EXELON CORP
Form 10-Q
May 10, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016

or

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

Commission File Number	Name of Registrant; State or Other Jurisdiction of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street P.O. Box 805379 Chicago, Illinois 60680-5379 (800) 483-3220	23-2990190
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348-2473 (610) 765-5959	23-3064219
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605-1028	36-0938600

	(312) 394-4321	
000-16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY (a Maryland corporation) 2 Center Plaza 110 West Fayette Street Baltimore, Maryland 21201-3708 (410) 234-5000	52-0280210
001-31403	PEPCO HOLDINGS LLC (a Delaware limited liability company) 701 Ninth Street, N.W. Washington, District of Columbia 20068 (202) 872-2000	52-2297449
001-01072	POTOMAC ELECTRIC POWER COMPANY (a District of Columbia and Virginia corporation) 701 Ninth Street, N.W. Washington, District of Columbia 20068 (202) 872-2000	53-0127880
001-01405	DELMARVA POWER & LIGHT COMPANY (a Delaware and Virginia corporation) 500 North Wakefield Drive Newark, Delaware 19702 (202) 872-2000	51-0084283
001-03559	ATLANTIC CITY ELECTRIC COMPANY (a New Jersey corporation) 500 North Wakefield Drive Newark, Delaware 19702 (202) 872-2000	21-0398280

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

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

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

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

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 March 31, 2016 was:

Exelon Corporation Common Stock, without par value	887,313,966
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,017,042
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, $.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
Pepco Energy Services or PES	Pepco Energy Services, Inc. and its subsidiaries
PCI	Potomac Capital Investment Corporation and its subsidiaries
DPL	Delmarva Power & Light Company
ACE	Atlantic City Electric Company
ACE Funding or ATF	Atlantic City Electric Transition Funding LLC
BSC	Exelon Business Services Company, LLC
PHISCO	PHI Service Company
Exelon Corporate	Exelon in its corporate capacity as a holding company
PHI Corporate	PHI in its corporate capacity as a holding company
CENG	Constellation Energy Nuclear Group, LLC
Constellation	Constellation Energy Group, Inc.
Antelope Valley	Antelope Valley Solar Ranch One
Exelon Transmission Company	Exelon Transmission Company, LLC
Exelon Wind	Exelon Wind, LLC and Exelon Generation Acquisition Company, LLC
Ventures	Exelon Ventures Company, LLC
AmerGen	AmerGen Energy Company, LLC
BondCo	RSB BondCo LLC
PEC L.P.	PECO Energy Capital, L.P.
PECO Trust III	PECO Capital Trust III
PECO Trust IV	PECO Energy Capital Trust IV
PETT	PECO Energy Transition Trust
Registrants	Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, collectively
Utility Registrants	ComEd, PECO, BGE, Pepco, DPL and ACE, collectively
Legacy PHI	PHI, Pepco, DPL and ACE, collectively

Other Terms and Abbreviations	
Note of the Exelon 2015 Form 10-K	Reference to specific Combined Note to Consolidated Financial Statements within Exelon s 2015 Annual Report on Form 10-K
Note of the PHI 2015 Form 10-K	Reference to specific Note to Consolidated Financial Statements within Legacy PHI s 2015 Annual Report on Form 10-K
1998 restructuring settlement	PECO s 1998 settlement of its restructuring case mandated by the Competition Act
Act 11	Pennsylvania Act 11 of 2012
Act 129	Pennsylvania Act 129 of 2008
AEC	Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
AEPS	Pennsylvania Alternative Energy Portfolio Standards
AEPS Act	Pennsylvania Alternative Energy Portfolio Standards Act of 2004, as amended
AESO	Alberta Electric Systems Operator

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMP	Advanced Metering Program
ARC	Asset Retirement Cost
ARO	Asset Retirement Obligation
ARP	Title IV Acid Rain Program
ARRA of 2009	American Recovery and Reinvestment Act of 2009
ASC	Accounting Standards Codification
BGS	Basic Generation Service (the supply of electricity by ACE to retail customers in New Jersey who have not elected to purchase electricity from a competitive supplier)
Block contracts	Forward Purchase Energy Block Contracts
CAIR	Clean Air Interstate Rule
CAISO	California ISO
CAMR	Federal Clean Air Mercury Rule
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CFL	Compact Fluorescent Light
Clean Air Act	Clean Air Act of 1963, as amended
Clean Water Act	Federal Water Pollution Control Amendments of 1972, as amended
Competition Act	Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996
Conectiv	Conectiv, LLC, a wholly owned subsidiary of PHI and the parent of DPL and ACE
Conectiv Energy	Conectiv Energy Holdings, Inc. and substantially all of its subsidiaries, which were sold to Calpine in July 2010
Contract EDCs	Pepco, DPL and BGE, the Maryland utilities required by the MDPSC to enter into a contract for new generation
CPI	Consumer Price Index
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CTA	Consolidated tax adjustment
CTC	Competitive Transition Charge
D.C. Circuit Court	United States Court of Appeals for the District of Columbia Circuit
DCPSC	District of Columbia Public Service Commission
DC PLUG	District of Columbia Power Line Undergrounding
Default Electricity Supply	The supply of electricity by PHI s electric utility subsidiaries at regulated rates to retail customers who do not elect to purchase electricity from a competitive supplier, and which, depending on the jurisdiction, is also known as Standard Offer Service or BGS
Default Electricity Supply Revenue	Revenue primarily from Default Electricity Supply
DOE	United States Department of Energy
DOJ	United States Department of Justice
DPSC	Delaware Public Service Commission
DRP	Direct Stock Purchase and Dividend Reinvestment Plan
DSP	Default Service Provider
DSP Program	Default Service Provider Program
EDCs	Electric distribution companies

