abnormal weather, usage per customer or number of customers as a result of a change to the electric distribution formula rate pursuant to FEJA.

***Distribution Revenue.*** EIMA and FEJA provide for a performance-based formula rate, which requires an annual reconciliation of the revenue requirement in effect to the actual costs that the ICC determines are prudently and reasonably incurred in a given year. Electric distribution revenue varies from year to year based upon fluctuations in the underlying costs, (e.g., severe weather and storm restoration), investments being recovered, and allowed ROE. Electric distribution revenue increased during the three and nine months ended September 30, 2019 as compared to the same period in 2018, primarily due to the impact of higher rate base and increased depreciation expenses, offset by lower allowed ROE due to a decrease in treasury rates. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Transmission Revenue.*** Under a FERC-approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs, capital investments being recovered and the highest daily peak load, which is updated annually in January based on the prior calendar year. Generally, increases/decreases in the highest daily peak load will result in higher/lower transmission revenue. Transmission revenue increased for the three months ended September 30, 2019 as compared to the same period in 2018, primarily due to the impact of higher rate base and higher fully recoverable costs. Transmission revenue increased for the nine months ended September 30, 2019 as compared to the same period in 2018, primarily due to the impact of increased peak load, higher rate base, and higher fully recoverable costs. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Energy Efficiency Revenue.*** FEJA provides for a performance-based formula rate, which requires an annual reconciliation of the revenue requirement in effect to the actual costs that the ICC determines are prudently and reasonably incurred in a given year. Under FEJA, energy efficiency revenue varies from year to year based upon fluctuations in the underlying costs, investments being recovered, and allowed ROE. Energy efficiency revenue increased during the three and nine months ended September 30, 2019 as compared to the same period in 2018, primarily due to the impact of higher rate base and increased regulatory asset amortization. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Uncollectible Accounts Recovery, Net*** represents recoveries under the uncollectible accounts tariff. See Operating and maintenance expense discussion below for additional information on this tariff.

***Other revenue*** includes rental revenue, revenue related to late payment charges, mutual assistance revenues, and recoveries of environmental costs associated with MGP sites. Other revenue remained consistent for the three months ended September 30, 2019 as compared to the same period in 2018. The decrease in Other revenue for the nine months ended September 30, 2019 as compared to the same period in 2018 primarily reflects absence of mutual assistance revenues associated with hurricane and winter storm restoration efforts that occurred in Q1 2018. An equal and offsetting amount was included in Operating and maintenance expense.

See Note 18 — Segment Information of the Combined Notes to Consolidated Financial Statements for the presentation of ComEd's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Labor, other benefits, contracting and materials[(a)] | $ — | $ (4) |
| Pension and non-pension postretirement benefits expense[(b)] | (8) | (28) |
| Storm-related costs | 7 | 25 |
| Uncollectible accounts expense — recovery, net[(c)] | (3) | (5) |
| BSC costs | 12 | 6 |
| Other[(a)] | (5) | (1) |
| Total increase (decrease) | $ 3 | $ (7) |

(a) Reflects absence of mutual assistance expenses. An equal and offsetting decrease has been recognized in Operating revenues for the period presented.
(b) Primarily reflects an increase in discount rates and the favorable impacts of the merger of two of Exelon's pension plans effective in January 2019, partially offset by lower than expected asset returns in 2018.
(c) ComEd is allowed to recover from or refund to customers the difference between the utility's annual uncollectible accounts expense and the amounts collected in rates annually through a rider mechanism. During the three and nine months ended September 30, 2019, ComEd recorded a net decrease in Operating and maintenance expense related to uncollectible accounts due to the timing of regulatory cost recovery. An equal and offsetting increase has been recognized in Operating revenues for the period presented.

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase | Increase |
| Depreciation and amortization[(a)] | $ 15 | $ 45 |
| Regulatory asset amortization[(b)] | 7 | 26 |
| Total increase | $ 22 | $ 71 |

(a) Reflects ongoing capital expenditures and higher depreciation rates effective January 2019.
(b) Includes amortization of ComEd's energy efficiency formula rate regulatory asset.

**Effective income tax rate** was 18.4% and 21.2% for the three months ended September 30, 2019 and 2018, respectively. Effective income tax rate was 19.3% and 21.1% for the nine months ended September 30, 2019 and 2018, respectively. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

## Results of Operations — PECO

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 778 | $ 757 | $ 21 | $ 2,333 | $ 2,275 | $ 58 |
| **Purchased power and fuel expense** | 246 | 263 | 17 | 767 | 818 | 51 |
| **Revenues net of purchased power and fuel expense** | 532 | 494 | 38 | 1,566 | 1,457 | 109 |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 219 | 219 | — | 643 | 686 | 43 |
| Depreciation and amortization | 83 | 75 | (8) | 247 | 224 | (23) |
| Taxes other than income | 47 | 46 | (1) | 126 | 125 | (1) |
| Total other operating expenses | 349 | 340 | (9) | 1,016 | 1,035 | 19 |
| **Gain on sales of assets** | — | — | — | — | 1 | (1) |
| **Operating income** | 183 | 154 | 29 | 550 | 423 | 127 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (33) | (32) | (1) | (100) | (96) | (4) |
| Other, net | 4 | 2 | 2 | 11 | 4 | 7 |
| Total other income and (deductions) | (29) | (30) | 1 | (89) | (92) | 3 |
| **Income before income taxes** | 154 | 124 | 30 | 461 | 331 | 130 |
| **Income taxes** | 14 | (2) | (16) | 51 | (5) | (56) |
| **Net income** | $ 140 | $ 126 | $ 14 | $ 410 | $ 336 | $ 74 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income** increased by $14 million primarily due to higher electric distribution rates that became effective January 2019 and higher natural gas distribution rates, partially offset by unfavorable weather conditions and volume.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net income** increased by $74 million primarily due to higher electric distribution rates that became effective January 2019, higher natural gas distribution rates and lower storm costs, partially offset by unfavorable weather conditions and volume.

***Revenues Net of Purchased Power and Fuel Expense***

There are certain drivers of Operating revenues that are fully offset by their impact on Purchased power and fuel expense such as commodity and REC procurement costs and participation in customer choice programs. PECO recovers electricity, natural gas and REC procurement costs from customers without mark-up. Therefore, fluctuations in these costs have no impact on RNF.

Customers have the choice to purchase electricity and natural gas from competitive electric generation and natural gas suppliers. Customer choice programs do not impact the volume of deliveries or RNF, but impact Operating revenues related to supplied electricity and natural gas.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Electric | Gas | Total | Electric | Gas | Total |
| Weather | $ (3) | $ (1) | $ (4) | $ (9) | $ (6) | $ (15) |
| Volume | (7) | 1 | (6) | (11) | 6 | (5) |
| Pricing | 42 | — | 42 | 91 | 14 | 105 |
| Regulatory required programs | 13 | 1 | 14 | 35 | 6 | 41 |
| Transmission | (11) | — | (11) | (17) | — | (17) |
| Other | 3 | — | 3 | — | — | — |
| Total increase | $ 37 | $ 1 | $ 38 | $ 89 | $ 20 | $ 109 |

***Weather.*** The demand for electricity and natural gas is affected by weather conditions. With respect to the electric business, very warm weather in summer months and, with respect to the electric and natural gas businesses, very cold weather in winter months are referred to as “favorable weather conditions” because these weather conditions result in increased deliveries of electricity and natural gas. Conversely, mild weather reduces demand. During the three and nine months ended September 30, 2019 compared to the same period in 2018, RNF related to weather decreased due to unfavorable weather conditions.

Heating and cooling degree-days are quantitative indices that reflect the demand for energy needed to heat or cool a home or business. Normal weather is determined based on historical average heating and cooling degree-days for a 30-year period in PECO's service territory. The changes in heating and cooling degree-days in PECO’s service territory for the three and nine months ended September 30, 2019 compared to the same period in 2018 and normal weather consisted of the following:

| Heating and Cooling Degree-Days | | | | % Change | |
|---|---|---|---|---|---|
| Three Months Ended September 30, | 2019 | 2018 | Normal | From 2018 | 2019 vs. Normal |
| Heating Degree-Days | 2 | 13 | 27 | (84.6)% | (92.6)% |
| Cooling Degree-Days | 1,143 | 1,124 | 1,001 | 1.7 % | 14.2 % |
| | | | | | |
| Nine Months Ended September 30, | | | | | |
| Heating Degree-Days | 2,704 | 2,892 | 2,890 | (6.5)% | (6.4)% |
| Cooling Degree-Days | 1,570 | 1,506 | 1,386 | 4.2 % | 13.3 % |

***Volume.*** Electric volume, exclusive of the effects of weather, for the three and nine months ended September 30, 2019 compared to the same period in 2018, decreased due to the impact of energy efficiency initiatives on customer usages for residential, commercial and industrial electric classes, partially offset by the impact of customer growth. Natural gas volume for the three and nine months ended September 30, 2019, compared to the same period in 2018, increased due to customer and economic growth.

| Electric Retail Deliveries to Customers (in GWhs) | Three Months Ended September 30, | | % Change | Weather - Normal % Change[(b)] | Nine Months Ended September 30, | | % Change | Weather - Normal % Change[(b)] |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Residential | 4,106 | 4,166 | (1.4)% | (0.8)% | 10,568 | 10,741 | (1.6)% | (0.5)% |
| Small commercial & industrial | 2,203 | 2,315 | (4.8)% | (2.0)% | 6,093 | 6,273 | (2.9)% | (1.7)% |
| Large commercial & industrial | 4,109 | 4,378 | (6.1)% | (6.3)% | 11,449 | 11,892 | (3.7)% | (3.9)% |
| Public authorities & electric railroads | 183 | 189 | (3.2)% | (3.3)% | 560 | 568 | (1.4)% | (2.0)% |
| Total electric retail deliveries[(a)] | 10,601 | 11,048 | (4.0)% | (3.3)% | 28,670 | 29,474 | (2.7)% | (2.1)% |

| Number of Electric Customers | As of September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Residential | 1,489,046 | 1,476,914 |
| Small commercial & industrial | 153,400 | 152,253 |
| Large commercial & industrial | 3,104 | 3,124 |
| Public authorities & electric railroads | 9,775 | 9,561 |
| Total | 1,655,325 | 1,641,852 |

__________
(a) Reflects delivery volumes from customers purchasing electricity directly from PECO and customers purchasing electricity from a competitive electric generation supplier as all customers are assessed distribution charges.
(b) Reflects the change in delivery volumes assuming normalized weather based on the historical 30-year average.

| Natural Gas Deliveries to Customers (in mmcf) | Three Months Ended September 30, | | % Change | Weather - Normal % Change[(b)] | Nine Months Ended September 30, | | % Change | Weather - Normal % Change[(b)] |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Residential | 2,109 | 2,099 | 0.5 % | 7.9 % | 26,678 | 28,562 | (6.6)% | 1.1% |
| Small commercial & industrial | 1,901 | 1,776 | 7.0 % | 15.1 % | 16,585 | 15,792 | 5.0 % | 1.2% |
| Large commercial & industrial | 10 | 6 | 66.7 % | 12.4 % | 46 | 58 | (20.7)% | 6.0% |
| Transportation | 5,395 | 5,693 | (5.2)% | (3.4)% | 19,087 | 19,242 | (0.8)% | 1.3% |
| Total natural gas retail deliveries[(a)] | 9,415 | 9,574 | (1.7)% | 2.5 % | 62,396 | 63,654 | (2.0)% | 1.2% |

| Number of Natural Gas Customers | As of September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Residential | 484,676 | 479,732 |
| Small commercial & industrial | 43,869 | 43,638 |
| Large commercial & industrial | 2 | 1 |
| Transportation | 735 | 761 |
| Total | 529,282 | 524,132 |

__________
(a) Reflects delivery volumes from customers purchasing natural gas directly from PECO and customers purchasing natural gas from a competitive natural gas supplier as all customers are assessed distribution charges.
(b) Reflects the change in delivery volumes assuming normalized weather based on the historical 30-year average.

***Pricing*** for the three and nine months ended September 30, 2019 compared to the same period in 2018 increased primarily due to an increase in electric distribution rates charged to customers. The increase in electric distribution rates was effective January 1, 2019 in accordance with the 2018 PAPUC approved electric distribution rate case settlement. Additionally, the increase represents revenue from higher natural gas distribution rates. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Regulatory Required Programs*** represents revenues collected under approved riders to recover costs incurred for regulatory programs such as energy efficiency, PGC, and the GSA. The riders are designed to provide full and current cost recovery as well as a return. The costs of these programs are included in Operating and maintenance expense, Depreciation and amortization expense and Income taxes.

***Transmission Revenue.*** Under a FERC approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs and capital investments being recovered. Transmission revenue for the three and nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to lower income taxes and operating and maintenance expenses. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Other revenue*** includes rental revenue, revenue related to late payment charges and mutual assistance revenues.

See Note 18— Segment Information of the Combined Notes to Consolidated Financial Statements for the presentation of PECO's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Labor, other benefits, contracting and materials | $ (5) | $ 4 |
| Storm-related costs[a] | 8 | (42) |
| Pension and non-pension postretirement benefits expense | (1) | (4) |
| BSC costs | 2 | 4 |
| Other | (5) | (6) |
| | (1) | (44) |
| Regulatory Required Programs | | |
| Energy efficiency | 1 | 1 |
| Total decrease | $ — | $ (43) |

(a) Reflects decreased storm costs due to the March 2018 winter storms.

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase | Increase |
| Depreciation and amortization[a] | $ 7 | $ 21 |
| Regulatory asset amortization | 1 | 2 |
| Total increase | $ 8 | $ 23 |

(a) Depreciation and amortization increased primarily due to ongoing capital expenditures.

**Effective Income Tax Rates** were 9.1% and (1.6)% for the three months ended September 30, 2019 and 2018, respectively, and 11.1% and (1.5)% for the nine months ended September 30, 2019 and 2018, respectively. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

### Results of Operations — BGE

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 703 | $ 731 | $ (28) | $ 2,327 | $ 2,369 | $ (42) |
| **Purchased power and fuel expense** | 235 | 272 | 37 | 804 | 881 | 77 |
| **Revenues net of purchased power and fuel expense** | 468 | 459 | 9 | 1,523 | 1,488 | 35 |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 196 | 182 | (14) | 569 | 578 | 9 |
| Depreciation and amortization | 116 | 110 | (6) | 368 | 358 | (10) |
| Taxes other than income | 65 | 64 | (1) | 195 | 188 | (7) |
| Total other operating expenses | 377 | 356 | (21) | 1,132 | 1,124 | (8) |
| **Gain on sales of assets** | — | — | — | — | 1 | (1) |
| **Operating income** | 91 | 103 | (12) | 391 | 365 | 26 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (31) | (27) | (4) | (89) | (78) | (11) |
| Other, net | 7 | 5 | 2 | 18 | 14 | 4 |
| Total other income and (deductions) | (24) | (22) | (2) | (71) | (64) | (7) |
| **Income before income taxes** | 67 | 81 | (14) | 320 | 301 | 19 |
| **Income taxes** | 12 | 18 | 6 | 59 | 59 | — |
| **Net income** | $ 55 | $ 63 | $ (8) | $ 261 | $ 242 | $ 19 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income** decreased by $8 million primarily due to an increase in various expenses, partially offset by higher natural gas distribution rates that became effective January 2019.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net income** increased by $19 million primarily due to higher natural gas distribution rates that became effective January 2019 and lower storm costs, partially offset by an increase in various expenses, including interest.

***Revenues Net of Purchased Power and Fuel Expense.*** There are certain drivers to Operating revenues that are fully offset by their impact on Purchased power and fuel expense, such as commodity procurement costs and participation in customer choice programs. BGE recovers electricity, natural gas and procurement costs from customers without mark-up. Therefore, fluctuations in these costs have no impact on RNF.

Customers have the choice to purchase electricity and natural gas from electric generation and natural gas competitive suppliers. Customer choice programs do not impact the volume of deliveries or RNF but impact Operating revenues related to supplied electricity and natural gas.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Electric | Gas | Total | Electric | Gas | Total |
| Distribution | $ 2 | $ 7 | $ 9 | $ 7 | $ 48 | $ 55 |
| Regulatory required programs | (1) | 1 | — | (6) | (3) | (9) |
| Transmission | 2 | — | 2 | (3) | — | (3) |
| Other, net | — | (2) | (2) | (4) | (4) | (8) |
| Total increase (decrease) | $ 3 | $ 6 | $ 9 | $ (6) | $ 41 | $ 35 |

***Revenue Decoupling.*** The demand for electricity and natural gas is affected by weather and customer usage. However, Operating revenues are not impacted by abnormal weather or usage per customer as a result of a bill stabilization adjustment (BSA) that provides for a fixed distribution charge per customer by customer class. While Operating revenues are not impacted by abnormal weather or usage per customer, they are impacted by changes in the number of customers.

| | As of September 30, | |
|---|---|---|
| Number of Electric Customers | 2019 | 2018 |
| Residential | 1,174,188 | 1,165,012 |
| Small commercial & industrial | 114,301 | 114,082 |
| Large commercial & industrial | 12,296 | 12,218 |
| Public authorities & electric railroads | 264 | 263 |
| Total | 1,301,049 | 1,291,575 |

| | As of September 30, | |
|---|---|---|
| Number of Natural Gas Customers | 2019 | 2018 |
| Residential | 636,030 | 631,589 |
| Small commercial & industrial | 38,129 | 38,175 |
| Large commercial & industrial | 6,005 | 5,920 |
| Total | 680,164 | 675,684 |

***Distribution Revenue*** increased for the three and nine months ended September 30, 2019, compared to the same period in 2018, primarily due to the impact of higher natural gas distribution rates that became effective in January 2019. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Regulatory Required Programs*** represent revenues collected under approved riders to recover costs incurred for regulatory programs such as conservation, demand response, STRIDE, and the POLR mechanism. The riders are designed to provide full and current cost recovery, as well as a return in certain instances. The costs of these programs are included in Operating and maintenance expense, Depreciation and amortization expense and Taxes other than income.

***Transmission Revenue.*** Under a FERC approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs, capital investments being recovered and the highest daily peak load, which is updated annually in January based on the prior calendar year. Generally, increases/decreases in the highest daily peak load will result in higher/lower transmission revenue. Transmission revenue remained relatively consistent for the three and nine months ended September 30, 2019, compared to the same period in 2018. See Operating and maintenance expense below and Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Other revenue*** includes revenue related to mutual assistance, administrative charges, off-system sales, and late payment charges.

See Note 18 — Segment Information of the Combined Notes to the Consolidated Financial Statements for the presentation of BGE's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Storm-related costs[a] | $ (3) | $ (26) |
| Labor, other benefits, contracting and materials | 12 | 16 |
| Pension and non-pension postretirement benefits expense | — | 1 |
| Uncollectible accounts expense | (1) | (1) |
| BSC costs | 1 | 2 |
| Other | 5 | — |
| | 14 | (8) |
| Regulatory Required Programs | | |
| Other | — | (1) |
| Total increase (decrease) | $ 14 | $ (9) |

(a) For the nine months ended September 30, 2019, reflects decreased storm costs due to the March 2018 winter storms.

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Depreciation and amortization[a] | $ 4 | $ 15 |
| Regulatory asset amortization | 2 | 3 |
| Regulatory required programs | — | (8) |
| Total increase | $ 6 | $ 10 |

(a) Depreciation and amortization increased primarily due to ongoing capital expenditures.

**Interest expense, net** for the three and nine months ended September 30, 2019 compared to the same period in 2018, increased due to the issuance of debt in September 2018.

**Effective income tax rates** were 17.9% and 22.2% for the three months ended September 30, 2019 and 2018, respectively, and 18.4% and 19.6% for the nine months ended September 30, 2019 and 2018, respectively. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

**Results of Operations — PHI**

PHI's results of operations include the results of its three reportable segments, Pepco, DPL and ACE. PHI also has a business services subsidiary, PHISCO, which provides a variety of support services and the costs are directly charged or allocated to the applicable subsidiaries. Additionally, the results of PHI's corporate operations include interest costs from various financing activities. All material intercompany accounts and transactions have been eliminated in consolidation. See the results of operations for Pepco, DPL and ACE for additional information.

| | Three Months Ended September 30, | | Favorable (Unfavorable) Variance | Nine Months Ended September 30, | | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | | 2019 | 2018 | |
| PHI | $ 189 | $ 187 | $ 2 | $ 412 | $ 336 | $ 76 |
| Pepco | 98 | 89 | 9 | 217 | 174 | 43 |
| DPL | 33 | 33 | — | 116 | 90 | 26 |
| ACE | 63 | 61 | 2 | 87 | 76 | 11 |
| Other[(a)] | (5) | 4 | (9) | (8) | (4) | (4) |

(a) Primarily includes eliminating and consolidating adjustments, PHI's corporate operations, shared service entities and other financing and investing activities.

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net Income** remained relatively consistent with the same period in 2018 primarily due to higher electric and natural gas distribution rates (not reflecting the impact of TCJA), higher transmission revenues due to an increase in transmission rates and the highest daily peak load, the absence of the charge associated with a remeasurement of the Buzzard Point ARO, partially offset by an increase in environmental liabilities and various expenses.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018.*** **Net Income** increased by $76 million primarily due to higher electric and natural gas distribution rates (not reflecting the impact of TCJA), higher transmission revenues due to an increase in transmission rates and the highest daily peak load, lower contracting costs, the absence of the charge associated with a remeasurement of the Buzzard Point ARO, lower uncollectible accounts expense, and lower write-offs of construction work in progress, partially offset by an increase in environmental liabilities and various expenses.

## Results of Operations — Pepco

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 642 | $ 628 | $ 14 | $ 1,748 | $ 1,708 | $ 40 |
| **Purchased power expense** | 181 | 177 | (4) | 513 | 497 | (16) |
| **Revenues net of purchased power expense** | 461 | 451 | 10 | 1,235 | 1,211 | 24 |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 135 | 136 | 1 | 364 | 383 | 19 |
| Depreciation and amortization | 95 | 99 | 4 | 281 | 286 | 5 |
| Taxes other than income | 104 | 104 | — | 286 | 288 | 2 |
| Total other operating expenses | 334 | 339 | 5 | 931 | 957 | 26 |
| **Operating income** | 127 | 112 | 15 | 304 | 254 | 50 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (33) | (32) | (1) | (100) | (96) | (4) |
| Other, net | 9 | 7 | 2 | 22 | 23 | (1) |
| Total other income and (deductions) | (24) | (25) | 1 | (78) | (73) | (5) |
| **Income before income taxes** | 103 | 87 | 16 | 226 | 181 | 45 |
| **Income taxes** | 5 | (2) | (7) | 9 | 7 | (2) |
| **Net income** | $ 98 | $ 89 | $ 9 | $ 217 | $ 174 | $ 43 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income** increased by $9 million primarily due to higher electric distribution rates in Maryland that became effective August 2019, higher electric distribution rates in the District of Columbia that became effective August 2018 (not reflecting the impact of TCJA), higher transmission revenues due to an increase in the transmission rates and the highest daily peak load, the absence of the charge associated with a remeasurement of the Buzzard Point ARO, partially offset by an increase in environmental liabilities.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018***. **Net income** increased by $43 million primarily due to higher electric distribution rates in Maryland that became effective August 2019 and June 2018 (not reflecting the impact of TCJA), higher electric distribution rates in the District of Columbia that became effective August 2018 (not reflecting the impact of TCJA), higher transmission revenues due to an increase in transmission rates and the highest daily peak load, the absence of the charge associated with a remeasurement of the Buzzard Point ARO, lower contracting costs, and lower uncollectible accounts expense, partially offset by an increase in environmental liabilities.