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
EDF	Electricite de France SA and its subsidiaries
EE&C	Energy Efficiency and Conservation/Demand Response
EGS	Electric Generation Supplier
EGTP	ExGen Texas Power, LLC
EIMA	Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036)
EmPower Maryland	A Maryland demand-side management program for Pepco and DPL
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ERISA	Employee Retirement Income Security Act of 1974, as amended
EROA	Expected Rate of Return on Assets
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FRCC	Florida Reliability Coordinating Council
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles in the United States
GCR	Gas Cost Rate
GHG	Greenhouse Gas
GRT	Gross Receipts Tax
GSA	Generation Supply Adjustment
GWh	Gigawatt hour
HAP	Hazardous air pollutants
Health Care Reform Acts	Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010
HSR Act	The Hart-Scott-Rodino Antitrust Improvements Act of 1976
IBEW	International Brotherhood of Electrical Workers
ICC	Illinois Commerce Commission
ICE	Intercontinental Exchange
Illinois Act	Illinois Electric Service Customer Choice and Rate Relief Law of 1997
Illinois EPA	Illinois Environmental Protection Agency
Illinois Settlement Legislation	Legislation enacted in 2007 affecting electric utilities in Illinois
Integrys	Integrys Energy Services, Inc.
IPA	Illinois Power Agency
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ISO	Independent System Operator
ISO-NE	ISO New England Inc.
ISO-NY	ISO New York
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LILO	Lease-In, Lease-Out
LLRW	Low-Level Radioactive Waste
LTIP	Long-Term Incentive Plan
MAPP	Mid-Atlantic Power Pathway
MATS	U.S. EPA Mercury and Air Toxics Rule
MBR	Market Based Rates Incentive

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
MDE	Maryland Department of the Environment
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.
mmcf	Million Cubic Feet
Moody s	Moody s Investor Service
MOPR	Minimum Offer Price Rule
MRV	Market-Related Value
MW	Megawatt
MWh	Megawatt hour
NAAQS	National Ambient Air Quality Standards
n.m.	not meaningful
NAV	Net Asset Value
NDT	Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NGS	Natural Gas Supplier
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
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
NOV	Notice of Violation
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NUGs	Non-utility generators
NWPA	Nuclear Waste Policy Act of 1982
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income
OIESO	Ontario Independent Electricity System Operator
OPC	Office of People s Counsel
OPEB	Other Postretirement Employee Benefits
PA DEP	Pennsylvania Department of Environmental Protection
PAPUC	Pennsylvania Public Utility Commission
PGC	Purchased Gas Cost Clause
PHI Retirement Plan	PHI s noncontributory retirement plan
PJM	PJM Interconnection, LLC
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Power Purchase Agreement
Price-Anderson Act	Price-Anderson Nuclear Industries Indemnity Act of 1957
Preferred Stock	Originally issued shares of non-voting, non-convertible and non-transferable Series A preferred stock, par value $0.01 per share
PRP	Potentially Responsible Parties
PSEG	Public Service Enterprise Group Incorporated
PURTA	Pennsylvania Public Realty Tax Act
PV	Photovoltaic

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations	
RCRA	Resource Conservation and Recovery Act of 1976, as amended
REC	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
Regulatory Agreement Units	Nuclear generating units or portions thereof whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
RES	Retail Electric Suppliers
RFP	Request for Proposal
Rider	Reconcilable Surcharge Recovery Mechanism
RGGI	Regional Greenhouse Gas Initiative
RMC	Risk Management Committee
ROE	Return on equity
RPM	PJM Reliability Pricing Model
RPS	Renewable Energy Portfolio Standards
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor s Ratings Services
SEC	United States Securities and Exchange Commission
Senate Bill 1	Maryland Senate Bill 1
SERC	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
SERP	Supplemental Employee Retirement Plan
SGIG	Smart Grid Investment Grant
SGIP	Smart Grid Initiative Program
SILO	Sale-In, Lease-Out
SMPIP	Smart Meter Procurement and Installation Plan
SNF	Spent Nuclear Fuel
SOCAs	Standard Offer Capacity Agreements required to be entered into by ACE pursuant to a New Jersey law enacted to promote the construction of qualified electric generation facilities in New Jersey
SOS	Standard Offer Service
SPP	Southwest Power Pool
Tax Relief Act of 2010	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
Transition Bond Charge	Revenue ACE receives, and pays to ACE Funding, to fund the principal and interest payments on Transition Bonds and related taxes, expenses and fees
Transition Bonds	Transition Bonds issued by ACE Funding
Upstream	Natural gas exploration and production activities
VIE	Variable Interest Entity
WECC	Western Electric Coordinating Council