***Revenues Net of Purchased Power Expense.*** There are certain drivers of Operating revenues that are fully offset by their impact on Purchased power expense, such as commodity and REC procurement costs and participation in customer choice programs. Pepco recovers electricity and REC procurement costs from customers with a slight mark-up. Therefore, fluctuations in these costs have minimal impact on RNF.

Customers have the choice to purchase electricity from competitive electric generation suppliers. Customer choice programs do not impact the volume of deliveries or RNF, but impact Operating revenues related to supplied electricity.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Volume | $ 4 | $ 11 |
| Distribution | 9 | 19 |
| Regulatory required programs | (8) | (26) |
| Transmission | 2 | 22 |
| Other | 3 | (2) |
| Total increase | $ 10 | $ 24 |

***Revenue Decoupling.*** The demand for electricity is affected by weather and customer usage. However, Operating revenues from electric distribution in both Maryland and the District of Columbia are not impacted by abnormal weather or usage per customer as a result of a bill stabilization adjustment (BSA) that provides for a fixed distribution charge per customer by customer class. While Operating revenues are not impacted by abnormal weather or usage per customer, they are impacted by changes in the number of customers.

***Volume,*** exclusive of the effects of weather, increased for the three and nine months ended September 30, 2019 compared to the same period in 2018, primarily due to the impact of residential customer growth.

| | As of September 30, | |
|---|---|---|
| **Number of Electric Customers** | 2019 | 2018 |
| Residential | 814,412 | 802,607 |
| Small commercial & industrial | 54,130 | 53,700 |
| Large commercial & industrial | 22,240 | 21,927 |
| Public authorities & electric railroads | 158 | 147 |
| Total | 890,940 | 878,381 |

***Distribution Revenues*** increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 primarily due to higher electric distribution rates in Maryland that became effective in August 2019 and June 2018 (not reflecting the impact of TCJA), higher electric distribution rates (not reflecting the impact of TCJA) in the District of Columbia that became effective in August 2018, partially offset by the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 6 - Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Regulatory Required Programs*** represent revenues collected under approved riders to recover costs incurred for regulatory programs such as energy efficiency programs, DC PLUG and SOS administrative costs. The riders are designed to provide full and current cost recovery as well as a return in certain instances. The costs of these programs are included in Operating and maintenance expense, Depreciation and amortization expense and Taxes other than income.

***Transmission Revenues.*** Under a FERC-approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs, capital investments being recovered and the highest daily peak load, which is updated annually in January based on the prior calendar year. Generally, increases/decreases in the highest daily peak load will result in higher/lower transmission revenue. Transmission revenues increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 primarily due to rate increases and an increase in the highest daily peak load.

***Other revenue*** includes rental revenue, revenue related to late payment charges, mutual assistance revenues and recoveries of other taxes.

See Note 18 - Segment Information of the Combined Notes to Consolidated Financial Statements for the presentation of Pepco's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Labor, other benefits, contracting and materials | $ (2) | $ (14) |
| Pension and non-pension postretirement benefits expense | 2 | 5 |
| Uncollectible accounts expense | 1 | (4) |
| Storm-related costs | 2 | (1) |
| BSC and PHISCO costs | (2) | (9) |
| Other | (2) | 7 |
| | (1) | (16) |
| | | |
| Regulatory required programs | — | (3) |
| Total decrease | $ (1) | $ (19) |

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Depreciation and amortization[(a)] | $ 6 | $ 17 |
| Regulatory required programs | (10) | (22) |
| Total decrease | $ (4) | $ (5) |

(a) Depreciation and amortization increased primarily due to ongoing capital expenditures.

**Interest expense, net** for the nine months ended September 30, 2019 compared to the same period in 2018 increased primarily due to higher outstanding debt.

**Effective income tax rates** were 4.9% and (2.3)% for the three months ended September 30, 2019 and 2018, respectively, and 4.0% and 3.9% for the nine months ended September 30, 2019 and 2018, respectively. The increase is primarily due to the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the change in effective income tax rates.

### Results of Operations — DPL

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 319 | $ 328 | $ (9) | $ 987 | $ 1,001 | $ (14) |
| **Purchased power and fuel expense** | 127 | 133 | 6 | 399 | 425 | 26 |
| **Revenues net of purchased power and fuel expense** | 192 | 195 | (3) | 588 | 576 | 12 |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 80 | 82 | 2 | 240 | 256 | 16 |
| Depreciation and amortization | 46 | 47 | 1 | 138 | 135 | (3) |
| Taxes other than income | 15 | 15 | — | 43 | 43 | — |
| Total other operating expenses | 141 | 144 | 3 | 421 | 434 | 13 |
| **Operating income** | 51 | 51 | — | 167 | 142 | 25 |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (15) | (15) | — | (45) | (42) | (3) |
| Other, net | 2 | 2 | — | 10 | 7 | 3 |
| Total other income and (deductions) | (13) | (13) | — | (35) | (35) | — |
| **Income before income taxes** | 38 | 38 | — | 132 | 107 | 25 |
| **Income taxes** | 5 | 5 | — | 16 | 17 | 1 |
| **Net income** | $ 33 | $ 33 | $ — | $ 116 | $ 90 | $ 26 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018***. **Net income** remained consistent with the same period in 2018.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018***. **Net income** increased by $26 million primarily due to higher transmission revenues due to an increase in the transmission rates and the highest daily peak load, higher electric distribution rates in Maryland and Delaware that became effective throughout 2018 (not reflecting the impact of TCJA), higher natural gas distribution rates in Delaware that became effective throughout 2018 (not reflecting the impact of TCJA), and lower write-offs of construction work in progress.

***Revenues Net of Purchased Power and Fuel Expense.*** There are certain drivers to Operating revenues that are fully offset by their impact on Purchased power and fuel expense, such as commodity and REC procurement costs and participation in customer choice programs. DPL recovers electricity and REC procurement costs from customers with a slight mark-up and natural gas costs from customers without mark-up. Therefore, fluctuations in these costs have minimal impact on RNF.

Customers have the choice to purchase electricity from competitive electric generation suppliers. Customer choice programs do not impact the volume of deliveries or RNF, but impact Operating revenues related to supplied electricity.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Electric | Gas | Total | Electric | Gas | Total |
| Weather | $ — | $ — | $ — | $ — | $ (2) | $ (2) |
| Volume | — | (1) | (1) | — | 1 | 1 |
| Distribution | 1 | — | 1 | 3 | — | 3 |
| Regulatory required programs | (2) | 1 | (1) | (6) | 1 | (5) |
| Transmission | 1 | — | 1 | 18 | — | 18 |
| Other | (3) | — | (3) | (3) | — | (3) |
| Total increase (decrease) | $ (3) | $ — | $ (3) | $ 12 | $ — | $ 12 |

***Revenue Decoupling.*** The demand for electricity is affected by weather and customer usage. However, Operating revenues from electric distribution in Maryland are not impacted by abnormal weather or usage per customer as a result of a bill stabilization adjustment (BSA) that provides for a fixed distribution charge per customer by customer class. While Operating revenues from electric distribution customers in Maryland are not impacted by abnormal weather or usage per customer, they are impacted by changes in the number of customers.

***Weather.*** The demand for electricity and natural gas in Delaware is affected by weather conditions. With respect to the electric business, very warm weather in summer months and, with respect to the electric and natural gas businesses, very cold weather in winter months are referred to as "favorable weather conditions" because these weather conditions result in increased deliveries of electricity and natural gas. Conversely, mild weather reduces demand. During the three and nine months ended September 30, 2019 compared to the same period in 2018, RNF related to weather remained relatively consistent.

Heating and cooling degree days are quantitative indices that reflect the demand for energy needed to heat or cool a home or business. Normal weather is determined based on historical average heating and cooling degree days for a 20-year period in DPL's Delaware electric service territory and a 30-year period in DPL's Delaware natural gas service territory. The changes in heating and cooling degree days in DPL’s Delaware service territory for the three and nine months ended September 30, 2019 compared to same period in 2018 and normal weather consisted of the following:

| **Delaware Electric Service Territory** | | | | % Change | |
|---|---|---|---|---|---|
| **Three Months Ended September 30,** | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 6 | 11 | 33 | (45.5)% | (81.8)% |
| Cooling Degree-Days | 1,043 | 1,027 | 871 | 1.6 % | 19.7 % |

| | | | | % Change | |
|---|---|---|---|---|---|
| **Nine Months Ended September 30,** | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 2,828 | 2,995 | 3,017 | (5.6)% | (6.3)% |
| Cooling Degree-Days | 1,429 | 1,376 | 1,198 | 3.9 % | 19.3 % |

| **Delaware Natural Gas Service Territory** | | | | % Change | |
|---|---|---|---|---|---|
| **Three Months Ended September 30,** | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 6 | 11 | 41 | (45.5)% | (85.4)% |

| | | | | % Change | |
|---|---|---|---|---|---|
| **Nine Months Ended September 30,** | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 2,828 | 2,995 | 3,031 | (5.6)% | (6.7)% |

***Volume,*** exclusive of the effects of weather, remained relatively consistent for the three and nine months ended September 30, 2019 compared to the same period in 2018.

| Electric Retail Deliveries to Delaware Customers (in GWhs) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | % Change | Weather - Normal % Change[(b)] | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | % Change | Weather - Normal % Change[(b)] |
|---|---|---|---|---|---|---|---|---|
| Residential | 947 | 945 | 0.2 % | 0.3 % | 2,450 | 2,485 | (1.4)% | (0.6)% |
| Small commercial & industrial | 387 | 376 | 2.9 % | 2.5 % | 1,013 | 1,027 | (1.4)% | (1.3)% |
| Large commercial & industrial | 924 | 973 | (5.0)% | (5.2)% | 2,600 | 2,730 | (4.8)% | (4.8)% |
| Public authorities & electric railroads | 8 | 8 | — % | (1.1)% | 25 | 25 | — % | 1.1 % |
| Total electric retail deliveries[(a)] | 2,266 | 2,302 | (1.6)% | (1.7)% | 6,088 | 6,267 | (2.9)% | (2.6)% |

| Number of Total Electric Customers (Maryland and Delaware) | As of September 30, 2019 | As of September 30, 2018 |
|---|---|---|
| Residential | 466,972 | 463,017 |
| Small commercial & industrial | 61,657 | 61,277 |
| Large commercial & industrial | 1,418 | 1,400 |
| Public authorities & electric railroads | 616 | 622 |
| Total | 530,663 | 526,316 |

(a) Reflects delivery volumes from customers purchasing electricity directly from DPL and customers purchasing electricity from a competitive electric generation supplier as all customers are assessed distribution charges.
(b) Reflects the change in delivery volumes assuming normalized weather based on the historical 20-year average.

| Natural Gas Retail Deliveries to Delaware Customers (in mmcf) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | % Change | Weather - Normal % Change[(b)] | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | % Change | Weather - Normal % Change[(b)] |
|---|---|---|---|---|---|---|---|---|
| Residential | 403 | 360 | 11.9 % | 11.8 % | 5,751 | 5,801 | (0.9)% | 3.8 % |
| Small commercial & industrial | 386 | 309 | 24.9 % | 22.9 % | 2,972 | 2,831 | 5.0 % | 8.9 % |
| Large commercial & industrial | 407 | 454 | (10.4)% | (10.4)% | 1,372 | 1,438 | (4.6)% | (4.5)% |
| Transportation | 1,212 | 1,260 | (3.8)% | (3.5)% | 4,905 | 4,893 | 0.2 % | 1.6 % |
| Total natural gas deliveries[(a)] | 2,408 | 2,383 | 1.0 % | 1.4 % | 15,000 | 14,963 | 0.2 % | 3.3 % |

| Number of Delaware Natural Gas Customers | As of September 30, 2019 | As of September 30, 2018 |
|---|---|---|
| Residential | 124,944 | 123,145 |
| Small commercial & industrial | 9,885 | 9,798 |
| Large commercial & industrial | 18 | 19 |
| Transportation | 158 | 154 |
| Total | 135,005 | 133,116 |

(a) Reflects delivery volumes from customers purchasing natural gas directly from DPL and customers purchasing natural gas from a competitive natural gas supplier as all customers are assessed distribution charges.
(b) Reflects the change in delivery volumes assuming normalized weather based on the historical 30-year average.

***Distribution Revenue*** increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 primarily due to higher electric distribution rates (not reflecting the impact of TCJA) in Maryland and Delaware that became effective throughout 2018 and higher natural gas distribution rates (not reflecting the impact of TCJA) in Delaware that became effective throughout 2018, partially offset by the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Regulatory Required Programs*** represent revenues collected under approved riders to recover costs incurred for regulatory programs such as energy efficiency programs, DE Renewable Portfolio Standards, SOS administrative costs and GCR costs. The riders are designed to provide full and current cost recovery as well as a return in certain instances. The costs of these programs are included in Operating and maintenance expense, Depreciation and amortization expense and Taxes other than income.

***Transmission Revenues.*** Under a FERC approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs, capital investments being recovered and the highest daily peak load, which is updated annually in January based on the prior calendar years. Generally, increases/decreases in the highest daily peak load will result in higher/lower transmission revenue. Transmission revenue increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 due to rate increases and an increase in the highest daily peak load.

See Note 18 - Segment Information for the Combined Notes to Consolidated Financial Statements for the presentation of DPL's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Labor, other benefits, contracting and materials | $ (2) | $ 1 |
| Pension and non-pension postretirement benefits expense | 1 | 3 |
| Uncollectible accounts expense | (3) | (4) |
| Storm-related costs | 2 | (1) |
| BSC and PHISCO costs | (1) | (6) |
| Write-offs of construction work in progress | — | (7) |
| Other | 1 | (1) |
| | (2) | (15) |
| Regulatory required programs | — | (1) |
| Total decrease | $ (2) | $ (16) |

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Depreciation and amortization[(a)] | $ 4 | $ 11 |
| Regulatory asset amortization | (1) | (1) |
| Regulatory required programs | (4) | (7) |
| Total increase (decrease) | $ (1) | $ 3 |

(a) Depreciation and amortization increased primarily due to ongoing capital expenditures.

**Interest expense, net** for the nine months ended September 30, 2019 compared to the same period in 2018 increased primarily due to higher outstanding debt.

**Effective income tax rates** were 13.2% and 13.2% for the three months ended September 30, 2019 and 2018, respectively, and 12.1% and 15.9% for the nine months ended September 30, 2019 and 2018, respectively. The decrease for the nine months ended September 30, 2019 is primarily due to the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the change in effective income tax rates.

## Results of Operations — ACE

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) Variance | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 | Favorable (Unfavorable) Variance |
|---|---|---|---|---|---|---|
| **Operating revenues** | $ 419 | $ 406 | $ 13 | $ 966 | $ 981 | $ (15) |
| **Purchased power expense** | 210 | 198 | (12) | 479 | 486 | 7 |
| **Revenues net of purchased power expense** | 209 | 208 | 1 | 487 | 495 | (8) |
| **Other operating expenses** | | | | | | |
| Operating and maintenance | 86 | 85 | (1) | 241 | 250 | 9 |
| Depreciation and amortization | 43 | 38 | (5) | 114 | 107 | (7) |
| Taxes other than income | 1 | 1 | — | 4 | 4 | — |
| Total other operating expenses | 130 | 124 | (6) | 359 | 361 | 2 |
| **Operating income** | 79 | 84 | (5) | 128 | 134 | (6) |
| **Other income and (deductions)** | | | | | | |
| Interest expense, net | (15) | (16) | 1 | (44) | (48) | 4 |
| Other, net | 1 | 1 | — | 5 | 2 | 3 |
| Total other income and (deductions) | (14) | (15) | 1 | (39) | (46) | 7 |
| **Income before income taxes** | 65 | 69 | (4) | 89 | 88 | 1 |
| **Income taxes** | 2 | 8 | 6 | 2 | 12 | 10 |
| **Net income** | $ 63 | $ 61 | $ 2 | $ 87 | $ 76 | $ 11 |

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018.*** **Net income** remained relatively consistent with the same period in 2018.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018***. **Net income** increased by $11 million primarily due to higher electric distribution rates that became effective April 2019 and higher transmission revenues due to an increase in the transmission rates and the highest daily peak load, partially offset by lower average residential usage.

***Revenues Net of Purchased Power and Fuel Expense.*** There are certain drivers to Operating revenues that are fully offset by their impact on Purchased power and fuel expense, such as commodity and REC procurement costs and participation in customer choice programs. ACE recovers electricity and REC procurement costs from customers without mark-up. Therefore, fluctuations in these costs have no impact on RNF.

Customers have the choice to purchase electricity from competitive electric generation suppliers. Customer choice programs do not impact the volume of deliveries or RNF, but impact Operating revenues related to supplied electricity.

The changes in **RNF** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Weather | $ (4) | $ (4) |
| Volume | (4) | (10) |
| Distribution | 16 | 21 |
| Regulatory required programs | (12) | (28) |
| Transmission | 7 | 15 |
| Other | (2) | (2) |
| Total increase (decrease) | $ 1 | $ (8) |

***Weather.*** The demand for electricity is affected by weather conditions. With respect to the electric business, very warm weather in summer months and very cold weather in winter months are referred to as “favorable weather conditions” because these weather conditions result in increased deliveries of electricity. Conversely, mild weather reduces demand. There was a decrease related to weather for the three and nine months ended September 30, 2019 compared to same period in 2018 due to the impact of unfavorable weather conditions in ACE's service territory.

Heating and cooling degree days are quantitative indices that reflect the demand for energy needed to heat or cool a home or business. Normal weather is determined based on historical average heating and cooling degree days for a 20-year period in ACE’s service territory. The changes in heating degree days in ACE’s service territory for the three and nine months ended September 30, 2019 compared to same period in 2018 consisted of the following:

| Heating and Cooling Degree-Days | | | | % Change | |
|---|---|---|---|---|---|
| Three Months Ended September 30, | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 13 | 1 | 38 | 1,200.0 % | (65.8)% |
| Cooling Degree-Days | 980 | 1,093 | 831 | (10.3)% | 17.9 % |

| | | | | % Change | |
|---|---|---|---|---|---|
| Nine Months Ended September 30, | 2019 | 2018 | Normal | 2019 vs. 2018 | 2019 vs. Normal |
| Heating Degree-Days | 2,899 | 2,928 | 3,080 | (1.0)% | (5.9)% |
| Cooling Degree-Days | 1,330 | 1,447 | 1,129 | (8.1)% | 17.8 % |

***Volume,*** exclusive of the effects of weather, decreased for the three and nine months ended September 30, 2019 compared to the same period in 2018, primarily due to lower average residential usage.

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| Electric Retail Deliveries to Customers (in GWhs) | 2019 | 2018 | % Change | Weather - Normal % Change[b] | 2019 | 2018 | % Change | Weather - Normal % Change[b] |
| Residential | 1,470 | 1,548 | (5.0)% | (1.6)% | 3,182 | 3,363 | (5.4)% | (3.9)% |
| Small commercial & industrial | 431 | 442 | (2.5)% | (0.5)% | 1,055 | 1,066 | (1.0)% | 0.1 % |
| Large commercial & industrial | 938 | 1,030 | (8.9)% | (7.9)% | 2,600 | 2,725 | (4.6)% | (4.2)% |
| Public authorities & electric railroads | 10 | 10 | — % | (3.9)% | 34 | 36 | (5.6)% | (5.9)% |
| Total electric retail deliveries[a] | 2,849 | 3,030 | (6.0)% | (3.7)% | 6,871 | 7,190 | (4.4)% | (3.4)% |

| Number of Electric Customers | As of September 30, 2019 | 2018 |
|---|---|---|
| Residential | 493,720 | 489,961 |
| Small commercial & industrial | 61,376 | 61,141 |
| Large commercial & industrial | 3,418 | 3,569 |
| Public authorities & electric railroads | 676 | 656 |
| Total | 559,190 | 555,327 |

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(a) Reflects delivery volumes from customers purchasing electricity directly from ACE and customers purchasing electricity from a competitive electric generation supplier as all customers are assessed distribution charges.
(b) Reflects the change in delivery volumes assuming normalized weather based on the historical 20-year average.

***Distribution Revenue*** increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 primarily due to higher electric distribution rates charged to customers that became effective in April 2019, partially offset by the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 6 — Regulatory Matters of the Combined Notes to Consolidated Financial Statements for additional information.

***Regulatory Required Programs*** represent revenues collected under approved riders to recover costs incurred for regulatory programs such as energy efficiency programs, Societal Benefits Charge, Transition Bonds and BGS administrative costs. The riders are designed to provide full and current cost recovery as well as a return in certain instances. The costs of these programs are included in Operating and maintenance expense, Depreciation and amortization expense and Taxes other than income.

***Transmission Revenues.*** Under a FERC-approved formula, transmission revenue varies from year to year based upon fluctuations in the underlying costs, capital investments being recovered and the highest daily peak load, which is updated annually in January based on the prior calendar year. Generally, increases/decreases in the highest daily peak load will result in higher/lower transmission revenue. Transmission revenue increased for the three and nine months ended September 30, 2019 compared to the same period in 2018 primarily due to rate increases and an increase in the highest daily peak load.

See Note 18 - Segment Information of the Combined Notes to Consolidated Financial Statements for the presentation of ACE's revenue disaggregation.

The changes in **Operating and maintenance expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Baseline | | |
| Labor, other benefits, contracting and materials | $ 2 | $ (4) |
| Uncollectible accounts expense[(a)] | (3) | (9) |
| Storm-related costs | 1 | 1 |
| BSC and PHISCO costs | (1) | (4) |
| Other | 3 | (4) |
| | 2 | (20) |
| Regulatory required programs | (1) | 11 |
| Total Increase (Decrease) | $ 1 | $ (9) |

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(a) ACE is allowed to recover from or refund to customers the difference between its annual uncollectible accounts expense and the amounts collected in rates annually through a rider mechanism. An equal and offsetting amount has been recognized in Operating revenues.

The changes in **Depreciation and amortization expense** consisted of the following:

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| | Increase (Decrease) | Increase (Decrease) |
| Depreciation and amortization[(a)] | $ 8 | $ 19 |
| Regulatory asset amortization[(b)] | 3 | 5 |
| Regulatory required programs | (6) | (17) |
| Total increase | $ 5 | $ 7 |

(a) Depreciation and amortization increased primarily due to ongoing capital expenditures.
(b) Regulatory asset amortization increased primarily due to additional regulatory assets related to rate case activity.

**Interest expense, net** for the nine months ended September 30, 2019 compared to the same period in 2018 decreased primarily due to lower outstanding debt.

**Other, net** for the nine months ended September 30, 2019 compared to the same period in 2018 increased primarily due to higher income from AFUDC equity.

**Effective income tax rates** were 3.1% and 11.6% for the three months ended September 30, 2019 and 2018, respectively and 2.2% and 13.6% for the nine months ended September 30, 2019 and 2018, respectively. The decrease is primarily due to the accelerated amortization of certain deferred income tax regulatory liabilities established upon the enactment of TCJA as the result of regulatory settlements. See Note 12 — Income Taxes of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the change in effective income tax rates.

## Liquidity and Capital Resources

All results included throughout the liquidity and capital resources section are presented on a GAAP basis.

The Registrants' operating and capital expenditures requirements are provided by internally generated cash flows from operations as well as funds from external sources in the capital markets and through bank borrowings. The Registrants' businesses are capital intensive and require considerable capital resources. Each of the Registrants annually evaluates its financing plan, dividend practices and credit line sizing, focusing on maintaining its investment grade ratings while meeting its cash needs to fund capital requirements, retire debt, pay dividends, fund pension and OPEB obligations and invest in new and existing ventures. A broad spectrum of financing alternatives beyond the core financing options can be used to meet its needs and fund growth including monetizing assets in the portfolio via project financing, asset sales, and the use of other financing structures (e.g., joint ventures, minority partners, etc.). Each Registrant's access to external financing on reasonable terms depends on its credit ratings and current overall capital market business conditions, including that of the utility industry in general. If these conditions deteriorate to the extent that the Registrants no longer have access to the capital markets at reasonable terms, the Registrants have access to unsecured revolving credit facilities with aggregate bank commitments of $9 billion. In addition, Generation has $645 million in bilateral facilities with banks which have various expirations between October 2019 and April 2021 and $159 million in credit facilities for project finance. The Registrants utilize their credit facilities to support their commercial paper programs, provide for other short-term borrowings and to issue letters of credit. See the "Credit Matters" section below for additional information. The Registrants expect cash flows to be sufficient to meet operating expenses, financing costs and capital expenditure requirements.

The Registrants primarily use their capital resources, including cash, to fund capital requirements, including construction expenditures, retire debt, pay dividends, fund pension and other postretirement benefit obligations and invest in new and existing ventures. The Registrants spend a significant amount of cash on capital improvements and construction projects that have a long-term return on investment. Additionally, the Utility Registrants operate in rate-regulated environments in which the amount of new investment recovery may be delayed or limited and where such recovery takes place over an extended period of time. See Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information on the Registrants' debt and credit agreements.

### NRC Minimum Funding Requirements (Exelon and Generation)

NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that sufficient funds will be available in certain minimum amounts to decommission the facility. These NRC minimum funding levels are based upon the assumption that decommissioning activities will commence after the end of the current licensed life of each unit. If a unit fails the NRC minimum funding test, then the plant's owners or parent companies would be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or making additional cash contributions to the NDT fund to ensure sufficient funds are available. See Note 13 — Nuclear Decommissioning of the Combined Notes to Consolidated Financial Statements for additional information.

If a nuclear plant were to early retire there is a risk that it will no longer meet the NRC minimum funding requirements due to the earlier commencement of decommissioning activities and a shorter time period over which the NDT fund investments could appreciate in value. A shortfall could require that Generation address the shortfall by, among other things, obtaining a parental guarantee for Generation's share of the funding assurance. However, the amount of any guarantees or other assurance will ultimately depend on the decommissioning approach, the associated level of costs, and the NDT fund investment performance going forward. Upon issuance of any required financial guarantees, each site would be able to utilize the respective NDT funds for radiological decommissioning costs, which represent the majority of the total expected decommissioning costs. However, the NRC must approve an exemption in order for the plant's owner(s) to utilize the NDT fund to pay for non-radiological decommissioning costs (i.e., spent fuel management and site restoration costs). If a unit does not receive this exemption, the costs would be borne by the owner(s) without reimbursement from or access to the NDT funds. The ultimate costs for spent fuel management may vary greatly and could be reduced by alternate decommissioning scenarios and/or reimbursement of certain costs under the DOE reimbursement agreements.

As of September 30, 2019, Exelon would not be required to post a parental guarantee for TMI Unit 1 under the SAFSTOR scenario which is the planned decommissioning option as described in the TMI Unit 1 PSDAR filed by Generation with the NRC on April 5, 2019. On October 16, 2019, the NRC granted Generation's exemption request to use the TMI Unit 1 NDT funds for spent fuel management costs. An additional exemption request would be required to allow the funds to be spent on site restoration costs, which are not expected to be incurred in the near term.

### Project Financing (Exelon and Generation)

Project financing is used to help mitigate risk of specific generating assets. Project financing is based upon a nonrecourse financial structure, in which project debt is paid back from the cash generated by the specific asset or portfolio of assets. Borrowings under these agreements are secured by the assets and equity of each respective project. The lenders do not have recourse against Exelon or Generation in the event of a default. If a specific project financing entity does not maintain compliance with its specific debt financing covenants, there could be a requirement to accelerate repayment of the associated debt or other project-related borrowings earlier than the stated maturity dates. In these instances, if such repayment was not satisfied, or restructured, the lenders or security holders would generally have rights to foreclose against the project-specific assets and related collateral. The potential requirement to satisfy its associated debt or other borrowings earlier than otherwise anticipated could lead to impairments due to a higher likelihood of disposing of the respective project-specific assets significantly before the end of their useful lives. Additionally, project finance has credit facilities. See Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information on nonrecourse debt. Refer to Note 13 — Debt and Credit Agreements of the Exelon 2018 Form 10-K for additional information on credit facilities.

### Pension Funding Strategy (All Registrants)

Management considers various factors when making qualified pension funding decisions, including actuarially determined minimum contribution requirements under ERISA, contributions required to avoid benefit restrictions and at-risk status as defined by the Pension Protection Act of 2006 (the Act), management of the pension obligation and regulatory implications. The Act requires the attainment of certain funding levels to avoid benefit restrictions (such as an inability to pay lump sums or to accrue benefits prospectively), and at-risk status (which triggers higher minimum contribution requirements and participant notification). Beginning in 2020, Exelon will implement a funding strategy to make levelized annual contributions with the objective of achieving 100% funded status on an ABO basis over time. This level funding strategy helps minimize volatility of future period required pension contributions. Based on this funding strategy and current market conditions, which are subject to change, Exelon’s estimated annual qualified pension contributions will be approximately $500 million beginning in 2020. This funding strategy does not change Exelon’s expected 2019 qualified pension contributions of approximately $300 million.

### Cash Flows from Operating Activities (All Registrants)

***General***

Generation’s cash flows from operating activities primarily result from the sale of electric energy and energy-related products and services to customers. Generation’s future cash flows from operating activities may be affected by future demand for and market prices of energy and its ability to continue to produce and supply power at competitive costs as well as to obtain collections from customers.

The Utility Registrants' cash flows from operating activities primarily result from the transmission and distribution of electricity and, in the case of PECO, BGE and DPL, gas distribution services. The Utility Registrants' distribution services are provided to an established and diverse base of retail customers. The Utility Registrants' future cash flows may be affected by the economy, weather conditions, future legislative initiatives, future regulatory proceedings with respect to their rates or operations, and their ability to achieve operating cost reductions.

See Notes 4 — Regulatory Matters and 22 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements of the Exelon 2018 Form 10-K for additional information of regulatory and legal proceedings and proposed legislation.

The following table provides a summary of the change in cash flows from operating activities for the nine months ended September 30, 2019 and 2018 by Registrant:

| Increase (Decrease) in cash flows from operating activities | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Net income | $ 241 | $ 117 | $ 21 | $ 74 | $ 19 | $ 76 | $ 43 | $ 26 | $ 11 |
| Adjustments to reconcile net income to cash: | | | | | | | | | |
| Non-cash operating activities | (399) | (293) | (35) | 12 | 15 | (22) | 13 | (18) | (18) |
| Pension and non-pension postretirement benefit contributions | (15) | (31) | (30) | (1) | 5 | 51 | 1 | (1) | 6 |
| Income taxes | (23) | 107 | 90 | 1 | 5 | 20 | (5) | 11 | 8 |
| Changes in working capital and other noncurrent assets and liabilities | (653) | (367) | (72) | (40) | (50) | (93) | (63) | (31) | 19 |
| Option premiums received, net | 49 | 49 | — | — | — | — | — | — | — |
| Collateral posted, net | (476) | (520) | 53 | — | (6) | — | — | — | — |
| (Decrease) Increase in cash flows from operating activities | $ (1,276) | $ (938) | $ 27 | $ 46 | $ (12) | $ 32 | $ (11) | $ (13) | $ 26 |

Changes in the Registrants' cash flows from operations were generally consistent with changes in each Registrant's respective results of operations, as adjusted by changes in working capital in the normal course of business, except as discussed below. In addition, significant operating cash flow impacts for the Registrants for the nine months ended September 30, 2019 and 2018 were as follows:

- See Note 17 — Supplemental Financial Information of the Combined Notes to Consolidated Financial Statements and the Registrants' Consolidated Statement of Cash Flows for additional information on **non-cash operating activity**.

- Depending upon whether Generation is in a net mark-to-market liability or asset position, **collateral** may be required to be posted with or collected from its counterparties. In addition, the collateral posting and collection requirements differ depending on whether the transactions are on an exchange or in the OTC markets.

### Cash Flows from Investing Activities (All Registrants)

The following table provides a summary of the change in cash flows from investing activities for the nine months ended September 30, 2019 and 2018 by Registrant:

| Increase (Decrease) in cash flows from investing activities | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Capital expenditures | $ 238 | $ 378 | $ 127 | $ (60) | $ (175) | $ (18) | $ 20 | $ 9 | $ (53) |
| Proceeds from NDT fund sales, net | 180 | 180 | — | — | — | — | — | — | — |
| Acquisitions of assets and businesses, net | 57 | 57 | — | — | — | — | — | — | — |
| Proceeds from sales of assets and businesses | (73) | (73) | — | — | — | — | — | — | — |
| Other investing activities | (8) | (1) | 3 | 1 | (4) | 1 | (1) | — | 1 |
| Increase (Decrease) in cash flows from investing activities | $ 394 | $ 541 | $ 130 | $ (59) | $ (179) | $ (17) | $ 19 | $ 9 | $ (52) |

Significant investing cash flow impacts for the Registrants for nine months ended September 30, 2019 and 2018 were as follows:

- Variances in **capital expenditures** are primarily due to the timing of cash expenditures for capital projects. Refer to Liquidity and Capital Resources of the Exelon 2018 Form 10-K for additional information on projected capital expenditure spending.

- During the nine months ended September 30, 2018, Exelon and Generation had proceeds of $79 million relating to the **sale** of its interest in an electrical contracting business.

***Capital Expenditure Spending***

As of September 30, 2019, there have been no material changes to the Registrants' projected capital expenditures as disclosed in Liquidity and Capital Resources of the Exelon 2018 Form 10-K.

## Cash Flows from Financing Activities (All Registrants)

The following table provides a summary of the change in cash flows from financing activities for the nine months ended September 30, 2019 and 2018 by Registrant:

| Increase (Decrease) in cash flows from financing activities | Exelon | Generation | ComEd | PECO | BGE | PHI | Pepco | DPL | ACE |
|---|---|---|---|---|---|---|---|---|---|
| Changes in short-term borrowings, net | $ 398 | $ — | $ 387 | $ — | $ 42 | $ (31) | $ (66) | $ 273 | $ 37 |
| Long-term debt, net | (252) | (69) | (410) | 125 | 100 | 13 | 50 | (196) | (116) |
| Changes in intercompany money pool | — | (46) | — | — | — | — | — | — | — |
| Dividends paid on common stock | (56) | — | (35) | 32 | (12) | — | (45) | (47) | (54) |
| Distributions to member | — | 14 | — | — | — | (197) | — | — | — |
| Contributions from parent/member | — | (54) | (200) | 103 | 86 | 46 | 44 | (150) | 155 |
| Other financing activities | 58 | 9 | 6 | 16 | (5) | 1 | 1 | 3 | (1) |
| Increase (Decrease) in cash flows from financing activities | $ 148 | $ (146) | $ (252) | $ 276 | $ 211 | $ (168) | $ (16) | $ (117) | $ 21 |

Significant financing cash flow impacts for the Registrants for the nine months ended September 30, 2019 and 2018 were as follows:

- **Changes in short-term borrowings, net**, is driven by repayments on and issuances of notes due in less than 90 days. Refer to 11 — Debt and Credit Agreements of the Consolidated Financial Statements for additional information on short-term borrowings.

- **Long-term debt, net**, varies due to debt issuances and redemptions each year. Refer to 11 — Debt and Credit Agreements of the Consolidated Financial Statements for additional information on debt issuances. Refer to debt redemptions tables below for more information.

- **Changes in intercompany money pool** are driven by short-term borrowing needs. Refer to more information regarding the intercompany money pool below.

- Exelon's ability to pay **dividends** on its common stock depends on the receipt of dividends paid by its operating subsidiaries. The payments of dividends to Exelon by its subsidiaries in turn depend on their results of operations and cash flows and other items affecting retained earnings. See Note 16 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements of the Exelon 2018 Form 10-K for additional information on dividend restrictions. See below for quarterly dividends declared.

***Debt***

See Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information on the Registrants' debt issuances.

During the nine months ended September 30, 2019, the following long-term debt was retired and/or redeemed:

| Company [(a)] | Type | Interest Rate | Maturity | Amount |
|---|---|---|---|---|
| Exelon | Oracle Annual Lease Payment | 3.95% | May 1, 2024 | $ 18 |
| Generation | Antelope Valley DOE Nonrecourse Debt | 2.33% - 3.56% | January 5, 2037 | 12 |
| Generation | Kennett Square Capital Lease | 7.83% | September 20, 2020 | 3 |
| Generation | Continental Wind Nonrecourse Debt | 6.00% | February 28, 2033 | 32 |
| Generation | Pollution control notes | 2.50% | March 1, 2019 | 23 |
| Generation | Renewable Power Generation Nonrecourse Debt | 4.11% | March 31, 2035 | 10 |
| Generation | Energy Efficiency Project Financing | 3.46% | April 30, 2019 | 39 |
| Generation | ExGen Renewables IV Nonrecourse debt | 3mL +3% | November 30, 2024 | 38 |
| Generation | Hannie Mae, LLC Defense Financing | 4.12% | November 30, 2019 | 1 |
| Generation | Energy Efficiency Project Financing | 3.72% | July 31, 2019 | 25 |
| Generation | Nuclear fuel procurement contracts | 3.15% | September 30, 2020 | 36 |
| Generation | SolGen Nonrecourse Debt | 3.93% | September 30, 2036 | 2 |
| Generation | Energy Efficiency Project Financing | 4.17% | August 31, 2019 | 1 |
| Generation | Energy Efficiency Project Financing | 3.53% | March 31, 2020 | 1 |
| Generation | Energy Efficiency Project Financing | 4.26% | September 30, 2019 | 1 |
| ComEd | First Mortgage Bonds | 2.15% | January 15, 2019 | 300 |
| Pepco | Unsecured Tax-Exempt Bonds | 6.20% | September 1, 2022 | 110 |
| ACE | Transition Bonds | 5.55% | October 20, 2023 | 13 |

(a) On October 1, 2019, Generation redeemed $600 million of 5.20% 2009 Senior Notes due to maturity.

Antelope Valley's nonrecourse debt of approximately $495 million was reclassified as current in Exelon's and Generation's Consolidated Balance Sheets in the first quarter of 2019 and continues to be classified as current as of September 30, 2019 as a result of the PG&E bankruptcy filing on January 29, 2019. See Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information.

***Dividends***

Quarterly dividends declared by the Exelon Board of Directors during the nine months ended September 30, 2019 and for the third quarter of 2019 were as follows:

| Period | Declaration Date | Shareholder of Record Date | Dividend Payable Date | Cash per Share[(a)] |
|---|---|---|---|---|
| First Quarter 2019 | February 5, 2019 | February 20, 2019 | March 8, 2019 | $ 0.3625 |
| Second Quarter 2019 | April 30, 2019 | May 15, 2019 | June 10, 2019 | $ 0.3625 |
| Third Quarter 2019 | July 30, 2019 | August 15, 2019 | September 10, 2019 | $ 0.3625 |

(a) Exelon's Board of Directors approved an updated dividend policy providing an increase of 5% each year for the period covering 2018 through 2020.

***Other***

For the nine months ended September 30, 2019, other financing activities primarily consist of debt issuance costs. See Note 11 — Debt and Credit Agreements of the Combined Notes to Consolidated Financial Statements for additional information of the Registrants' debt issuances.

## Credit Matters (All Registrants)

The Registrants fund liquidity needs for capital investment, working capital, energy hedging and other financial commitments through cash flows from continuing operations, public debt offerings, commercial paper markets and large, diversified credit facilities. The credit facilities include $9.8 billion in aggregate total commitments of which no financial institution has more than 7% of the aggregate commitments for the Registrants. The Registrants had access to the commercial paper market during the third quarter of 2019 to fund their short-term liquidity needs, when necessary. The Registrants routinely review the sufficiency of their liquidity position, including appropriate sizing of credit facility commitments, by performing various stress test scenarios, such as commodity price movements, increases in margin-related transactions, changes in hedging levels and the impacts of hypothetical credit downgrades. The Registrants have continued to closely monitor events in the financial markets and the financial institutions associated with the credit facilities, including monitoring credit ratings and outlooks, credit default swap levels, capital raising and merger activity. See PART I. ITEM 1A. RISK FACTORS of the Exelon 2018 Form 10-K for additional information regarding the effects of uncertainty in the capital and credit markets.

The Registrants believe their cash flow from operating activities, access to credit markets and their credit facilities provide sufficient liquidity. If Generation lost its investment grade credit rating as of September 30, 2019, it would have been required to provide incremental collateral of $1.5 billion to meet collateral obligations for derivatives, non-derivatives, normal purchases and normal sales contracts and applicable payables and receivables, net of the contractual right of offset under master netting agreements, which is well within the $4.2 billion of available credit capacity of its revolver.

The following table presents the incremental collateral that each Utility Registrant would have been required to provide in the event each Utility Registrant lost its investment grade credit rating at September 30, 2019 and available credit facility capacity prior to any incremental collateral at September 30, 2019:

| | PJM Credit Policy Collateral | Other Incremental Collateral Required[(a)] | Available Credit Facility Capacity Prior to Any Incremental Collateral |
|---|---|---|---|
| ComEd | $ 10 | $ — | $ 995 |
| PECO | — | 28 | 600 |
| BGE | 12 | 26 | 594 |
| Pepco | 10 | — | 290 |
| DPL | 6 | 11 | 300 |
| ACE | — | — | 300 |

(a) Represents incremental collateral related to natural gas procurement contracts.

### *Exelon Credit Facilities*

Exelon Corporate, ComEd, BGE, Pepco, DPL and ACE meet their short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool. PHI Corporate meets its short-term liquidity requirements primarily through the issuance of short-term notes and the Exelon intercompany money pool. The Registrants may use their respective credit facilities for general corporate purposes, including meeting short-term funding requirements and the issuance of letters of credit.

See 11 — Debt and Credit Agreements and Note 16 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements for additional information on the Registrants’ short-term borrowing activity.

See Note 13 — Debt and Credit Agreements and Note 22 — Commitments and Contingencies of the Exelon 2018 Form 10-K for additional information on the Registrants’ credit facilities.

### *Security Ratings*

The Registrants’ access to the capital markets, including the commercial paper market, and their respective financing costs in those markets, may depend on the securities ratings of the entity that is accessing the capital markets.

The Registrants' borrowings are not subject to default or prepayment as a result of a downgrading of securities, although such a downgrading of a Registrant's securities could increase fees and interest charges under that Registrant's credit agreements.

As part of the normal course of business, the Registrants enter into contracts that contain express provisions or otherwise permit the Registrants and their counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contracts law, if the Registrants are downgraded by a credit rating agency, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include the posting of collateral. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information on collateral provisions.

***Intercompany Money Pool***

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, both Exelon and PHI operate an intercompany money pool. Maximum amounts contributed to and borrowed from the money pool by participant and the net contribution or borrowing as of September 30, 2019, are presented in the following table:

| Exelon Intercompany Money Pool | During the Three Months Ended September 30, 2019 | | As of September 30, 2019 |
|---|---|---|---|
| Contributed (Borrowed) | Maximum Contributed | Maximum Borrowed | Contributed (Borrowed) |
| Exelon Corporate | $ 260 | $ — | $ 206 |
| Generation | 212 | — | — |
| PECO | 7 | (85) | — |
| BSC | — | (338) | (251) |
| PHI Corporate | — | (10) | (10) |
| PCI | 55 | — | 55 |

| PHI Intercompany Money Pool | During the Three Months Ended September 30, 2019 | | As of September 30, 2019 |
|---|---|---|---|
| Contributed (Borrowed) | Maximum Contributed | Maximum Borrowed | Contributed (Borrowed) |
| Pepco | 63 | — | — |
| DPL | — | (46) | — |
| ACE | — | (29) | — |
| PHISCO | 2 | — | 2 |

***Shelf Registration Statements***

Exelon, Generation, ComEd, PECO, BGE, Pepco, DPL and ACE have a currently effective combined shelf registration statement unlimited in amount, filed with the SEC, that will expire in August 2022. The ability of each Registrant to sell securities off the shelf registration statement or to access the private placement markets will depend on a number of factors at the time of the proposed sale, including other required regulatory approvals, as applicable, the current financial condition of the Registrant, its securities ratings and market conditions.

***Regulatory Authorizations***

ComEd, PECO, BGE, Pepco, DPL and ACE are required to obtain short-term and long-term financing authority from Federal and State Commissions as follows:

| | As of September 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Short-term Financing Authority[(a)(b)] | | | Remaining Long-term Financing Authority[(a)] | | |
| | Commission | Expiration Date | Amount | Commission | Expiration Date | Amount |
| ComEd[(c)] | FERC | December 31, 2019 | $ 2,500 | ICC | August 1, 2021 | $ 693 |
| PECO | FERC | December 31, 2019 | 1,500 | PAPUC | December 31, 2021 | 1,575 |
| BGE | FERC | December 31, 2019 | 700 | MDPSC | N/A | — |
| Pepco | FERC | December 31, 2019 | 500 | MDPSC / DCPSC | December 31, 2020 | 141 |
| DPL | FERC | December 31, 2019 | 500 | MDPSC / DPSC | December 31, 2020 | 150 |
| ACE | NJBPU | December 31, 2019 | 350 | NJBPU | December 31, 2020 | 200 |

__________

(a) Generation currently has blanket financing authority it received from FERC in connection with its market-based rate authority.
(b) On October 15, 2019, ComEd, PECO, BGE, Pepco and DPL filed applications with FERC and on September 12, 2019, ACE filed an application with NJBPU for renewal of their short-term financing authority through December 31, 2021. ComEd, PECO, BGE, Pepco, DPL and ACE expect approval of the applications before the end of the year.
(c) ComEd had $693 million available in new money long-term debt financing authority from the ICC as of September 30, 2019 and has an expiration date of August 1, 2021.

## Contractual Obligations and Off-Balance Sheet Arrangements

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments triggered by future events. See Note 22 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements in the Exelon 2018 Form 10-K.

Generation, ComEd, PECO, BGE, Pepco, DPL and ACE have obligations related to contracts for the purchase of power and fuel supplies, and ComEd and PECO have obligations related to their financing trusts. The power and fuel purchase contracts and the financing trusts have been considered for consolidation in the Registrants' respective financial statements pursuant to the authoritative guidance for VIEs. See Note 1 — Significant Accounting Policies of the Combined Notes to Consolidated Financial Statements for additional information.

For an in-depth discussion of the Registrants' contractual obligations and off-balance sheet arrangements, see “Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Off-Balance Sheet Arrangements” in the Exelon 2018 Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Registrants are exposed to market risks associated with adverse changes in commodity prices, counterparty credit, interest rates and equity prices. Exelon's RMC approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval, and the monitoring and reporting of risk exposures. The RMC is chaired by the chief executive officer and includes the chief risk officer, chief strategy officer, chief executive officer of Exelon Utilities, chief commercial officer, chief financial officer and chief executive officer of Constellation. The RMC reports to the Finance and Risk Committee of the Exelon Board of Directors on the scope of the risk management activities. The following discussion serves as an update to ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK of Exelon's 2018 Annual Report on Form 10-K incorporated herein by reference.

## Commodity Price Risk (All Registrants)

Commodity price risk is associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies and other factors. To the extent the total amount of energy Exelon generates and purchases differs from the amount of energy it has contracted to sell, Exelon is exposed to market fluctuations in commodity prices. Exelon seeks to mitigate its commodity price risk through the sale and purchase of electricity, fossil fuel and other commodities.

### Generation

Electricity available from Generation's owned or contracted generation supply in excess of Generation's obligations to customers, including portions of the Utility Registrants' retail load, is sold into the wholesale markets. To reduce commodity price risk caused by market fluctuations, Generation enters into non-derivative contracts as well as derivative contracts, including swaps, futures, forwards and options, with approved counterparties to hedge anticipated exposures. Generation uses derivative instruments as economic hedges to mitigate exposure to fluctuations in commodity prices. Generation expects the settlement of the majority of its economic hedges will occur during 2019 through 2021.

As of September 30, 2019, the percentage of expected generation hedged for the Mid-Atlantic, Midwest, New York and ERCOT reportable segments is 96%-99%, 84%-87% and 54%-57% for 2019, 2020 and 2021, respectively. Market price risk exposure is the risk of a change in the value of unhedged positions. The forecasted market price risk exposure for Generation's entire economic hedge portfolio associated with a $5 reduction in the annual average around-the-clock energy price based on September 30, 2019 market conditions and hedged position would be immaterial for 2019, and decreases of approximately, $88 million and $399 million, respectively, for 2020 and 2021. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information.

***Fuel Procurement***

Approximately 63% of Generation's uranium concentrate requirements from 2019 through 2023 are supplied by three producers. In the event of non-performance by these or other suppliers, Generation believes that replacement uranium concentrates can be obtained, although at prices that may be unfavorable when compared to the prices under the current supply agreements. Non-performance by these counterparties could have a material adverse impact on Exelon's and Generation's financial statements.

### Utility Registrants

There have been no significant changes or additions to the Utility Registrants exposures to commodity price risk that were described in ITEM 1A. RISK FACTORS of Exelon's 2018 Annual Report on Form 10-K. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information regarding commodity price risk exposure.

### Trading and Non-Trading Marketing Activities

The following table detailing Exelon's, Generation's and ComEd's trading and non-trading marketing activities is included to address the recommended disclosures by the energy industry's Committee of Chief Risk Officers (CCRO).

The following table provides detail on changes in Exelon's, Generation's and ComEd's commodity mark-to-market net asset or liability balance sheet position from December 31, 2018 to September 30, 2019. It indicates the drivers behind changes in the balance sheet amounts. This table incorporates the mark-to-market activities that are immediately recorded in earnings. This table excludes all NPNS contracts and does not segregate proprietary trading activity. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information on the balance sheet classification of the mark-to-market energy contract net assets (liabilities) recorded as of September 30, 2019 and December 31, 2018.

| | Exelon | Generation | ComEd |
|---|---|---|---|
| Total mark-to-market energy contract net assets (liabilities) at December 31, 2018[a] | $ 299 | $ 548 | $ (249) |
| Total change in fair value during 2019 of contracts recorded in results of operations | (273) | (273) | — |
| Reclassification to realized of contracts recorded in results of operations | 215 | 215 | — |
| Changes in fair value — recorded through regulatory assets and liabilities[b] | (31) | — | (31) |
| Changes in allocated collateral | 364 | 364 | — |
| Net option premium paid/(received) | (13) | (13) | — |
| Option premium amortization | (21) | (21) | — |
| Upfront payments and amortizations[c] | (73) | (73) | — |
| Total mark-to-market energy contract net assets (liabilities) at September 30, 2019[a] | $ 467 | $ 747 | $ (280) |

(a) Amounts are shown net of collateral paid to and received from counterparties.
(b) For ComEd, the changes in fair value are recorded as a change in regulatory assets or liabilities. As of September 30, 2019, ComEd recorded a regulatory liability of $280 million related to its mark-to-market derivative liabilities with Generation and unaffiliated suppliers. For the nine months ended September 30, 2019, ComEd recorded $31 million of decreases in fair value and an increase for realized losses due to settlements of $17 million recorded in purchased power expense associated with floating-to-fixed energy swap contracts with unaffiliated suppliers.
(c) Includes derivative contracts acquired or sold by Generation through upfront payments or receipts of cash, excluding option premiums, and the associated amortizations

## Fair Values

The following tables present maturity and source of fair value for Exelon, Generation and ComEd mark-to-market commodity contract net assets (liabilities). The tables provide two fundamental pieces of information. First, the tables provide the source of fair value used in determining the carrying amount of the Registrants' total mark-to-market net assets (liabilities), net of allocated collateral. Second, the tables show the maturity, by year, of the Registrants' commodity contract net assets (liabilities), net of allocated collateral, giving an indication of when these mark-to-market amounts will settle and either generate or require cash. See Note 9 — Fair Value of Financial Assets and Liabilities of the Combined Notes to Consolidated Financial Statements for additional information regarding fair value measurements and the fair value hierarchy.

***Exelon***

| | Maturities Within | | | | | | Total Fair Value |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and Beyond | |
| Normal Operations, Commodity derivative contracts[a][b]: | | | | | | | |
| Actively quoted prices (Level 1) | $ (22) | $ (105) | $ (25) | $ (13) | $ 9 | $ 9 | $ (147) |
| Prices provided by external sources (Level 2) | 76 | (1) | 47 | (10) | — | — | 112 |
| Prices based on model or other valuation methods (Level 3)[c] | 65 | 442 | 116 | 33 | (6) | (148) | 502 |
| Total | $ 119 | $ 336 | $ 138 | $ 10 | $ 3 | $ (139) | $ 467 |

(a) Mark-to-market gains and losses on other economic hedge and trading derivative contracts that are recorded in results of operations.
(b) Amounts are shown net of collateral paid to and received from counterparties (and offset against mark-to-market assets and liabilities) of $721 million at September 30, 2019.
(c) Includes ComEd's net assets (liabilities) associated with the floating-to-fixed energy swap contracts with unaffiliated suppliers.

***Generation***

| | Maturities Within | | | | | | Total Fair Value |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and Beyond | |
| Normal Operations, Commodity derivative contracts[a][b]: | | | | | | | |
| Actively quoted prices (Level 1) | $ (22) | $ (105) | $ (25) | $ (13) | $ 9 | $ 9 | $ (147) |
| Prices provided by external sources (Level 2) | 76 | (1) | 47 | (10) | — | — | 112 |
| Prices based on model or other valuation methods (Level 3) | 75 | 469 | 143 | 60 | 21 | 14 | 782 |
| Total | $ 129 | $ 363 | $ 165 | $ 37 | $ 30 | $ 23 | $ 747 |

(a) Mark-to-market gains and losses on other economic hedge and trading derivative contracts that are recorded in the results of operations.
(b) Amounts are shown net of collateral paid to and received from counterparties (and offset against mark-to-market assets and liabilities) of $721 million at September 30, 2019.

***ComEd***

| | Maturities Within | | | | | | Total Fair Value |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and Beyond | |
| Commodity derivative contracts[a]: | | | | | | | |
| Prices based on model or other valuation methods (Level 3) | $ (10) | $ (27) | $ (27) | $ (27) | $ (27) | $ (162) | $ (280) |

(a) Represents ComEd's net liabilities associated with the floating-to-fixed energy swap contracts with unaffiliated suppliers.

## Credit Risk (All Registrants)

The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties that execute derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for detailed discussion of credit risk.

### Generation

The following tables provide information on Generation's credit exposure for all derivative instruments, normal purchases and normal sales agreements, and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of September 30, 2019. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties and an indication of the duration of a company's credit risk by credit rating of the counterparties. The figures in the tables below exclude credit risk exposure from individual retail customers, uranium procurement contracts, and exposure through RTOs, ISOs and commodity exchanges, which are discussed below. Additionally, the figures in the tables below exclude exposures with affiliates, including net receivables with ComEd, PECO, BGE, Pepco, DPL and ACE of $68 million, $30 million, $32 million, $39 million, $15 million and $8 million as of September 30, 2019, respectively.

| Rating as of September 30, 2019 | Total Exposure Before Credit Collateral | Credit Collateral(a) | Net Exposure | Number of Counterparties Greater than 10% of Net Exposure | Net Exposure of Counterparties Greater than 10% of Net Exposure |
|---|---|---|---|---|---|
| Investment grade | $ 693 | $ 10 | $ 683 | $ — | $ — |
| Non-investment grade | 74 | 38 | 36 | | |
| No external ratings | | | | | |
| Internally rated — investment grade | 297 | 1 | 296 | | |
| Internally rated — non-investment grade | 175 | 24 | 151 | | |
| Total | $ 1,239 | $ 73 | $ 1,166 | $ — | $ — |

| | Maturity of Credit Risk Exposure | | | |
|---|---|---|---|---|
| Rating as of September 30, 2019 | Less than 2 Years | 2-5 Years | Exposure Greater than 5 Years | Total Exposure Before Credit Collateral |
| Investment grade | $ 649 | $ 38 | $ 6 | $ 693 |
| Non-investment grade | 76 | (2) | — | 74 |
| No external ratings | | | | |
| Internally rated — investment grade | 234 | 35 | 28 | 297 |
| Internally rated — non-investment grade | 148 | 16 | 11 | 175 |
| Total | $ 1,107 | $ 87 | $ 45 | $ 1,239 |

| Net Credit Exposure by Type of Counterparty | As of September 30, 2019 |
|---|---|
| Financial institutions | $ 1 |
| Investor-owned utilities, marketers, power producers | 875 |
| Energy cooperatives and municipalities | 255 |
| Other | 35 |
| Total | $ 1,166 |

(a) As of September 30, 2019, credit collateral held from counterparties where Generation had credit exposure included $18 million of cash and $55 million of letters of credit.

**The Utility Registrants**

There have been no significant changes or additions to the Utility Registrants exposures to credit risk that are described in ITEM 1A. RISK FACTORS of Exelon's 2018 Annual Report on Form 10-K.

See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information regarding credit exposure to suppliers.

## Credit-Risk-Related Contingent Features (All Registrants)

**Generation**

As part of the normal course of business, Generation routinely enters into physical or financial contracts for the sale and purchase of electricity, natural gas and other commodities. In accordance with the contracts and applicable law, if Generation is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on Generation's net position with a counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed-to provisions that specify the collateral that must be provided, collateral requested will be a function of the facts and circumstances of the situation at the time of the demand. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information regarding collateral requirements. See Note 16 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements for additional information regarding the letters of credit supporting the cash collateral.

Generation transacts output through bilateral contracts. The bilateral contracts are subject to credit risk, which relates to the ability of counterparties to meet their contractual payment obligations. Any failure to collect these payments from counterparties could have a material impact on Exelon's and Generation's financial statements. As market prices rise above or fall below contracted price levels, Generation is required to post collateral with purchasers; as market prices fall below contracted price levels, counterparties are required to post collateral with Generation. To post collateral, Generation depends on access to bank credit facilities, which serve as liquidity sources to fund collateral requirements. See Note 13 — Debt and Credit Agreements of the Exelon Form 10-K for additional information.

**Utility Registrants**

As of September 30, 2019, the Utility Registrants were not required to post collateral under their energy and/or natural gas procurement contracts. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information.

## Interest Rate and Foreign Exchange Risk (Exelon and Generation)

Exelon and Generation use a combination of fixed-rate and variable-rate debt to manage interest rate exposure. Exelon and Generation may also utilize interest rate swaps to manage their interest rate exposure. A hypothetical 50 basis point increase in the interest rates associated with unhedged variable-rate debt (excluding Commercial Paper) and fixed-to-floating swaps would result in approximately a $4 million decrease in Exelon pre-tax income for the nine months ended September 30, 2019. To manage foreign exchange rate exposure associated with international energy purchases in currencies other than U.S. dollars, Generation utilizes foreign currency derivatives, which are typically designated as economic hedges. See Note 10 — Derivative Financial Instruments of the Combined Notes to Consolidated Financial Statements for additional information.

## Equity Price Risk (Exelon and Generation)

Exelon and Generation maintain trust funds, as required by the NRC, to fund certain costs of decommissioning its nuclear plants. As of September 30, 2019, Generation's NDT funds are reflected at fair value in its Consolidated Balance Sheets. The mix of securities in the trust funds is designed to provide returns to be used to fund decommissioning and to compensate Generation for inflationary increases in decommissioning costs; however, the equity securities in the trust funds are exposed to price fluctuations in equity markets, and the value of fixed-rate, fixed-income securities are exposed to changes in interest rates. Generation actively monitors the investment performance of the trust funds and periodically reviews asset allocation in accordance with Generation's NDT fund investment policy. A hypothetical 10% increase in interest rates and decrease in equity prices would result in a $570 million reduction in the fair value of the trust assets. This calculation holds all other variables constant and assumes only the discussed changes in interest rates and equity prices. See Liquidity and Capital Resources section of ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS for additional information of equity price risk as a result of the current capital and credit market conditions.

**Item 4. Controls and Procedures**

During the third quarter of 2019, each of Exelon’s, Generation’s, ComEd’s, PECO’s, BGE’s, PHI's, Pepco's, DPL's and ACE's management, including its principal executive officer and principal financial officer, evaluated its disclosure controls and procedures related to the recording, processing, summarizing and reporting of information in its periodic reports that it files with the SEC. These disclosure controls and procedures have been designed by all Registrants to ensure that (a) material information relating to that Registrant, including its consolidated subsidiaries, is accumulated and made known to Exelon’s management, including its principal executive officer and principal financial officer, by other employees of that Registrant and its subsidiaries as appropriate to allow timely decisions regarding required disclosure, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC’s rules and forms. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people.

Accordingly, as of September 30, 2019, the principal executive officer and principal financial officer of each of Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE concluded that such Registrant’s disclosure controls and procedures were effective to accomplish its objectives. All Registrants continually strive to improve their disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant. There have been no changes in internal control over financial reporting that occurred during the third quarter of 2019 that have materially affected, or are reasonably likely to materially affect, any of Exelon’s, Generation’s, ComEd’s, PECO’s, BGE’s, PHI’s, Pepco’s, DPL’s and ACE’s internal control over financial reporting.

## PART II — OTHER INFORMATION

**Item 1. Legal Proceedings**

The Registrants are parties to various lawsuits and regulatory proceedings in the ordinary course of their respective businesses. For information regarding material lawsuits and proceedings, see (a) ITEM 3. LEGAL PROCEEDINGS of Exelon’s 2018 Form 10-K and (b) Notes 6 — Regulatory Matters and 16 — Commitments and Contingencies of the Combined Notes to Consolidated Financial Statements in PART I, ITEM 1. FINANCIAL STATEMENTS of this Report. Such descriptions are incorporated herein by these references.

**Item 1A. Risk Factors**

### Risks Related to Exelon

At September 30, 2019, the Registrants' risk factors were consistent with the risk factors described in the Registrants' combined 2018 Form 10-K in ITEM 1A. RISK FACTORS.

**Item 4. Mine Safety Disclosures**

### All Registrants

Not applicable to the Registrants.

**Item 5. Other Information**

## Generation - Second Amended and Restated Operating Agreement

On October 30, 2019, Exelon, as sole member of Generation, executed the Second Amended and Restated Operating Agreement of Generation solely to update certain administrative provisions. This summary is qualified by reference to the complete text of the Second Amended and Restated Operating Agreement of Generation, attached as Exhibit 3.1 to this Report.

**Item 6. Exhibits**

Certain of the following exhibits are incorporated herein by reference under Rule 12b-32 of the Securities and Exchange Act of 1934, as amended. Certain other instruments which would otherwise be required to be listed below have not been so listed because such instruments do not authorize securities in an amount which exceeds 10% of the total assets of the applicable Registrant and its subsidiaries on a consolidated basis and the relevant Registrant agrees to furnish a copy of any such instrument to the Commission upon request.

| Exhibit No. | Description |
|---|---|
| 3.1* | Second Amended and Restated Operating Agreement of Exelon Generation Company, LLC |
| 4.1 | One Hundred and Seventeenth Supplemental Indenture dated as of August 15, 2019 from PECO Energy Company to U.S. Bank National Association, as trustee (File No. 000-16844, Form 8-K dated September 10, 2019) |
| 4.2 | Indenture, dated as of September 1, 2019, between Baltimore Gas and Electric Company and U.S. Bank National Association, as trustee (File No. 001-01910, Form 8-K dated September 12, 2019, Exhibit 4.1) |
| 10.1* | Exelon Corporation Non-Employee Director Deferred Stock Unit Plan, as amended and restated effective September 25, 2019. |
| 10.2* | Amended Form of Restricted Stock Award Agreement under Exelon Corporation Long-Term Incentive Plan |
| 10.3* | Exelon Corporation Employee Stock Purchase Plan, as amended and restated effective September 25, 2019. |
| 10.4* | Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries, as amended and restated effective September 25, 2019. |
| 10.5* | Exelon Corporation Stock Deferral Plan, as amended and restated effective September 25, 2019. |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

*Filed herewith

Certifications Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 filed by the following officers for the following companies:

| | |
|---|---|
| 31-1 | — Filed by Christopher M. Crane for Exelon Corporation |
| 31-2 | — Filed by Joseph Nigro for Exelon Corporation |
| 31-3 | — Filed by Kenneth W. Cornew for Exelon Generation Company, LLC |
| 31-4 | — Filed by Bryan P. Wright for Exelon Generation Company, LLC |
| 31-5 | — Filed by Joseph Dominguez for Commonwealth Edison Company |
| 31-6 | — Filed by Jeanne M. Jones for Commonwealth Edison Company |
| 31-7 | — Filed by Michael A. Innocenzo for PECO Energy Company |
| 31-8 | — Filed by Robert J. Stefani for PECO Energy Company |
| 31-9 | — Filed by Calvin G. Butler, Jr. for Baltimore Gas and Electric Company |
| 31-10 | — Filed by David M. Vahos for Baltimore Gas and Electric Company |
| 31-11 | — Filed by David M. Velazquez for Pepco Holdings LLC |
| 31-12 | — Filed by Phillip S. Barnett for Pepco Holdings LLC |
| 31-13 | — Filed by David M. Velazquez for Potomac Electric Power Company |
| 31-14 | — Filed by Phillip S. Barnett for Potomac Electric Power Company |
| 31-15 | — Filed by David M. Velazquez for Delmarva Power & Light Company |
| 31-16 | — Filed by Phillip S. Barnett for Delmarva Power & Light Company |
| 31-17 | — Filed by David M. Velazquez for Atlantic City Electric Company |
| 31-18 | — Filed by Phillip S. Barnett for Atlantic City Electric Company |

Certifications Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code (Sarbanes — Oxley Act of 2002) as to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 filed by the following officers for the following companies:

| | |
|---|---|
| 32-1 | — Filed by Christopher M. Crane for Exelon Corporation |
| 32-2 | — Filed by Joseph Nigro for Exelon Corporation |
| 32-3 | — Filed by Kenneth W. Cornew for Exelon Generation Company, LLC |
| 32-4 | — Filed by Bryan P. Wright for Exelon Generation Company, LLC |
| 32-5 | — Filed by Joseph Dominguez for Commonwealth Edison Company |
| 32-6 | — Filed by Jeanne M. Jones for Commonwealth Edison Company |
| 32-7 | — Filed by Michael A. Innocenzo for PECO Energy Company |
| 32-8 | — Filed by Robert J. Stefani for PECO Energy Company |
| 32-9 | — Filed by Calvin G. Butler, Jr. for Baltimore Gas and Electric Company |
| 32-10 | — Filed by David M. Vahos for Baltimore Gas and Electric Company |
| 32-11 | — Filed by David M. Velazquez for Pepco Holdings LLC |
| 32-12 | — Filed by Phillip S. Barnett for Pepco Holdings LLC |
| 32-13 | — Filed by David M. Velazquez for Potomac Electric Power Company |
| 32-14 | — Filed by Phillip S. Barnett for Potomac Electric Power Company |
| 32-15 | — Filed by David M. Velazquez for Delmarva Power & Light Company |
| 32-16 | — Filed by Phillip S. Barnett for Delmarva Power & Light Company |
| 32-17 | — Filed by David M. Velazquez for Atlantic City Electric Company |
| 32-18 | — Filed by Phillip S. Barnett for Atlantic City Electric Company |

## SIGNATURES

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**EXELON CORPORATION**

| | |
|---|---|
| /s/ CHRISTOPHER M. CRANE | /s/ JOSEPH NIGRO |
| Christopher M. Crane | Joseph Nigro |
| President and Chief Executive Officer<br>(Principal Executive Officer) and Director | Senior Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ FABIAN E. SOUZA | |
| Fabian E. Souza | |
| Senior Vice President and Corporate Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**EXELON GENERATION COMPANY, LLC**

| | |
|---|---|
| /s/ KENNETH W. CORNEW | /s/ BRYAN P. WRIGHT |
| Kenneth W. Cornew | Bryan P. Wright |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ MATTHEW N. BAUER | |
| Matthew N. Bauer | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**COMMONWEALTH EDISON COMPANY**

| | |
|---|---|
| /s/ JOSEPH DOMINGUEZ | /s/ JEANNE M. JONES |
| Joseph Dominguez | Jeanne M. Jones |
| Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ GERALD J. KOZEL | |
| Gerald J. Kozel | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PECO ENERGY COMPANY**

| | |
|---|---|
| /s/ MICHAEL A. INNOCENZO | /s/ ROBERT J. STEFANI |
| Michael A. Innocenzo | Robert J. Stefani |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ SCOTT A. BAILEY | |
| Scott A. Bailey | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BALTIMORE GAS AND ELECTRIC COMPANY**

| | |
|---|---|
| /s/ CALVIN G. BUTLER, JR. | /s/ DAVID M. VAHOS |
| Calvin G. Butler, Jr. | David M. Vahos |
| Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ ANDREW W. HOLMES | |
| Andrew W. Holmes | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PEPCO HOLDINGS LLC**

| | |
|---|---|
| /s/ DAVID M. VELAZQUEZ | /s/ PHILLIP S. BARNETT |
| David M. Velazquez | Phillip S. Barnett |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ ROBERT M. AIKEN | |
| Robert M. Aiken | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**POTOMAC ELECTRIC POWER COMPANY**

| /s/ DAVID M. VELAZQUEZ | /s/ PHILLIP S. BARNETT |
|---|---|
| David M. Velazquez | Phillip S. Barnett |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ ROBERT M. AIKEN | |
| Robert M. Aiken | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**DELMARVA POWER & LIGHT COMPANY**

| | |
|---|---|
| /s/ DAVID M. VELAZQUEZ | /s/ PHILLIP S. BARNETT |
| David M. Velazquez | Phillip S. Barnett |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ ROBERT M. AIKEN | |
| Robert M. Aiken | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ATLANTIC CITY ELECTRIC COMPANY**

| | |
|---|---|
| /s/ DAVID M. VELAZQUEZ | /s/ PHILLIP S. BARNETT |
| David M. Velazquez | Phillip S. Barnett |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Senior Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| /s/ ROBERT M. AIKEN | |
| Robert M. Aiken | |
| Vice President and Controller<br>(Principal Accounting Officer) | |

October 31, 2019

**SECOND AMENDED AND RESTATED OPERATING AGREEMENT**
**OF**
**EXELON GENERATION COMPANY, LLC**
*(a Pennsylvania limited liability company)*

THIS SECOND AMENDED AND RESTATED OPERATING AGREEMENT OF EXELON GENERATION COMPANY, LLC (the “**Agreement**”) is executed as of October 30, 2019 by Exelon Corporation (the “**Member**”). The Member, intending to be legally bound, hereby states the terms of its agreement as to the affairs of, and the conduct of the business of, a limited liability company (the “**Company**”) to be managed by the Member, as follows:

PRELIMINARY STATEMENT

The purpose of this Agreement is to set out fully the rights, obligations and duties of the Member and Officers of the Company.

WHEREAS, the Company was formed as a Pennsylvania limited liability company on December 27, 2000 pursuant to the provisions of the Pennsylvania Limited Liability Company Law of 1994, as amended from time to time (the “**Act**”). At the time of formation PECO Energy Company was the member.

WHEREAS, on January 1, 2001, due to a corporate restructuring ownership of the Company was transferred from PECO Energy Company to Exelon Ventures Company, LLC.

WHEREAS, on January 1, 2001, the Company’s Operating Agreement was amended and restated as the First Amended and Restated Operating Agreement of the Company.

WHEREAS, on September 30, 2014, Exelon Ventures Company, LLC was dissolved in Delaware and ownership of the Company was transferred to Exelon Corporation.

WHEREAS, on October 30, 2019, the Company’s First Amended and Restated Operating Agreement was amended and restated as the Second Amended and Restated Operating Agreement of the Company.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Member hereby agrees and states as follows:

**ARTICLE 1**
**FORMATION, PURPOSE AND DEFINITIONS**

1.1 Establishment of Limited Liability Company. The Company was formed on December 27, 2000 pursuant to the provisions of the Act, to carry on a business for profit. This Agreement, in accordance with the Act, amends and restates terms relating to the governance and business affairs of the Company. The Member is hereby admitted to membership in the Company and, as provided in Section 5.2 until this Agreement is amended appropriately to contemplate the admission of additional members and their right to conduct the Company’s business, the Member shall be the sole member of the Company.

1.2 Name. The name of the Company is Exelon Generation Company, LLC. The Company may conduct its activities under any other permissible name designated by the Member. The Member shall be responsible for complying with any registration requirements if an alternate name is used.

1.3 Principal Place of Business of the Company. The principal place of business of the Company shall be located at such locations as the Member, in its discretion, may determine. The registered agent for the service of process, if any, and the registered office of the Company shall be the person (if any) and location stated in the Company's Certificate of Organization filed with the Pennsylvania Department of State. The Member may, from time to time, change such registered agent and registered office, by appropriate filings as required by law.

1.4 Purpose. The Company's purpose shall be to engage in all lawful businesses for which limited liability companies may be organized under the Act. The Company shall have the authority to do all things necessary or advisable in order to accomplish such purposes.

1.5 Duration. Unless the Company shall be earlier terminated in accordance with Article 7, it shall continue in existence in perpetuity.

1.6 Other Activities of Member. The Member may engage in or possess an interest in other business ventures of any nature, whether or not similar to or competitive with the activities of the Company.

1.7 Federal Income Tax Status. The Company has been structured to qualify as an entity that will not be required to pay income tax at the state or federal level.

**ARTICLE 2**
**CAPITAL CONTRIBUTIONS**

2.1 Capital Contributions. The Member may make such contributions of cash or property to the Company at such times and in such amounts as the Member shall determine. The receipt by the Member from the Company of any distributions whatsoever (whether pursuant to Section 3.1 or otherwise and whether or not such distributions may be considered a return of capital) shall not increase the Member's obligations under this Section 2.1.

2.2 Additional Capital Contributions. Except as provided in Section 2.1 the Member may, but shall not be required to, make additional capital contributions to the Company.

2.3 Limitation of Liability of Member. The Member shall not have any liability or obligation for any debts, liabilities or obligations of the Company, or of any agent or employee of the Company, beyond the Member's capital contribution, except as may be expressly required by this Agreement or applicable law.

2.4 Loans. If the Member makes any loans to the Company, or advances money on its behalf, the amount of any such loan or advance shall not be deemed an increase in, or contribution to, the capital contribution of the Member. Interest shall accrue on any such loan at an annual rate agreed to by the Company and the Member (but not in excess of the maximum rate allowable under applicable usury laws).

**ARTICLE 3**
**DISTRIBUTIONS**

3.1 Distributions. The Company shall make cash distributions to the Member at the times and in the manner that the Member deems appropriate and as permitted by law.

## ARTICLE 4
## RIGHTS AND DUTIES OF THE MEMBER

4.1 Management. The business and affairs of the Company shall be managed solely by the Member. In doing so, the Member shall not be deemed a "manager" within the meaning of the Act. The Member shall direct, manage, and control the business of the Company to the best of the Member's ability.

4.2 Action by Written Consent. Any action by the Member may be taken in the form of a written consent rather than at a Member's meeting. The Company shall maintain a permanent record of all actions taken by the Member.

4.3 Powers of the Member. The Member shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by the Member under the laws of the Commonwealth of Pennsylvania. Without limiting the generality of the foregoing, the Member shall have the specific power and authority to cause the Company, in the Company's own name:

(a) To sell or otherwise dispose of all or substantially all of the assets of the Company (or a substantial portion of the assets) as part of a single transaction or plan so long as that disposition is not in violation of or a cause of a default under any other agreement to which the Company may be bound;

(b) To execute all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments; bills of sale; leases; partnership agreements; operating agreements of other limited liability companies; and any other instruments or documents necessary, in the opinion of the Member, to the business of the Company;

(c) To enter into any and all other agreements on behalf of the Company, with any other person for any purpose, in such form as the Member may approve;

(d) To make distributions in accordance with Section 3.1; and

(e) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

Unless authorized in writing to do so by this Agreement or by the Member, no attorney-in-fact, employee, or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or render it liable pecuniarily for any purpose.

4.4 Officers and Agents. The Company may have such officers and agents with such respective rights and duties as the Member may from time to time determine. The Member may delegate to one or more agents, officers, employees or other persons (who shall not be deemed "managers" within the meaning of the Act) any and all powers to manage the Company that the Member possesses under this Agreement and the Act.

4.5 Member Has No Exclusive Duty to Company. The Member shall not be required to manage the Company as its sole and exclusive function and, as provided in Section 1.6, it may have other business interests and may engage in other activities in addition to those relating to the Company. The Company shall not have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Member or to the income or proceeds derived from such investments or activities. The Member shall incur no liability to the Company as a result of engaging in any other business or venture.

4.6 Indemnification. The Member shall, and any officer, employee or agent of the Company may in the Member's absolute discretion, be indemnified by the Company to the fullest extent permitted by Section 8945 of the Act and as may be otherwise permitted by applicable law.

## ARTICLE 5
## TRANSFER OF MEMBERSHIP INTERESTS

5.1 General Restriction. Until and unless this Agreement is appropriately amended to contemplate the admission of additional members, the Member may not transfer, whether voluntarily or involuntarily, any portion of its membership interest in the Company; provided, however, that the Member may assign or otherwise transfer, as a whole or in one or more partial or successive assignments or transfers, its membership interest to any direct or indirect subsidiary of the holding company of which the Member is then a direct or indirect subsidiary or to such holding company ("**Permitted Transfers**") and following any such Permitted Transfer(s), such permitted transferee shall be considered hereunder and for all purposes under the Act as the Member. For purposes of this Agreement, a "transfer" includes, but is not limited to, any sale, assignment, gift, exchange, pledge, hypothecation, collateral assignment or creation of any security interest.

5.2 Single Member. Until and unless this Agreement is appropriately amended to contemplate the admission of additional members, the Company shall at all times have only one Member.

## ARTICLE 6
## DISSOCIATION OF THE MEMBER

6.1 Dissociation. The Member shall not be entitled voluntarily to withdraw, resign or dissociate from the Company or assign its membership interest prior to the dissolution and winding-up of the Company, and any attempt by the Member to do so shall be ineffective; provided, however, that Permitted Transfers under Section 5.1 shall not be a violation of this Section 6.1.

## ARTICLE 7
## DISSOLUTION AND LIQUIDATION

7.1 Events Triggering Dissolution. The Company shall dissolve and commence winding up and liquidation upon the first to occur of any of the following ("**Liquidating Events**"):

(a) the written consent of the Member; or

(b) the entry of a decree of judicial dissolution under Section 8972 of the Act.

The Company shall not be dissolved for any other reason, including without limitation, the Member's becoming bankrupt or executing an assignment for the benefit of creditors and any such bankruptcy or assignment shall not effect a transfer of any portion of Member's membership interest in the Company.

7.2 Liquidation. Upon dissolution of the Company in accordance with Section 7.1, the Company shall be wound up and liquidated by the Member or by a liquidating manager selected by the Member. The proceeds of such liquidation shall be applied and distributed in the following order of priority:

(a) to creditors, including the Member if it is a creditor, in the order of priority as established by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made and liabilities for distributions to the Member under Section 8932 or 8933 of the Act; and then

(b) to the setting up of any reserves in such amount and for such period as shall be necessary to make reasonable provisions for payment of all contingent, conditional or unmatured claims and obligations known to the Company and all claims and obligations known to the Company but for which the identity of the claimant is unknown; and then

(c) to the Member, which liquidating distribution may be made to the Member in cash or in kind, or partly in cash and partly in kind.

7.3 Certificate of Dissolution. Upon the dissolution of the Company and the completion of the liquidation and winding up of the Company's affairs and business, the Member shall on behalf of the Company prepare and file a certificate of dissolution with the Pennsylvania Department of State, if and as required by the Act. When such certificate is filed, the Company's existence shall cease.

## ARTICLE 8
## ACCOUNTING AND FISCAL MATTERS

8.1 Fiscal Year. The fiscal year of the Company shall be the calendar year.

8.2 Method of Accounting. The Member shall select a method of accounting for the Company as deemed necessary or advisable and shall keep, or cause to be kept, full and accurate records of all transactions of the Company in accordance with sound accounting principles consistently applied.

8.3 Financial Books and Records. All books of account shall, at all times, be maintained in the principal office of the Company or at such other location as specified by the Member.

## ARTICLE 9
## MISCELLANEOUS

9.1 Binding Effect. Except as otherwise provided in this Agreement to the contrary, this Agreement shall be binding upon and inure to the benefit of the Member and, subject to Article 5, its successors and assigns.

9.2 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without reference to conflict of laws principles.

9.3 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

9.4 Gender. As used in this Agreement, the masculine gender shall include the feminine and the neuter, and vice versa, and the singular shall include the plural.

* * *

**IN WITNESS WHEREOF**, the Member has executed this Agreement as of the date first written above.

**EXELON CORPORATION**

By: /s/ Carter Culver
Name: Carter Culver
Title: Assistant Secretary

**EXELON CORPORATION**
**NON-EMPLOYEE DIRECTORS' DEFERRED STOCK UNIT PLAN**

(As Amended and Restated Effective September 25, 2019)

1. **Purpose**. The purpose of the Plan is to provide a means whereby the Company may, through the grant of Units relating to Common Stock, offer a reward and an incentive to the members of the board of directors of the Company, motivate such directors to exert their best efforts on behalf of the Company and further to align the economic interest of such individuals with those of the Company's shareholders. This Plan is intended to constitute a non-qualified deferred compensation plan. The Plan is a restatement of the Plan as in effect as of January 1, 2009, as amended and restated effective January 1, 2011.

2. **Definitions**. Whenever used in this Plan, the following terms will have the respective meanings set forth below:

2.01 "**Account**" means the Company's record established pursuant to Section 5, which reflects the number of Units standing to the credit of a Participant under the Plan.

2.02 "**Beneficiary**" means the person(s) designated by a Participant to receive any benefits payable under this Plan after the Participant's death. The Company's Secretary shall provide a form for this purpose. If the Participant is not survived by a designated Beneficiary, the Participant's Beneficiary shall be the Participant's spouse, if living, or otherwise the Participant's estate. If one or more Beneficiaries survive the Participant, but all designated Beneficiaries die before the entire balance payable under the Plan has been distributed, any remaining balance shall be paid to the estate of the last surviving Beneficiary. In the absence of contrary proof, the Participant shall be deemed to have survived any designated Beneficiary. A Participant may change his Beneficiary designation at any time until his death by filing a written Beneficiary designation with the Secretary, in the manner specified by the Secretary.

2.03 "**Board**" means the Board of Directors of the Company.

2.04 "**Code**" means the Internal Revenue Code of 1986, as amended.

2.05 "**Committee**" means a Committee appointed by the Board or, if no such Committee is currently appointed, the Secretary of the Company.

2.06 "**Common Stock**" means the common stock of the Company.

2.07 "**Company**" means, prior to October 20, 2000, PECO Energy Company, and thereafter Exelon Corporation and any successor thereto.

2.08 "**Director**" means a member of the Board who is not an employee of the Company or any of its subsidiaries or other entities controlling or controlled by it.

2.09 "**Dividend Equivalent**" means an amount determined by multiplying the number of Units credited to a Participant's Account on the record date for the payment of a dividend on the Common Stock, by the per share cash dividend, or the per share Fair Market Value of any stock dividend, or the per share fair market value (as determined by the Committee) of any dividend in consideration other than cash or Common Stock, paid by the Company on its Common Stock with respect to such dividend record date.

2.10 "**Effective Date**" means January 1, 1997.

2.11 "**Fair Market Value**" of Common Stock means the closing sales price thereof on the national securities exchange or quotation service through which the Common Stock is listed or traded on the day on which Fair Market Value is being determined. In the event that there are no Common Stock transactions on the national securities exchange or quotation service through which the Common Stock is listed or traded on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Common Stock transactions.

2.12 "**Participant**" means any Director who is eligible to participate in the Plan under Section 4. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant's Account.

2.13 "**Plan**" means, prior to October 20, 2000, the PECO Energy Company Non-Employee Directors' Deferred Stock Unit Plan, and thereafter the Exelon Corporation Non-Employee Directors' Deferred Stock Unit Plan, as the same is set forth herein, and as it may be amended from time to time.

2.14 "**Plan Year**" means the calendar year.

2.15 "**Separates from Service**" or "**Separation from Service**" means the Director's termination of service as a member of the Board (and the board of directors of all subsidiaries, if applicable) for any reason other than death. A Separation from Service shall be determined in accordance with Section 409A of the Code and shall be deemed to have occurred when the Director's service to the Company ceases, without reference to any compensation continuation arrangement that may be applicable.

2.16 "**Unit**" means a single unit granted to a Participant which represents a phantom interest equivalent to one share of Common Stock.

2.17 "**Unit Value**" means, at any time, unless otherwise specified in the Plan, the value of each Unit issued under the Plan, which value shall be equal to the Fair Market Value of the Common Stock on such date.

3. **Administration**. The Plan shall be administered by the Committee or its designee, which shall have full power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan and to make any other determinations, including factual determinations, and take such other actions as it deems necessary or advisable in carrying out its duties under the Plan. All decisions and determinations by the Committee or its designee shall be final and binding on the Company, Participants, Directors, Beneficiaries and any other persons having or claiming an interest hereunder. Any other provisions of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, including, without limitation, actions for the purpose of ensuring that transactions under the Plan by Participants who are subject to Section 16 of the Securities Exchange Act of 1934, as amended, in respect of the Company are exempt under Rule 16b-3. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board (unless the context shall otherwise require).

4. **Participation**. Each Director of the Company shall become a Participant in the Plan on the later of (i) the Effective Date or (ii) the date such individual first becomes a Director.

5. **Award of Units**.

5.01 Initial Award of Units. Each Director who is a Participant on the Effective Date is granted a number of Units equal to (i) the present value of benefits accrued by that Director through December 31, 1996 under the PECO Energy Company Directors' Retirement Plan (the "**Retirement Plan**") (or, if the Participant is credited with fewer than five Years of Service under the Retirement Plan as of December 31, 1996, the present value of the product of 10% of the Participant's 1996 retainer and the number of Years of Service with which the Participant is credited under the Retirement Plan as of December 31, 1996), as determined by an actuary appointed by the Board, divided by (ii) the Fair Market Value of the Common Stock on December 31, 1996.

5.02 Annual Award of Units. On the last day of each calendar quarter beginning before April 1, 1999, each Participant who is a Director on that date shall receive an award of 178.75 Units. On the last day of each calendar quarter beginning after March 31, 1999 and before October 1, 2000, each Participant who is a Director on that date shall receive an award of 250 Units. On the last day of each calendar quarter beginning after September 30, 2000, each Participant who is a Director on that date shall receive an award of a number of Units equal to the quotient of $12,500 divided by the Fair Market Value of the Common Stock on the date for the payment of a dividend occurring in such calendar quarter. Such awarded Units shall be credited to each Participant's Account as specified in Section 5.04 below. The Board may review the annual award under this Section 5.02 periodically and amend the Plan to adjust such award if and to the extent appropriate.

5.03 Dividend Equivalents. From the date of grant of each Unit to a Participant until the Participant's Account has been fully distributed, the Company shall credit to each Participant's Account on each date for the payment of a dividend by the Company on its Common Stock, a number of Units equal to (i) the Dividend Equivalent for such dividend payment date, divided by (ii) the Fair Market Value of a share of Common Stock on such dividend payment date. If Units are awarded under Section 5.02 and this Section 5.03 as of the same date, the award under this Section 5.03 shall be determined before any Units are credited to a Participant's Account under Section 5.02.

5.04 Accounts. The Company shall keep records to reflect the number of Units credited to each Participant hereunder; provided, however, that (i) this Plan shall be unfunded, (ii) the Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure redemption of Units granted under this Plan, and (iii) no Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. Fractional Units shall accumulate in the Participant's Account and shall be added together to create whole Units. Nothing contained in this Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

5.05 Adjustments. If there is any change in the number of shares of Common Stock outstanding (i) by reason of a spin-off, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation in which the Company is the surviving corporation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Common Stock as a class without the Company's receipt of consideration, the number of Units credited to Participants' Accounts shall be appropriately adjusted by the Committee to reflect any increase or decrease in the number of issued shares of Common Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under this Plan. Any adjustments determined by the Committee shall be final, binding and conclusive. If and to the extent that any such change in the number of shares of Common Stock outstanding is effected solely by application of a mathematical formula (e.g., a 2-for-1 stock split), the adjustment described in this Section 5.05 shall be made and shall occur automatically by application of such formula, without further action by the Committee.

6. **Events Requiring Redemption of Units**.

6.01 Separation from Service.

(a) The Units credited to a Participant's Account shall be distributed to the Participant in, or beginning in, the month of April of the year next beginning after the occurrence of one of the following distribution events, as the Participant shall direct in a benefit distribution election form submitted in accordance with procedures established by the Company (a "**Benefit Distribution Election Form**"): (i) the Participant's Separation from Service or (ii) the Participant's 72nd birthday. Distributions shall be paid in a lump sum payment or in annual installments over a period of up to 10 years, as the Participant shall direct in his or her

Benefit Distribution Election Form. Except as provided in Section 6.01(c), any distribution shall be paid in the form of whole shares of Common Stock and cash in an amount equal to the Unit Value of any remaining fractional Unit. If a Participant elects to receive installments, Dividend Equivalents will be credited to such Participant's Account in accordance with Section 5 until the full amount of the Participant's Account has been distributed. Each installment payment shall include shares of Common Stock equal to the largest number of whole Units determined by dividing the Participant's total Account balance as of such payment date by the number of payments remaining in the installment period, and the last such installment shall also include cash in an amount equal to the Unit Value of any remaining fractional Unit. In the event a Participant who has elected a distribution event based on his or her 65th or 72nd birthday continues to serve as a Director after the date such distributions commence, then in the year prior to the year in which such distributions commence such Director shall file a new Benefit Distribution Election Form governing any amounts credited to his or her Deferral Account after the date such distributions commence. If the Director does not file such new Benefit Distribution Election Form, then the Director shall be deemed to have elected to receive a lump sum distribution of any such amounts upon the Director's separation from service.

(b) Except as permitted under Section 6.01(c) or 6.01(d), each Director must submit a Benefit Distribution Election Form not later than 30 days after the date on which such Director first becomes eligible to participate in the Plan (provided that a Director who participated in the Plan prior to January 1, 2009 and had not commenced distributions must have submitted such form not later than December 31, 2008). If a Director does not submit a Benefit Distribution Election Form during this period, then such Director shall be deemed to have elected to receive his or her Account balance in the form of a lump sum payable upon the Director's Separation from Service.

(c) Notwithstanding Sections 6.01(a) and 6.01(b), each Participant who had not commenced and was not scheduled to commence the receipt of distributions under the Plan on or before December 31, 2007 was permitted to submit a Benefit Distribution Election Form on or before June 30, 2007 which provided for the payment of such Participant's Account (i) at any of the times and in any of the forms permitted under Section 6.01(a) of the Plan or (ii) in a lump sum payment in the first quarter of 2008; provided that such election did not cause any payment to be made in 2007 and did not apply to any payment that otherwise would be paid in 2007. If a Participant elected to receive a lump sum payment of his or her Account in the first quarter of 2008, such payment was paid in cash, shares of Common Stock, or any combination thereof, at the election of the Participant, provided that such Participant was permitted to elect to receive such payment in cash only to the extent the Participant had otherwise satisfied his or her share ownership requirements under the Company's share ownership policy. The special election right set forth in this Section was intended to comply with the transition rule set forth in IRS Notice 2005-1, Q&A-19(c), and extended in the preamble to regulations proposed under Section 409A of the Code and IRS Notice 2006-79, which permits participants in deferred compensation plans to change the date on which deferred compensation is payable.

(d) A Participant may elect to change the time and/or method of his or her distributions payable under the Plan in accordance with procedures prescribed by the Committee; provided that, in accordance with Section 409A of the Code, any such change in a distribution election (i) shall not be effective until 12 months after it is submitted to the Committee, (ii) must be submitted to the Committee at least 12 months prior to the date on which such distributions were previously scheduled to commence and (iii) must provide for distributions to commence at least five years after the date on which such distributions were previously scheduled to commence.

6.02 Death. If a Participant dies before any Units credited to his or her Account have been redeemed in accordance with Section 6.01, whether death occurs before or after a Separation from Service, the Company shall redeem all of the Units credited to the Participant's Account as of the date of his or her death and distribute to the Participant's Beneficiary as soon as practicable, in a single distribution, shares of Common Stock equal to the number of whole Units credited to the Participant's Account as of the date of his or her death and cash in an amount equal to the Unit Value of any remaining fractional Unit.

6.03 Common Stock for Redemption of Units. Shares distributed to redeem Units may be authorized but unissued shares of Common Stock or reacquired shares of Common Stock, including treasury shares and shares purchased by the Company on the open market for purposes of the Plan.

7. **Miscellaneous**.

7.01 Transferability. No Unit awarded under this Plan may be transferred, assigned, pledged or encumbered by the Participant, and a Unit may be redeemed during the lifetime of a Participant only from such Participant.

7.02 No Rights as Shareholder. No Participant shall have any rights as a shareholder of the Company, including the right to any cash dividends, or the right to vote, as a result of the grant to the Participant, or the Participant's holding of, any Units.

7.03 Adjustment Upon Acquisitions, Dispositions or other Events not in the Ordinary Course of Business. Notwithstanding anything herein to the contrary, if the Company's financial performance is affected by any event that is of a non-recurring nature, including an acquisition or disposition of the assets or stock of a business, the Board, in its sole discretion, may make such adjustments in the number of Units or the Unit Value of each Unit for the then current Plan Year as it shall determine to be equitable and appropriate in order to make the value of each Unit, as nearly as may be practicable, equivalent to the value of the Unit immediately prior to such event.

7.04 No Rights to Service. Nothing in this Plan, and no action taken pursuant hereto, shall affect the Participant's term of service as a Director.

7.05 Notices. Any notice hereunder to be given to the Company shall be in writing and shall be delivered in person to the Secretary of the Company, or shall be sent by registered mail, return receipt requested, to the Secretary of the Company at the Company's executive offices, and any notice hereunder to be given to the Participant shall be in writing and shall be delivered in person to the Participant, or shall be sent by registered mail, return receipt requested, to the Participant at his last address as shown in the employment records of the Company. Any notice duly mailed in accordance with the preceding sentence shall be deemed given on the date postmarked.

7.06 Termination and Amendment of the Plan/Modification of Units. The Plan may be altered, amended, suspended, or terminated at any time by the Board, provided that, except as otherwise provided herein or as permitted under Section 409A of the Code, no such action shall result in the distribution of amounts credited to the Accounts of any Participant at any time other than as provided in the Plan or as permitted under Section 409A of the Code, nor shall such action reduce the Units credited to any Participant's Account. To the extent permitted under Section 409A of the Code, the Board may, in its discretion, terminate the Plan and accelerate the payment of all Accounts:

(a) within 12 months of a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the payments with respect to each such Account are included in the Director's gross income in the later of (i) the calendar year in which the Plan termination occurs or (ii) the first calendar year in which the payments are administratively practicable;

(b) in connection with a "change in control event," as defined in, and to the extent permitted under, Treasury regulations promulgated under Section 409A of the Code; or

(c) upon any other termination event permitted under Section 409A of the Code.

7.07 Incompetents. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Committee may determine. Any such payment shall be a complete discharge of the liabilities of the Company under this Plan.

7.08 Compliance with Section 409A of the Code. The Plan is intended to comply with the provisions of Section 409A of the Code and shall be interpreted and construed accordingly. The Company shall have the discretion and authority to amend the Plan at any time to satisfy any requirements of Section 409A of the Code or guidance provided by the U.S. Treasury Department to the extent applicable to the Plan.

7.09 Binding Effect. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participant and his heirs, executors, administrators and legal representatives.

7.10 Governing Law. This Plan shall be construed in accordance with, and governed by, the law of the Commonwealth of Pennsylvania to the extent not preempted by applicable federal law.

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**EXELON CORPORATION**
**FORM OF RESTRICTED STOCK AWARD AGREEMENT**

Exelon Corporation, a Pennsylvania corporation (the "**Company**"), hereby grants [NAME], (the "**Holder**") as of [DATE], (the "**Grant Date**"), pursuant to the provisions of the Exelon Corporation 2011 Long-Term Incentive Plan, as amended and restated effective December 18, 2014, as amended (the "**Plan**"), a restricted stock award (the "**Award**") of [WRITTEN NUMBER] ([NUMERICAL NUMBER]) restricted shares of the Company's common stock, without par value ("**Common Stock**"), upon and subject to the terms and conditions set forth below. Capitalized terms not defined herein shall have the meanings specified in the Plan.

**1. Award Subject to Acceptance of Agreement**. The Award shall be subject to all the terms of this Agreement and the Plan.

**2. Rights as a Stockholder**. The Holder shall have the right to vote the shares of Common Stock subject to the Award and to receive dividends and other distributions thereon unless and until such shares are forfeited pursuant to Section 3.2 hereof; provided, however, that a dividend or distribution with respect to shares (including, without limitation, a stock dividend or stock split), other than a regular cash dividend, shall be delivered to the Company (and the Holder shall, if requested by the Company, execute and return one or more irrevocable stock powers related thereto) and shall be subject to the same restrictions as the shares of Common Stock with respect to which such dividend or distribution was made.

**3. Restriction Period -- Vesting Dates and Vesting**.

3.1. Vesting Dates. Subject to Section 3.2 below, all of the shares of Common Stock subject to the Award shall vest and the restrictions thereon shall lapse on the [FIFTH] anniversary of the Grant Date.

3.2. Forfeiture/Accelerated Vesting of Non-Vested Shares.

(a) If Holder terminates his or her employment with the Company or any successor thereto for any reason prior to the [FIFTH] anniversary of the Grant Date, all non-vested shares of Common Stock subject to the Award will be forfeited.

(b) If Holder's employment with the Company or any successor thereto terminates prior to the [FIFTH] anniversary of the Grant Date on account of Holder's death or disability, the Award will become fully vested as of the date of such termination of employment.

(c) If the Company or any successor thereto terminates Holder's employment prior to the [FIFTH] anniversary of the Grant date for any reason other than Cause or poor performance as determined by the Company in accordance with applicable personnel policy, the Award will become fully vested as of the date of such termination of employment.

**4. Termination of Award**. In the event that the Holder shall forfeit any shares of Common Stock subject to the Award pursuant to Section 3.2, this Award shall immediately terminate. The Holder shall, upon the Company's request, promptly return this Agreement to the Company for cancellation. Such cancellation shall, however, be effective regardless of whether the Holder returns this Agreement.

**5. Additional Terms and Conditions of Award**.

5.1. Nontransferability of Award. This Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate or encumber, or otherwise dispose of this Award or any shares of Common Stock subject hereto that have not vested and been issued pursuant to Section 5.5, this Award and any obligation of the Company with respect to the shares subject hereto shall immediately become null and void.

5.2. Withholding Taxes.

(a) As a condition precedent to the delivery to the Holder of any shares of Common Stock subject to the Award, the Holder shall, upon request by the Company, pay to the Company (or shall cause a broker-dealer on behalf of the Holder to pay to the Company) such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "**Required Tax Payments**") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company pursuant to Section 5.2(a), (2) delivery to the Company of previously owned whole shares of Common Stock (which the Holder has held for at least six months prior to the delivery of such shares or which the Holder purchased on the open market and for which the Holder has good title, free and clear of all liens and encumbrances) having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the "**Tax Date**"), equal to the Required Tax Payments, (3) authorizing the Company to withhold from the shares of Common Stock otherwise to be delivered to the Holder pursuant to the Award a number of whole shares of Common Stock having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) a cash payment by a broker-dealer acceptable to the Company through whom the Holder has sold the shares with respect to which the Required Tax Payments have arisen or (5) any combination of (1), (2) and (3). The Committee shall have sole discretion to disapprove of an election pursuant to any of clauses (2)-(5). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full.

5.3. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities subject to the Award shall be adjusted as determined by the Committee. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5.4. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of shares hereunder, the shares of Common Stock subject to the Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

5.5. Delivery of Shares. Subject to Section 5.2, as soon as practicable after the shares of Common Stock subject to the Award become vested, the Company shall make one or more book entries issued in the Holder's name representing the number of vested shares. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 5.2.

5.6. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder give or be deemed to give the Holder any right to continued employment by the Company or any affiliate of the Company.

5.7. Decisions of Committee. The Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

5.8. Investment Representation. The Holder hereby represents and covenants that (a) any share of Common Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of acquisition of any shares hereunder or (y) is true and correct as of the date of any sale of any such shares, as applicable.

5.9. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith.

**6. Miscellaneous Provisions**.

6.1. Meaning of Certain Terms. As used herein, the following terms shall have the respective meanings set forth below:

"Fair Market Value" means the closing transaction price of a share of Common Stock, as reported on the national securities exchange or quotation service through which the Common Stock is listed or traded on the date in question or, if there shall be no reported transaction for such date, on the next preceding date for which a transaction was reported.

As used herein, "employment by the Company" shall include employment by any successor to the Company or by a corporation which is a "subsidiary corporation" of the Company, as such term is defined in section 424 of the Code. References in this Agreement to sections of the "Code" shall be deemed to refer to any successor section of the Code or any successor internal revenue law.

6.2. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.3. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Exelon Corporation, 10 South Dearborn Street, Chicago, Illinois 60603, Attention: Corporate Secretary, and if to the Holder, at his or her then current work location. All notices, requests or other communications provided for in this Agreement shall be made in writing (a) by personal delivery to the party entitled thereto, (b) by facsimile transmission with confirmation of receipt, (c) by mailing in the United States mails to the last known address of the party entitled thereto or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile transmission, or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.4. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the Commonwealth of Pennsylvania and construed in accordance therewith without giving effect to conflicts of laws principles.

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EXELON CORPORATION

By: ______________________

Title: Senior Vice President, General Counsel,
& Corporate Secretary

**EXELON CORPORATION**
**EMPLOYEE STOCK PURCHASE PLAN**

(As Amended and Restated Effective September 25, 2019)

**1. Establishment and Purpose**. The Exelon Corporation Employee Stock Purchase Plan (the "**Plan**") established by Exelon Corporation, a Pennsylvania corporation (the "**Company**"), is effective as of September 25, 2019, (the "**Effective Date**") and is an amendment and restatement of the Plan as in effect May 1, 2004, as thereafter amended. The Plan provides employees of the Company and its Subsidiary Companies (as defined below) added incentive to remain employed by such companies and to encourage increased efforts to promote the best interests of such companies by permitting eligible employees to purchase shares of common stock, no par value, of the Company ("**Common Stock**") at below-market prices. The Plan is intended to qualify as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986, as amended (the "**Code**"). For purposes of the Plan, the term "**Subsidiary Companies**" shall mean all corporations which are subsidiary corporations (within the meaning of section 424(f) of the Code) and of which the Company is the common parent. The Company and its Subsidiary Companies that, from time to time, have been designated by the Plan Administrator as eligible to participate in the Plan with respect to their employees are hereinafter referred to collectively as the "**Participating Companies**."

**2. Eligibility.**

(a) Eligible Employee. Participation in the Plan shall be limited to each employee of the Participating Companies who satisfies all of the following conditions (an "**Eligible Employee**") as of the first day of the relevant Purchase Period (as defined in Section 3): (i) such employee's customary employment is for 20 or more hours per week; and (ii) such employee has been continuously employed by the Participating Companies for at least three consecutive calendar months.

Notwithstanding the foregoing, an individual rendering services to a Participating Company pursuant to either of the following agreements shall not be considered an Eligible Employee with respect to any period preceding the date on which a court or administrative agency issues a final determination that such individual is an employee: (1) an agreement providing that such services are to be rendered as an independent contractor or (2) an agreement with an entity, including a leasing organization within the meaning of section 414(n)(2) of the Code, that is not a Participating Company. For purposes of this Plan and in accordance with section 423 of the Code and the regulations thereunder, an individual's employment relationship shall be treated as continuing while the individual is on military or sick leave or other bona fide leave of absence approved by the applicable Participating Company so long as the leave does not exceed three months or, if longer than three months, the individual's right to reemployment is provided by statute or has been agreed to by contract or in a written policy of the Participating Company which provides for a right of reemployment following the leave of absence.

(b) Limitations. Notwithstanding anything contained in the Plan to the contrary, no Eligible Employee shall acquire a right to purchase Common Stock hereunder to the extent that (i) immediately after receiving such right, such employee would own 5% or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary Company (including any stock attributable to such employee under section 424(d) of the Code), or (ii) such right would permit such employee's aggregate rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiary Companies to accrue at a rate which exceeds $25,000 of fair market value of such stock (determined as of the first day of the applicable Purchase Period) for each calendar year in which such right is outstanding at any time. In addition, the number of shares of Common Stock which may be purchased by any Eligible Employee during any Purchase Period shall not exceed 250 (subject to adjustment pursuant to Section 15), or such other number as may be determined by the Plan Administrator (as defined in Section 12) and set forth in a written Appendix to the Plan.

**3. Offerings and Purchase Periods**. The Plan shall be implemented through consecutive offerings. Each offering shall be in such form and shall contain such terms and conditions as the Plan Administrator shall deem appropriate. The terms of separate offerings need not be identical; provided, however, that each offering shall comply with the provisions of the Plan, and the participants in each offering shall have equal rights and privileges under that offering in accordance with the requirements of section 423(b)(5) of the Code and the applicable Treasury Regulations thereunder. Each offering shall be implemented through and coincide with a "**Purchase Period**," which shall consist of the three consecutive month period beginning on each January 1, April 1, July 1 and October 1 commencing on or after the effective date of the Plan and prior to its termination.

**4. Participation**.

(a) Enrollment. Each Eligible Employee shall be entitled to enroll in the Plan as of any Purchase Period which begins on or after such employee has become an Eligible Employee. To enroll in the Plan, an Eligible Employee shall make a request to the Company or its designated agent at the time and in the manner specified by the Plan Administrator (as defined in Section 12), specifying the amount of payroll deduction to be applied to the compensation paid to the employee by the employee's employer while the employee is a participant in the Plan. The amount of each payroll deduction specified in such request for each such payroll period shall be a whole percentage amount or, to the extent permitted by the Plan Administrator, a fixed dollar amount, in any case not to exceed 10%, or such lesser percentage as may be determined by the Plan Administrator, of the participant's regular base salary or wages (after applicable withholdings and deductions) paid to him or her during the Purchase Period by any of the Participating Companies. Subject to compliance with applicable rules prescribed by the Plan Administrator, the request shall become effective as of the Purchase Period following the day the Company or its designated agent receives such request. Prior to the beginning of any Purchase Period, the Plan Administrator may, in its sole discretion, make modifications to the compensation that is subject to each participant's payroll deduction election for such Purchase Period, as the Plan Administrator deems to be appropriate. Payroll deductions shall be made for each participant in accordance with such participant's request until such participant's participation in the Plan terminates, such participant's request is revised, or the Plan is suspended or terminated, all as hereinafter provided.

(b) Changes to Rate of Payroll Deduction. A participant may change the amount of his or her payroll deduction under the Plan effective as of any subsequent Purchase Period by so directing the Company or its designated agent at the time and in the manner specified by the Plan Administrator. A participant may not change the amount of his or her payroll deduction effective as of any time other than the beginning of a Purchase Period, except that a participant may elect to suspend his or her payroll deduction under the Plan as provided in Section 7.

(c) Purchase Accounts. Payroll deductions for each participant shall be credited to a purchase account established on behalf of the participant on the books of the participant's employer or such employer's designated agent (a "**Purchase Account**"). At the end of each Purchase Period, the amount in each participant's Purchase Account will be applied to the purchase of the number of whole and fractional shares of Common Stock determined by dividing such amount by the Purchase Price (as defined in Section 5) for such Purchase Period. No interest shall accrue at any time for any amount credited to a Purchase Account of a participant (except as required by local law as determined by the Plan Administrator).

**5. Purchase Price**. The purchase price (the "**Purchase Price**") per share of Common Stock hereunder for any Purchase Period shall be 90% of the lesser of (i) the closing price of a share of Common Stock on the national securities exchange or quotation service through which the Common Stock is listed or traded on the first day of such Purchase Period on which such exchange is open for trading or (ii) the closing price of a share of Common Stock on such exchange on the last day of such Purchase Period on which such exchange is open for trading. If such amount results in a fraction of one cent, the Purchase Price shall be increased to the next higher full cent.

**6.** **Issuance of Stock**. The Common Stock purchased by each participant shall be issued in book entry form and shall be considered to be issued and outstanding to such participant's credit as of the end of the last day of each Purchase Period. The Plan Administrator may permit or require that shares be deposited directly with one or more brokers designated by the Plan Administrator or to one or more designated agents of the Company, and the Plan Administrator may use electronic or automated methods of share transfer. The Plan Administrator may require that shares be retained with such brokers or agents for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares, and may also impose a transaction fee with respect to a sale of shares of Common Stock issued to a participant's credit and held by such a broker or agent. The Plan Administrator may permit shares purchased under the Plan to participate in a dividend reinvestment plan or program maintained by the Company and establish a default method for the payment of dividends.

After the close of each Purchase Period, information will be made available to each participant regarding the entries made to such participant's Purchase Account, the number of shares of Common Stock purchased and the applicable Purchase Price. In the event that the maximum number of shares of Common Stock are purchased by the participant for the Purchase Period and cash remains credited to the participant's Purchase Account, such cash shall be refunded to such participant. For purposes of the preceding sentence, the maximum number of shares of Common Stock that may be purchased by a participant for a Purchase Period shall be determined under Section 2.

**7.** **Suspension of Payroll Deduction or Termination of Participation.**

(a) Suspension of Payroll Deduction. A participant may elect at any time and in the manner specified by the Plan Administrator (as defined in Section 12) to suspend his or her payroll deduction under the Plan, provided such election is received by the Company or its designated agent prior to the date specified by the Plan Administrator for suspension of payroll deduction with respect to a Purchase Period. If the election is not received by such date, such suspension of payroll deduction shall be effective as of the next succeeding Purchase Period. Upon a participant's suspension of payroll deduction, any cash credited to such participant's Purchase Account shall be refunded to such participant. A participant who suspends payroll deduction under the Plan shall be permitted to resume payroll deduction as of any Purchase Period following the Purchase Period in which such suspension was effective, by making a new request at the time and in the manner specified by the Plan Administrator.

(b) Termination of Participation. If the participant dies, terminates employment with the Participating Companies for any reason, or otherwise ceases to be an Eligible Employee, such participant's participation in the Plan shall terminate as soon as administratively practicable after the date of such event. Upon the termination of such participation, the cash credited to such participant's Purchase Account on the date of such termination shall be refunded to such participant or his or her legal representative, as the case may be.

**8.** **Termination, Suspension or Amendment of the Plan**.

(a) Termination. The Company, by action of the Board of Directors of the Company (the "**Board**") or the Plan Administrator (as defined in Section 12), may terminate the Plan at any time, in which case notice of such termination shall be given to all participants, but any failure to give such notice shall not impair the effectiveness of the termination. Without any action being required, the Plan shall terminate in any event when the maximum number of shares of Common Stock to be sold under the Plan (as provided in Section 13) has been purchased. Such termination shall not impair any rights which under the Plan shall have vested on or prior to the date of such termination. If at any time the number of shares of Common Stock remaining available for purchase under the Plan are not sufficient to satisfy all then-outstanding purchase rights, the Board or Plan Administrator may determine an equitable basis of apportioning available shares of Common Stock among all participants. Except as otherwise provided in Section 15, the cash, if any, credited to each participant's Purchase Account shall be distributed to such participant as soon as practicable after the Plan terminates.

(b) Suspension or Amendment. The Board or the Plan Administrator may suspend payroll deductions under the Plan or amend the Plan from time to time in any respect for any reason. Except as permitted under the terms of the Plan or as is necessary to comply with applicable laws or regulations, no such amendment may materially adversely affect any purchase rights outstanding under the Plan without the consent of the affected participant. To the extent necessary to comply with section 423 of the Code or any other applicable law or regulation, a Plan amendment shall be conditioned on the approval of such amendment by the shareholders of the Company in such a manner and to such a degree as is required under section 423 of the Code. If payroll deductions under the Plan are suspended pursuant to this Section, such payroll deductions shall resume as of the first Purchase Period commencing with or immediately following the date on which such suspension ends, in accordance with the participants' payroll deduction elections then in effect. Subject to the requirements of section 423 of the Code, without shareholder approval and without regard to whether any participant rights may be considered to have been "adversely affected," the Board or the Plan Administrator shall in its sole discretion be entitled to change the Purchase Periods, change the maximum number of shares of Common Stock purchasable per participant in any Purchase Period, limit the frequency and/or number of changes in payroll deductions during a Purchase Period, establish or change the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with the participant's payroll deductions, and establish such other limitations or procedures as the Board or Plan Administrator determines in its sole discretion advisable which are consistent with the Plan.

**9. Non-Transferability**. Neither the payroll deductions credited to a participant's account nor any rights with regard to the purchase of shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 10) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

**10. Death of Participant**. To the extent permitted by the Plan Administrator in its sole discretion, a participant may file a written designation of a beneficiary who shall receive, in the event of the participant's death, (i) the shares, if any, purchased by the participant and held in an account for such participant's benefit and/or (ii) any cash credited to such participant's Purchase Account. Such beneficiary designation may be changed by the participant at any time by written notice given to the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, or to the extent the Plan Administrator does not permit participants to designate beneficiaries under the Plan, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant or otherwise in accordance with the applicable laws of descent and distribution.

**11. Shareholder's Rights**. No Eligible Employee or participant shall by reason of the Plan have any rights of a shareholder of the Company until he or she shall acquire a share of Common Stock as herein provided.

**12. Administration of the Plan**. The Plan shall be administered by the Corporate Secretary of the Company (the "**Plan Administrator**"). In addition to the powers and authority specifically granted to the Plan Administrator pursuant to any other provision of the Plan, the Plan Administrator shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (ii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (iii) designate which Subsidiary Companies shall participate in the Plan; (iv) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for administration of the Plan. Decisions of the Plan Administrator shall be final, conclusive and binding upon all persons having an interest in the Plan. The Plan shall be administered so as to ensure that all participants have the same rights and privileges as are provided by section 423(b)(5) of the Code.

**13. Maximum Number of Shares**. The maximum number of shares of Common Stock which may be purchased under the Plan is 25,000,000, subject to adjustment as set forth below. Shares of Common Stock sold hereunder may be treasury shares, authorized and unissued shares, shares purchased for participants in the open market (on an exchange or in negotiated transactions) or any combination thereof.

**14. Miscellaneous**. Except as otherwise expressly provided herein, (i) any request, election or notice under the Plan from an Eligible Employee or participant shall be transmitted or delivered to the Company or its designated agent and, subject to any limitations specified in the Plan, shall be effective when so delivered and (ii) any request, notice or other communication from the Company or its designated agent that is transmitted or delivered to Eligible Employees or participants shall be effective when so transmitted or delivered. The Plan, and the Company's obligation to sell and deliver shares of Common Stock hereunder, shall be subject to all applicable federal and state laws, rules and regulations, and to such approval by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required.

**15. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.**

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the aggregate number and class of shares of Common Stock available for purchase under the Plan, the number and class of shares and the price per share of Common Stock covered by each outstanding right under the Plan and the maximum number and class of shares of Common Stock that may be purchased by a participant in any Purchase Period, shall be equitably adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Plan Administrator, in its sole discretion, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to a purchase right. The Plan Administrator may, if it so determines in the exercise of its sole discretion, make provision for adjusting the aggregate number and class of shares of Common Stock available for purchase under the Plan, the number and class of shares and the price per share of Common Stock covered by each outstanding right under the Plan and the maximum number and class of shares that may be purchased by a participant in any Purchase Period, in the event the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock.

(b) Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, the Purchase Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Plan Administrator in its sole discretion.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each purchase right under the Plan shall be assumed or an equivalent purchase right shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Plan Administrator determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to either (i) shorten the Purchase Period then in progress or (ii) terminate the Plan and distribute the amounts credited to each participant's Purchase Account. If the Plan Administrator shortens the Purchase Period then in progress, the Plan Administrator shall notify each participant in writing, at least 10 days prior to end of the shortened Purchase Period, that the Purchase Period has been shortened, and that shares will be purchased at the end of such Purchase Period unless prior to such date the participant suspends his or her payroll deductions in accordance with Section 7.

**16.** **Rules for Non-United States Jurisdictions**. The Plan Administrator may establish rules or procedures relating to the operation and administration of the Plan to accommodate specific requirements of applicable local laws and procedures, including, without limitation, rules and procedures governing payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements. The Plan Administrator may also adopt sub-plans applicable to particular Participating Companies or locations, which sub-plans may be designed to be separate offerings outside the scope of section 423 of the Code. The rules of such sub-plans may take precedence over the provisions of this Plan, with the exception of Section 4, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

**17.** **No Enlargement of Employee Rights**. Nothing contained in this Plan shall be deemed to give any Eligible Employee the right to continued employment with the Company or any Subsidiary Company or to interfere with the right of the Company or any Subsidiary Company to discharge any Eligible Employee at any time.

**18.** **Governing Law**. This Plan, any related agreements (such as an enrollment form), and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the law of the United States, shall be governed by the laws of the Commonwealth of Pennsylvania and construed in accordance therewith without giving effect to principles of conflicts of law.

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**EXELON CORPORATION**
**EMPLOYEE STOCK PURCHASE PLAN**
**FOR**
**UNINCORPORATED SUBSIDIARIES**

(As Amended and Restated Effective September 25, 2019)

**1. Establishment and Purpose**. The Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries (the “**Plan**”) established by Exelon Corporation, a Pennsylvania corporation (the “**Company**”), is effective as of September 25, 2019 (the “**Effective Date**”) and is an amendment and restatement of the plan as in effect October 1, 2005, as thereafter amended. The Plan provides employees of Subsidiary Companies (as defined below) added incentive to remain employed by such companies and to encourage increased efforts to promote the best interests of such companies by permitting eligible employees to purchase shares of common stock, no par value, of the Company (“**Common Stock**”) at below-market prices. For purposes of the Plan, the term “**Subsidiary Companies**” shall mean all subsidiaries of the Company which are not subsidiary corporations (within the meaning of Section 424(f) of the Code) and of which the Company is the common parent. The Subsidiary Companies that, from time to time, have been designated by the Plan Administrator as eligible to participate in the Plan with respect to their employees are hereinafter referred to collectively as the “**Participating Companies**.”

**2. Eligibility**.

(a) Eligible Employee**.** Participation in the Plan shall be limited to each employee of a Participating Company who satisfies all of the following conditions (an “**Eligible Employee**”) as of the first day of the relevant Purchase Period (as defined in Section 3): (i) such employee's customary employment is for 20 or more hours per week; and (ii) such employee has been continuously employed by the Participating Companies for at least 3 consecutive calendar months.

Notwithstanding the foregoing, an individual rendering services to a Participating Company pursuant to either of the following agreements shall not be considered an Eligible Employee with respect to any period preceding the date on which a court or administrative agency issues a final determination that such individual is an employee: (1) an agreement providing that such services are to be rendered as an independent contractor or (2) an agreement with an entity, including a leasing organization within the meaning of section 414(n)(2) of the Code, that is not a Participating Company.

(b) Limitations. Notwithstanding anything contained in the Plan to the contrary, no Eligible Employee shall acquire a right to purchase Common Stock hereunder to the extent that (i) immediately after receiving such right, such employee would own 5% or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary Company (including any stock attributable to such employee under section 424(d) of the Code), or (ii) for any calendar year such right would permit such employee's aggregate rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiary Companies exercisable during such calendar year to accrue at a rate which exceeds $25,000 of fair market value of such stock for such calendar year. In addition, the number of shares of Common Stock which may be purchased by any Eligible Employee during any Purchase Period shall not exceed 155 (subject to adjustment pursuant to Section 12), or such other number as may be determined by the Plan Administrator (as defined in Section 11) and set forth in a written Appendix to the Plan.

**3. Purchase Periods**. A “**Purchase Period**” shall consist of the three consecutive month period beginning on each January 1, April 1, July 1 and October 1 commencing on or after the effective date of the Plan and prior to its termination.

**4. Participation**.

(a) Enrollment. Each Eligible Employee shall be entitled to enroll in the Plan as of any Purchase Period which begins on or after such employee has become an Eligible Employee. To enroll in the Plan, an Eligible Employee shall make a request to the Company or its designated agent at the time and in the manner specified by the Plan Administrator (as defined in Section 11), specifying the amount of payroll deduction to be applied to the compensation paid to the employee by the employee's employer while the employee is a participant in the Plan. The amount of each payroll deduction specified in such request for each such payroll period shall be a whole percentage amount, unless otherwise determined by the Plan Administrator, not to exceed 10%, or such lesser percentage as may be determined by the Plan Administrator, of the participant's regular base salary or wages (after applicable withholdings and deductions) paid to him or her during the Purchase Period by any of the Participating Companies. Subject to compliance with applicable rules prescribed by the Plan Administrator, the request shall become effective as of the Purchase Period following the day the Company or its designated agent receives such request. Payroll deductions shall be made for each participant in accordance with such participant's request until such participant's participation in the Plan terminates, such participant's request is revised or the Plan is suspended or terminated, all as hereinafter provided.

(b) Changes to Rate of Payroll Deduction. A participant may change the amount of his or her payroll deduction under the Plan effective as of any subsequent Purchase Period by so directing the Company or its designated agent at the time and in the manner specified by the Plan Administrator. A participant may not change the amount of his or her payroll deduction effective as of any time other than the beginning of a Purchase Period, except that a participant may elect to suspend his or her payroll deduction under the Plan as provided in Section 7.

(c) Purchase Accounts. Payroll deductions for each participant shall be credited to a purchase account established on behalf of the participant on the books of the participant's employer or such employer's designated agent (a "**Purchase Account**"). At the end of each Purchase Period, the amount in each participant's Purchase Account will be applied to the purchase of the number of whole and fractional shares of Common Stock determined by dividing such amount by the Purchase Price (as defined in Section 5) for such Purchase Period. No interest shall accrue at any time for any amount credited to a Purchase Account of a participant (except as required by local law as determined by the Plan Administrator).

**5. Purchase Price**. The purchase price (the "**Purchase Price**") per share of Common Stock hereunder for any Purchase Period shall be 90% (or such higher percentage designated by the Administrator consistent with the price under the Company's tax-qualified employee stock purchase plan) of the lesser of (i) the closing price of a share of Common Stock on the national securities exchange or quotation service through which the Common Stock is listed or traded on the first day of such Purchase Period on which such exchange is open for trading or (ii) the closing price of a share of Common Stock on such exchange on the last day of such Purchase Period on which such exchange is open for trading. If such sum results in a fraction of one cent, the Purchase Price shall be increased to the next higher full cent.

**6. Issuance of Stock**. The Common Stock purchased by each participant shall be issued in book entry form and shall be considered to be issued and outstanding to such participant's credit as of the end of the last day of each Purchase Period. A participant will be issued a certificate for his or her whole number of shares of Common Stock which have been held in book entry form for at least two years following the first day of the Purchase Period in which such shares were purchased, upon request of such participant or his or her legal representative or, if so directed by the Plan Administrator (as defined in Section 11), upon the termination of the Plan. In such event, the cash equivalent of any fractional shares shall also be distributed to such participant. Such cash equivalent shall be determined by multiplying the fractional share by the fair market value of a share of Common Stock (determined as provided in Section 5) on the last day of the Purchase Period immediately preceding such issuance.

The Plan Administrator may permit or require that shares be deposited directly with a broker designated by the Plan Administrator or to a designated agent of the Company, and the Plan Administrator may use electronic or automated methods of share transfer. The Plan Administrator may require that shares be retained with such broker or agent for a designated period of time and may also impose a transaction fee with respect to a sale of shares of Common Stock issued to a participant's credit and held by such a broker or agent. The Plan Administrator may permit shares purchased under the Plan to participate in a dividend reinvestment plan or program maintained by the Company and establish a default method for the payment of dividends.

After the close of each Purchase Period, information will be made available to each participant regarding the entries made to such participant's Purchase Account, the number of shares of Common Stock purchased and the applicable Purchase Price. In the event that the maximum number of shares of Common Stock are purchased by the participant for the Purchase Period and cash remains credited to the participant's Purchase Account, such cash shall be refunded to such participant. For purposes of the preceding sentence, the maximum number of shares of Common Stock that may be purchased by a participant for a Purchase Period shall be determined under Section 2.

**7. Suspension of Payroll Deduction or Termination of Participation**.

(a) Suspension of Payroll Deduction. A participant may elect at any time and in the manner specified by the Plan Administrator (as defined in Section 11) to suspend his or her payroll deduction under the Plan, provided such election is received by the Company or its designated agent prior to the date specified by the Plan Administrator for suspension of payroll deduction with respect to a Purchase Period. If the election is not received by such date, such suspension of payroll deduction shall be effective as of the next succeeding Purchase Period. Upon a participant's suspension of payroll deduction, any cash credited to such participant's Purchase Account shall be refunded to such participant. A participant who suspends payroll deduction under the Plan shall be permitted to resume payroll deduction as of any Purchase Period following the Purchase Period in which such suspension was effective, by making a new request at the time and in the manner specified by the Plan Administrator.

(b) Termination of Participation. If the participant dies, terminates employment with the Participating Companies for any reason, or otherwise ceases to be an Eligible Employee, such participant's participation in the Plan shall immediately terminate. Upon such terminating event, the cash credited to such participant's Purchase Account on the date of such termination shall be refunded to such participant or his or her legal representative, as the case may be.

**8. Termination, Suspension or Amendment of the Plan**.

(a) Termination. The Company, by action of the Board of Directors of the Company (the “Board”) or the Plan Administrator (as defined in Section 11), may terminate the Plan at any time, in which case notice of such termination shall be given to all participants, but any failure to give such notice shall not impair the effectiveness of the termination. Without any action being required, the Plan shall terminate in any event when the maximum number of shares of Common Stock to be sold under the Plan (as provided in Section 12) has been purchased. Such termination shall not impair any rights which under the Plan shall have vested on or prior to the date of such termination. If at any time the number of shares of Common Stock remaining available for purchase under the Plan are not sufficient to satisfy all then-outstanding purchase rights, the Board or Plan Administrator may determine an equitable basis of apportioning available shares of Common Stock among all participants. At any time following the termination of the Plan, the Plan Administrator may direct that one or more certificates for the number of whole shares of Common Stock held for each participant's benefit and the cash equivalent of any fractional share so held shall be delivered to such participant. Such cash equivalent shall be determined by multiplying the fractional share by the fair market value of a share of Common Stock (determined as provided in Section 5) on the last day of the Purchase Period immediately preceding such termination. Except as otherwise provided in Section 15, the cash, if any, credited to each participant's Purchase Account shall be distributed to such participant as soon as practicable after the Plan terminates.

(b) Suspension or Amendment. The Board or the Plan Administrator may suspend payroll deductions under the Plan or amend the Plan from time to time in any respect for any reason; provided, however, that no such suspension or amendment shall (a) materially adversely affect any purchase rights outstanding under the Plan during the Purchase

Period in which such amendment or suspension is adopted, (b) increase the maximum number of shares of Common Stock which may be purchased under the Plan or (c) decrease the Purchase Price of a share of Common Stock for any Purchase Period below the lesser of 85% of the fair market value thereof on the first day of such Purchase Period and 85% of such fair market value on the last day of such Purchase Period. If payroll deductions under the Plan are suspended pursuant to this Section, such payroll deductions shall resume as of the first Purchase Period commencing with or immediately following the date on which such suspension ends, in accordance with the participant's payroll deduction elections then in effect.

**9.** **Non-Transferability**. Rights acquired under the Plan are not transferable and may be exercised only by a participant or his or her legal representative, as the case may be.

**10.** **Shareholder's Rights**. No Eligible Employee or participant shall by reason of the Plan have any rights of a shareholder of the Company until he or she shall acquire a share of Common Stock as herein provided.

**11.** **Administration of the Plan**. The Plan shall be administered by the Treasurer of the Company (the "Plan Administrator"). In addition to the powers and authority specifically granted to the Plan Administrator pursuant to any other provision of the Plan, the Plan Administrator shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (ii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (iii) designate which Subsidiary Companies shall participate in the Plan; (iv) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for administration of the Plan. Decisions of the Plan Administrator shall be final, conclusive and binding upon all persons having an interest in the Plan.

**12.** **Maximum Number of Shares**. The maximum number of shares of Common Stock which may be purchased under the Plan is five hundred thousand (500,000) shares, subject to adjustment as set forth below. Shares of Common Stock sold hereunder may be treasury shares, authorized and unissued shares, shares purchased for participants in the open market (on an exchange or in negotiated transactions) or any combination thereof. If the Company shall, at any time after the effective date of the Plan, change its issued Common Stock into an increased number of shares, with or without par value, through a stock dividend or a stock split, or into a decreased number of shares, with or without par value, through a combination of shares, then, effective with the record date for such change, the maximum number of shares of Common Stock which thereafter may be purchased under the Plan and the maximum number of shares which thereafter may be purchased during any Purchase Period shall be the maximum number of shares which, immediately prior to such record date, remained available for purchase under the Plan and under any Purchase Period proportionately increased, in case of such stock dividend or stock split, or proportionately decreased in case of such combination of shares. Each share issued under the Plan shall reduce, by one share, the number of shares authorized to be issued under the Exelon Corporation Employee Stock Purchase Plan (as amended and restated effective September 25, 2019).

**13.** **Tax Withholding**. A Participating Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock, payment by the participant of any Federal, state, local or other taxes which may be required to be withheld or paid in connection with a purchase hereunder. The Participating Company either shall (i) withhold such taxes from the participant's base salary or other wages or (ii) withhold shares of Common Stock which would otherwise be purchased after the close of a Purchase Period having an aggregate fair market value, determined as of the date the obligation to withhold arises, in the amount necessary to satisfy any such obligation.

**14.** **Miscellaneous**. Except as otherwise expressly provided herein, (i) any request, election or notice under the Plan from an Eligible Employee or participant shall be transmitted or delivered to the Company or its designated agent and, subject to any limitations specified in the Plan, shall be effective when so delivered and (ii) any request, notice or other communication from the Company or its designated agent that is transmitted or delivered to Eligible Employees or participants shall be effective when so transmitted or delivered. The Plan, and the Company's obligation to sell and deliver shares of Common Stock hereunder, shall be subject to all applicable federal and state laws, rules and regulations, and to such approval by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required.

**15.** **Change in Control**. In the event of any Change in Control of the Company, as defined below, the then current Purchase Period shall thereupon end, the Plan Administrator shall direct that the cash credited to all participants' Purchase Accounts shall be applied to purchase shares pursuant to Sections 4, 5 and 6 or refunded to participants, and the Plan shall immediately terminate. For purposes of this Section 15, the term "Change in Control" shall mean any of the following events:

(a) Any person, as such term is used in Rule 13d-5 promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or group, as defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act (each such person or group, an "**SEC Person**"), becomes the beneficial owner, as defined in Rule 13d-3 promulgated under the Exchange Act (a "Beneficial Owner"), of 20% or more of the then outstanding common stock of the Company or of the securities of the Company entitled to vote generally in the election of directors ("**Voting Securities**") representing 20% or more of the combined voting power of all the then outstanding Voting Securities (such an SEC Person, a "**20% Owner**"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (2) any acquisition by the Company, (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (a "**Company Plan**"), or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (2), if any 20% Owner of the Company other than the Company or any Company Plan becomes a 20% Owner by reason of an acquisition by the Company, and such 20% Owner of the Company shall, after such acquisition by the Company, become the beneficial owner of any additional outstanding common shares of the Company or any additional outstanding Voting Securities of the Company (other than pursuant to any dividend reinvestment plan or arrangement maintained by the Company) and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(b) Individuals who, as of the effective date of the Plan, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Incumbent Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation ("**Merger**"), or the sale or other disposition of more than 50% of the operating assets of the Company (determined on a consolidated basis), other than in connection with a sale-leaseback or other arrangement resulting in the continued utilization of such assets (or the operating products of such assets) by the Company (such reorganization, merger, consolidation, sale or other disposition, a "**Corporate Transaction**"); excluding, however, a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be;

(ii) no SEC Person (other than the corporation resulting from such Corporate Transaction, and any person which beneficially owned, immediately prior to such corporate Transaction, directly or indirectly, 20% or more of the outstanding common stock of the Company or the outstanding Voting Securities of the Company, as the case may be) becomes a 20% Owner, directly or indirectly, of the then-outstanding common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation; and

(iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction.

(d) Approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets of the Company by an affiliated company.

**16.** **Rules for Non-United States Jurisdictions**. The Plan Administrator may establish rules or procedures relating to the operation and administration of the Plan to accommodate specific requirements of applicable local laws and procedures, including, without limitation, rules and procedures governing payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements.

**17.** **No Enlargement of Employee Rights**. Nothing contained in this Plan shall be deemed to give any Eligible Employee the right to continued employment with the Company or any Subsidiary Company or to interfere with the right of the Company or any Subsidiary Company to discharge any Eligible Employee at any time.

**18.** **Governing Law**. This Plan, any related agreements (such as an enrollment form), and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the law of the United States, shall be governed by the laws of the Commonwealth of Pennsylvania and construed in accordance therewith without giving effect to principles of conflicts of law.

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# EXELON CORPORATION
# STOCK DEFERRAL PLAN

(As Amended and Restated Effective September 25, 2019)

## ARTICLE I
Amendment and Restatement; Purpose

The Exelon Corporation Stock Deferral Plan (the "**Plan**") was established as the Unicom Corporation Stock Bonus Deferral Plan, and was amended and restated, effective September 30, 1998, and subsequently amended by the First Amendment thereto, also effective September 30, 1998. Effective as of October 20, 2000, sponsorship of the Plan was transferred to Exelon Corporation and, pursuant to the Second Amendment, the Plan was renamed the Exelon Corporation Stock Deferral Plan and amended to reflect the merger of Unicom Corporation with and into Exelon Corporation. Effective January 1, 2005, the Plan is hereby amended and restated as set forth herein for the purpose of (i) complying in good faith with the requirements of section 409A of the Code and (ii) providing for changes to the time and form of benefit payments under the Plan as permitted pursuant to transition rules adopted by the Internal Revenue Service under section 409A of the Code. The rights and benefits of any Participant (as defined below) whose employment terminated prior to January 1, 2005 shall be determined under the terms of the Plan as in effect on the date of such termination of employment.

Exelon Corporation (the "**Company**") maintains the Plan in order to provide to certain key employees of the Company and participating affiliates (collectively, the "**Employers**") the opportunity to defer the receipt of performance share unit awards and such other incentive or other awards as may be permitted by the Plan Administrator (collectively, "**Awards**"), in each case payable in common stock of the Company ("**Exelon Stock**"), granted under the Company's Long Term Incentive Plan (the "**LTIP**").

## ARTICLE II
Eligibility and Participation

2.1 Eligibility and Participation. Each individual who was a Participant in the Plan on December 31, 2004 shall continue to be a Participant on January 1, 2005. Each other employee of an Employer who, on the applicable election date described in Section 3.1, is described below, upon making a deferral election in accordance with the provisions of Article III shall become a participant ("**Participant**") in this Plan on the effective date of such election: (a) an officer of the Company or any affiliate or subsidiary thereof; or (b) an employee in an executive salary band under the Company's compensation system or at the equivalent payroll level under another Employer's compensation system.

2.2 Termination of Participation. Each Participant shall remain a Participant until such individual receives a distribution of the entire balance of his or her Deferred Stock Account hereunder; provided, however, that a Participant who is, as of any applicable election date, no longer described in paragraphs (a) or (b) of Section 2.1, shall not be entitled to make any further deferral elections under the Plan.

## ARTICLE III
Deferral Elections

3.1 Deferral Elections.

(a) Deferral Elections. On or before the election due date set forth below, each Participant may elect, in the manner specified by the Plan Administrator, to defer the receipt of all or a portion of any Award. An election made prior to October 1, 2000 to defer receipt of any Award made to Participant under the PECO Energy Company Performance Share Program as in effect prior to October 1, 2000 shall be deemed to be a deferral election under this Section 3.1(a), and except as otherwise specifically provided herein, the terms and conditions of the Plan shall apply to such deferral elections. Notwithstanding the foregoing, Awards granted after December 31, 2006 may not be deferred under the Plan.

(b) Election Due Dates. Elections under the Plan shall be due on such date as the Plan Administrator or its delegate shall specify, but no later than December 31st of the calendar year preceding the calendar year in which the Award is granted or such other time determined by the Plan Administrator in accordance with interpretive guidance issued by the U.S. Treasury Department under section 409A of the Code; provided, however, that for an individual who first becomes an eligible employee after an applicable election due date, the election shall be due within 30 days after the date on which such individual is notified of his or her eligibility under the Plan.

(c) Effect of Elections. An election made pursuant to paragraph (b) hereof shall provide that the Award subject to such election shall not be paid to the Participant at the time provided under the terms of the program under which the Award was granted or Agreement, as applicable, but shall instead be paid to the Participant in accordance with the Participant's Distribution Election Form (as defined in Section 5.1).

## ARTICLE IV
Deferred Stock Account

The Company shall establish on its books an account (a "**Deferred Stock Account**") on behalf of each Participant who has made a deferral election pursuant to Section 3.1(a). Each Deferred Stock Account shall be credited with the amount deferred pursuant to Section 3.1(a), plus an amount (the "**dividend equivalents**") equal to the dividends declared from time to time on the number of shares of Exelon Stock credited to such account, determined in accordance with the following sentence. Dividends shall be credited to each Participant's Deferred Stock Account as a number of additional shares of Exelon Stock determined by dividing the aggregate amount of such dividend equivalents by the purchase price used under the Exelon Corporation Dividend Reinvestment and Stock Purchase Plan related to each such dividend; provided, however, that with respect to any dividend payable after October 20, 2000 and prior to January 1, 2001, the purchase price shall be the closing price on the date the dividend was paid. Deferred Stock Accounts shall be for bookkeeping purposes only, and neither the Company nor any Employer shall be obligated to set aside or segregate any actual shares of Exelon Stock or any other assets in respect of such accounts.

## ARTICLE V
Time and Manner of Payment

5.1 Form of Distributions.

(a) Each Participant who separates from service on or before December 31, 2005 may elect to receive payment of his or her Deferred Stock Account in one of the following forms by filing an election in the manner specified by the Plan Administrator:

(i) a lump sum, or

(ii) a series of annual installments over a period of up to 15 years; provided, that a Participant who separates from service prior to attaining either (A) age 60 or (B) age 50 and completion of at least ten years of service with the Employers ("**Retirement Age**") shall not be eligible to receive installments over a period of more than three years.

Each such Participant who separates from service during 2005 may make separate payment elections with respect to (A) the portion of his or her account which was deferred and became vested prior to January 1, 2005 and (B) the portion of his or her account which was deferred or became vested on or after January 1, 2005.

(b) Each Participant who separates from service on or after January 1, 2006, but prior to attaining Retirement Age, shall receive payment of his or her Deferred Stock Account in a lump sum.

(c) Each Participant who separates from service on or after January 1, 2006 and upon or after attaining Retirement Age may elect to receive payment of his or her Deferred Stock Account (together with his or her account balances under the Exelon Corporation Deferred Compensation Plan) in one of the following forms by filing an election in the manner specified by the Plan Administrator:

(i) a lump sum; or

(ii) a series of annual installments over a period of up to 15 years.

Each such Participant who separates from service during 2006 may make separate payment elections with respect to (A) the portion of his or her account which was deferred and became vested prior to January 1, 2005 and (B) the portion of his or her account which was deferred or became vested on or after January 1, 2005.

Notwithstanding the foregoing, if the value of a Participant's Deferred Stock Account does not exceed $25,000 as of the date of the Participant's separation from service and any subsequent Valuation Date (as defined below), such Participant's account shall be distributed in a lump sum. All payments hereunder shall be made in the form of Exelon Stock.

5.2 Timing of Distributions.

(a) Except as otherwise provided in Section 5.2(b), Section 5.3 or Section 5.4, the balance of a Participant's Stock Deferral Account (together with his or her account balance under the Exelon Corporation Deferred Compensation Plan) shall be paid or commence to be paid in accordance with Section 5.1 as of the calendar quarter immediately following the date that is six months following the date on which the Participant separates from service, within the meaning of section 409A of the Code. In the case of a Participant who has elected annual installment payments, the remaining annual installments shall be paid as soon as practicable after the April 1 of the calendar year following the calendar year in which the first such payment is made and as soon as practicable following each succeeding April 1. The amount of each installment payment shall be determined by dividing the balance of the Participant's accounts hereunder as of the April 1, or if such April 1 is not a business day, as of the first business day preceding such April 1, (the "**Valuation Date**") preceding such payment by the total number of installment payments remaining in the installment period elected by the Participant. The net shares of Exelon Stock (including any fractional share) determined by reference to the closing price per share of Exelon Stock, as reported on the national securities exchange or quotation service through which the Common Stock is listed or traded on the business day immediately preceding the date of distribution and reduced by any amount required by law to be deducted or withheld (or to the extent determined by the Plan Administrator, in its discretion, after consultation with its advisers), including income tax withholding, shall be credited to an account established on behalf of the Participant at such institution as the Plan Administrator shall designate.

(b) Notwithstanding Section 5.2(a), each Participant shall have a single opportunity to defer the date on which such Participant's accounts shall be paid or commence; provided, however, that in accordance with Section 409A of the Code (i) no such deferred payment election shall become effective until the first anniversary of the date such deferred payment election is made, (ii) no deferred payment election shall be effective if the Participant is scheduled, pursuant to Section 6.2(a), to receive or begin receiving payments within one year after the date such deferred payment election is made and (iii) such deferred payment election provides for payments to the Participant to be made or begin at least five years later than the date on which such distribution was previously scheduled to be made or begin pursuant to Section 6.2(a). In the event such a deferred payment election does not become effective, the time and manner of payment of such Participant's accounts shall be governed by Section 5.2(a).

5.3 Special Distribution Election. Pursuant to the transition rule set forth in IRS Notice 2005-1, Q&A-19(c), and extended in the preamble to regulations proposed under section 409A of the Code and IRS Notice 2006-79 (the "**Transition Rule**"), Participants may make the special distribution elections described in Section 5.3(a) and (b).

(a) Each Participant may elect or change the form of payment of such Participant's Deferred Stock Account payable upon separation from service by submitting an election on or before December 31, 2007 in accordance with procedures prescribed by the Plan Administrator, provided that (i) if such Participant's distribution is made or commences in 2006, then such election shall be effective only if it is submitted on or before December 31, 2005, and (ii) if a Participant's distribution is made or commences in 2007, then such election shall be effective only if it is submitted on or before December 31, 2006.

(b) Each Participant may elect to receive a distribution of such Participant's Deferred Stock Account attributable to Plan Years prior to January 1, 2007 in a lump sum payment of Exelon Stock in the third quarter of 2007, by submitting such election on or before December 31, 2006 in accordance with procedures prescribed by the Plan Administrator, provided that such election shall be null and void if such Participant's distribution under the Plan otherwise would be made or commence prior to January 1, 2007. A Participant who files such a lump sum election, whose position is Executive Vice President or above and who has achieved two times his or her stockownership requirement may elect to receive such distribution in the form of Exelon Stock, in cash, or one quarter in Exelon Stock and three quarters in cash.

(c) Notwithstanding the foregoing, pursuant to resolutions adopted by the Compensation Committee of the Board of Directors of the Company on December 5, 2006, each Participant who elected pursuant to Section 3.1 to defer receipt of the portion of performance share unit awards granted in 2004, 2005 or 2006 that are payable in Exelon Stock shall, to the extent such awards become vested in 2007 or later, be deemed to have elected, pursuant to the Transition Rule, to change the date on which such performance share unit awards are payable, such that the performance share unit awards shall be payable in a lump sum distribution of the portions of such awards payable in Exelon Stock as of their respective vesting dates.

5.4 Timing of Distribution Elections; Default Elections. Subject to Section 5.3, a distribution election under Section 5.1 shall be made concurrently with such Participant's initial deferral election under the Plan, or at such other time or times determined by the Plan Administrator in accordance with interpretive guidance issued by the U.S. Treasury Department under section 409A of the Code. If a Participant does not have a timely distribution election on file with the Plan Administrator, his or her Stock Deferral Account will be distributed in a lump sum.

5.5 Beneficiaries. If a Participant shall die while any shares of Exelon Stock remain credited to the Deferred Stock Account established on his or her behalf under Article IV, such amount shall be distributed as provided in Section 5.1 (and 5.3) to the beneficiary or beneficiaries as the Participant may, from time to time, designate in writing delivered to the Plan Administrator (as defined in Section 7.1 below). A Participant may revoke or change his or her beneficiary designation at any time in writing delivered to the Plan Administrator. If a Participant does not designate a beneficiary under this Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary hereunder.

5.6 Withholding. The Company may withhold from any amounts payable under this Plan or otherwise payable to a Participant or beneficiary any taxes the Company determines to be appropriate under applicable law and may report all such amounts payable to such authority in accordance with any applicable law or regulation. In addition, the Company may adjust the timing of any payment under this Plan consistent with the tax treatment of such payment including, without limitation, to comply with Section 409A of the Code.

5.7 Facility of Payment. Whenever and as often as any Participant entitled to payments under the Plan shall be incompetent or, in the opinion of the Plan Administrator would fail to derive benefit from distribution of funds under the Plan, the Plan Administrator, in its sole and exclusive discretion, may direct that any or all payments hereunder be made (a) directly to or for the benefit of such Participant, (b) to the Participant's legal guardian or conservator; or (c) to relatives of the Participant. The decision of the Plan Administrator in such matters shall be final, binding and conclusive upon the Employers, the Participant and every other person or party interested or concerned. The Employers and the Plan Administrator shall not be under any duty to see to the proper application of such payments made to a Participant, conservator, guardian or relatives of a Participant.

## ARTICLE VI

Application of ERISA, Funding

6.1 Application of ERISA. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and Department of Labor Regulation § 2520.104-23.

6.2 Funding. The Plan shall not be a funded plan, and neither the Company nor any of the Employers shall be under any obligation to set aside any funds for the purpose of making payments under this Plan. Any payments hereunder shall be made out of the general assets of the Company and the Employers, and no Participant or beneficiary shall have any right to any specific assets.

6.3 Trust. The Company shall establish a trust for the purpose of administering assets of the Company and the Employers to be used for the purpose of satisfying their obligations under the Plan. Any such trust shall be established in such manner so as to be a "grantor trust" of which the Company is the grantor, within the meaning of section 671 et. seq. of the Code. The existence of any such trust shall not relieve the Company or any Employer of their liabilities under the Plan, but the obligation of the Company and the Employers under the Plan shall be deemed satisfied to the extent paid from the trust.

## ARTICLE VII

Administration

7.1 Administration. The Plan shall be administered by the Vice President, Corporate Compensation, of the Company (the "**Plan Administrator**"). The Plan Administrator shall determine the rights of any employee or former employee of an Employer to benefits hereunder. The Plan Administrator has the sole and absolute power and authority to interpret and apply the provisions of this Plan to a particular circumstance, make all factual and legal determinations, construe uncertain or disputed terms (including, without limitation, any eligibility provisions) and make eligibility and benefit determinations in such manner and to such extent as the Plan Administrator in his or her sole discretion may determine. Benefits under the Plan will be paid only if the Plan Administrator decides, in his or her discretion, that a Participant (or his or her beneficiary) is entitled to them. The Plan Administrator shall promulgate any rules and regulations necessary to carry out the purposes of the Plan or to interpret the terms and conditions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Plan Administrator shall be applied on a uniform basis and shall be final and binding on any employee or former employee of the Employers or any successor in interest of any of them. The Plan Administrator may delegate any of its responsibilities or duties hereunder.

7.2 Claims Procedure. In accordance with the regulations of the U.S. Department of Labor, the Company shall (i) provide adequate notice in writing to any Participant or beneficiary whose claim for benefits is denied, setting forth the specific reasons for such denial and written in a manner calculated to be understood by such Participant or beneficiary and (ii) afford a reasonable opportunity to any Participant or beneficiary whose claim for benefits has been denied for a full and fair review by the Plan Administrator of the decision denying the claim.

7.3 Expenses. All costs and expenses incurred in administering the Plan, including the expenses of the Plan Administrator, the fees of counsel and any agents of the Plan Administrator and other administrative expenses shall be paid by the Company and the Employers. The Plan Administrator, in its sole discretion, having regard to the nature of a particular expense, shall determine the portion of such expense which is to be borne by the Company or a particular Employer.

7.4 Indemnification. Neither the Plan Administrator nor any officer or employee of the Company shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to his or her own willful misconduct or bad faith, and the Company shall indemnify and hold harmless such Plan Administrator, officers and employees from and against all claims, losses, damages, causes of action and expenses, including reasonable attorney fees and court costs, incurred in connection with such interpretation and administration of the Plan.

## ARTICLE VIII
Amendment and Termination

The Company intends to maintain the Plan indefinitely. However, the Plan, or any provision thereof, may be amended, modified or terminated at any time by action of its Senior Vice President and Chief Human Resources Officer or such other senior officer to whom the Company has delegated amendment authority (without regard to any limitations imposed on such powers by the Code or ERISA), except that no such amendment or termination shall reduce or cancel the amount credited to the accounts of any Participant hereunder immediately prior to the date of such amendment or termination or cause an acceleration or other change in a payment under the Plan that would result in penalties under section 409A of the Code. Upon the termination of the Plan, all account balances hereunder shall continue to be paid to Participants or their beneficiaries pursuant to the terms of the Plan and each Participant’s distribution election in effect; provided, however, that if the Plan is terminated in connection with a Change in Control Event, within the meaning of regulations or other guidance promulgated under section 409A of the Code, the Chief Human Resources Officer of the Company or such other senior officer to whom the Company has delegated amendment authority may elect, in his or her sole discretion, to pay out all accounts to Participants and beneficiaries within 12 months after the occurrence of such Change in Control Event.

## ARTICLE IX
Miscellaneous

9.1 FICA Taxes. Notwithstanding Section 3.1, the amount deferred for any calendar year pursuant to an election made thereunder shall be reduced by an amount which, after the payment of applicable federal and state income taxes and the tax imposed under section 3121 of the Code in respect of amounts deferred, is equal to the amount of the tax imposed under section 3121 of the Code on the amount otherwise subject to deferral (determined without regard to this Section 9.1) pursuant to Section 3.1 for such calendar year.

9.2 Nonassignment of Benefits. It shall be a condition of the payment of benefits under this Plan that neither such benefits nor any portion thereof shall be assigned, alienated or transferred to any person voluntarily or by operation of any law, including any assignment, division or awarding of property under state domestic relations law (including community property law). Any such attempted or purported assignment, alienation or transfer shall be void.

9.3 No Guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between any Employer and any employee or as conferring a right on any employee to be continued in the employment of any Employer, or as a limitation of the right of an Employer to discharge any of its employees, with or without cause.

9.4. Adoption/Withdrawal by Subsidiaries. Any participating affiliate may, with the consent of the Company, adopt the Plan for the benefit of its employees who are Eligible Employees by delivery to the Company of a resolution of its board of directors or duly authorized committee to such effect, which resolution shall specify the date for which this Plan shall be effective with respect to the employees of such participating affiliate who are Eligible Employees. A participating affiliate may terminate its participation in the Plan at any time by giving written notice to the Company and the Plan Administrator. Upon such a withdrawal, the Plan Administrator shall transfer the benefits of such Participants under this Plan with respect to such participating affiliate directly to such participating affiliate at which time the remaining Employers shall have no further responsibility in respect of such amounts.

9.5 Gender and Number. Except when the context indicates to the contrary, when used herein, masculine terms shall be deemed to include the feminine and singular the plural.

9.6 Headings. The headings of Articles and Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of the Plan, the text shall control.

9.7 Invalidity. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be enforced and construed as if such provisions, to the extent invalid or unenforceable, had not been included.

9.8 Successors and Assigns. The provisions of the Plan shall bind and inure to the benefit of the Company and each Employer and their successors and assigns, as well as each Participant and his successors.

9.9 Law Governing. Except as provided by any federal law, the provisions of the Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

9.10 Compliance with Section 409A of Code. This Plan is intended to comply with the provisions of section 409A of the Code and shall be interpreted and construed accordingly.

* * *

**Exhibit 31-1**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Christopher M. Crane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHRISTOPHER M. CRANE

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-2**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Joseph Nigro, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOSEPH NIGRO

Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-3**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Kenneth W. Cornew, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Generation Company, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ KENNETH W. CORNEW

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-4**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Bryan P. Wright, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Generation Company, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRYAN P. WRIGHT

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-5**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Joseph Dominguez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commonwealth Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JOSEPH DOMINGUEZ

Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-6**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Jeanne M. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commonwealth Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JEANNE M. JONES

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-7**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Michael A. Innocenzo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PECO Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL A. INNOCENZO

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-8**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Robert J. Stefani, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PECO Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT J. STEFANI

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-9**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Calvin G. Butler, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baltimore Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CALVIN G. BUTLER, JR.

Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-10**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, David M. Vahos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baltimore Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID M. VAHOS

Senior Vice President, Chief Financial Officer
and Treasurer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-11**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, David M. Velazquez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pepco Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID M. VELAZQUEZ

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-12**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Phillip S. Barnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pepco Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PHILLIP S. BARNETT

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-13**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, David M. Velazquez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Potomac Electric Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID M. VELAZQUEZ

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-14**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Phillip S. Barnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Potomac Electric Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PHILLIP S. BARNETT

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-15**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, David M. Velazquez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delmarva Power & Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID M. VELAZQUEZ

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-16**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Phillip S. Barnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delmarva Power & Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PHILLIP S. BARNETT

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 31-17**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, David M. Velazquez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlantic City Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID M. VELAZQUEZ

President and Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2019

**Exhibit 31-18**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

I, Phillip S. Barnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlantic City Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PHILLIP S. BARNETT

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: October 31, 2019

**Exhibit 32-1**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Corporation.

/s/ CHRISTOPHER M. CRANE

Christopher M. Crane

President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-2**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Corporation.

/s/ JOSEPH NIGRO

Joseph Nigro

Senior Executive Vice President and Chief Financial Officer

Date: October 31, 2019

**Exhibit 32-3**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Generation Company, LLC.

/s/ KENNETH W. CORNEW

Kenneth W. Cornew

President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-4**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Generation Company, LLC.

/s/ BRYAN P. WRIGHT

Bryan P. Wright

Senior Vice President and Chief Financial Officer

Date: October 31, 2019

**Exhibit 32-5**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Commonwealth Edison Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Commonwealth Edison Company.

/s/ JOSEPH DOMINGUEZ

Joseph Dominguez

Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-6**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Commonwealth Edison Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Commonwealth Edison Company.

/s/ JEANNE M. JONES

Jeanne M. Jones

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-7**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of PECO Energy Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of PECO Energy Company.

/s/ MICHAEL A. INNOCENZO

Michael A. Innocenzo
President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-8**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of PECO Energy Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of PECO Energy Company.

/s/ ROBERT J. STEFANI

Robert J. Stefani

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-9**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Baltimore Gas and Electric Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Baltimore Gas and Electric Company.

/s/ CALVIN G. BUTLER, JR.

Calvin G. Butler, Jr.
Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-10**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Baltimore Gas and Electric Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Baltimore Gas and Electric Company.

/s/ DAVID M. VAHOS

David M. Vahos

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-11**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Pepco Holdings LLC for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Pepco Holdings LLC.

/s/ DAVID M. VELAZQUEZ

David M. Velazquez

President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-12**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Pepco Holdings LLC for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Pepco Holdings LLC.

/s/ PHILLIP S. BARNETT

Phillip S. Barnett

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-13**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Potomac Electric Power Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Potomac Electric Power Company.

/s/ DAVID M. VELAZQUEZ

David M. Velazquez
President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-14**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Potomac Electric Power Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Potomac Electric Power Company.

/s/ PHILLIP S. BARNETT

Phillip S. Barnett

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-15**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Delmarva Power & Light Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Delmarva Power & Light Company.

/s/ DAVID M. VELAZQUEZ

David M. Velazquez

President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-16**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Delmarva Power & Light Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Delmarva Power & Light Company.

/s/ PHILLIP S. BARNETT

Phillip S. Barnett

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019

**Exhibit 32-17**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Atlantic City Electric Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Atlantic City Electric Company.

/s/ DAVID M. VELAZQUEZ

David M. Velazquez

President and Chief Executive Officer

Date: October 31, 2019

**Exhibit 32-18**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the quarterly report on Form 10-Q of Atlantic City Electric Company for the quarterly period ended September 30, 2019, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Atlantic City Electric Company.

/s/ PHILLIP S. BARNETT

Phillip S. Barnett

Senior Vice President, Chief Financial Officer and Treasurer

Date: October 31, 2019