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FILING FORMAT

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

FORWARD-LOOKING STATEMENTS

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) Exelon s 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23; (2) PHI s 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 16; (3) this Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part 1, Financial Information, ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (4) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share data)	**2016**	**2015**
Operating revenues		
Competitive businesses revenues	$ 4,473	$ 5,632
Rate-regulated utility revenues	3,100	3,198
Total operating revenues	7,573	8,830
Operating expenses		
Competitive businesses purchased power and fuel	2,440	3,426
Rate-regulated utility purchased power and fuel	814	1,044
Operating and maintenance	2,835	2,081
Depreciation and amortization	685	610
Taxes other than income	325	304
Total operating expenses	7,099	7,465
Gain on sales of assets	9	1
Operating income	483	1,366
Other income and (deductions)		
Interest expense, net	(277)	(335)
Interest expense to affiliates, net	(10)	(10)
Other, net	114	80
Total other income and (deductions)	(173)	(265)
Income before income taxes	310	1,101
Income taxes	184	363
Equity in losses of unconsolidated affiliates	(3)	
Net income	123	738
Net (loss) income attributable to noncontrolling interest and preference stock dividends	(50)	45
Net income attributable to common shareholders	$ 173	$ 693
Comprehensive income, net of income taxes		
Net income	$ 123	$ 738
Other comprehensive income (loss), net of income taxes		
Pension and non-pension postretirement benefit plans:		
Prior service benefit reclassified to periodic benefit cost	(12)	(11)
Actuarial loss reclassified to periodic benefit cost	46	54
Pension and non-pension postretirement benefit plan valuation adjustment	(1)	(26)
Unrealized (loss) gain on cash flow hedges	(7)	6
Unrealized loss on equity investments	(3)	

Unrealized gain (loss) on foreign currency translation	6	(12)
Unrealized loss on marketable securities	(1)	
Other comprehensive income	28	11
Comprehensive income	$ 151	$ 749
Average shares of common stock outstanding:		
Basic	923	862
Diluted	925	867
Earnings per average common share:		
Basic	$ 0.19	$ 0.80
Diluted	$ 0.19	$ 0.80
Dividends per common share	$ 0.31	$ 0.31

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	**Three Months Ended March 31, 2016**	**2015**
Cash flows from operating activities		
Net income	$ 123	$ 738
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	1,063	948
Impairment of long-lived assets	119	
Gain on sales of assets	(9)	(1)
Deferred income taxes and amortization of investment tax credits	127	129
Net fair value changes related to derivatives	(107)	(91)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(55)	(47)
Other non-cash operating activities	804	344
Changes in assets and liabilities:		
Accounts receivable	117	(270)
Inventories	142	291
Accounts payable and accrued expenses	(571)	(468)
Option premiums received, net	17	5
Collateral received, net	206	257
Income taxes	47	174
Pension and non-pension postretirement benefit contributions	(239)	(269)
Other assets and liabilities	(311)	(250)
Net cash flows provided by operating activities	1,473	1,490
Cash flows from investing activities		
Capital expenditures	(2,202)	(1,784)
Proceeds from nuclear decommissioning trust fund sales	2,240	1,681
Investment in nuclear decommissioning trust funds	(2,297)	(1,747)
Acquisition of businesses, net of cash acquired	(6,645)	(15)
Proceeds from sale of long-lived assets		142
Proceeds from termination of direct financing lease investment	360	
Change in restricted cash	(2)	(26)
Other investing activities	(2)	(2)
Net cash flows used in investing activities	(8,548)	(1,751)
Cash flows from financing activities		
Changes in short-term borrowings	1,647	(141)
Proceeds from short-term borrowings with maturities greater than 90 days	123	
Issuance of long-term debt	151	1,206
Retirement of long-term debt	(116)	(580)
Dividends paid on common stock	(287)	(269)
Proceeds from employee stock plans	9	8
Other financing activities	6	(16)
Net cash flows provided by financing activities	1,533	208

Decrease in cash and cash equivalents	(5,542)	(53)
Cash and cash equivalents at beginning of period	6,502	1,878
Cash and cash equivalents at end of period	$ 960	$ 1,825

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 960	$ 6,502
Restricted cash and cash equivalents	218	205
Accounts receivable, net		
Customer	3,594	3,187
Other	1,138	912
Mark-to-market derivative assets	1,185	1,365
Unamortized energy contract assets	85	86
Inventories, net		
Fossil fuel and emission allowances	285	462
Materials and supplies	1,229	1,104
Regulatory assets	1,584	759
Other	1,086	752
Total current assets	11,364	15,334
Property, plant and equipment, net	69,406	57,439
Deferred debits and other assets		
Regulatory assets	10,407	6,065
Nuclear decommissioning trust funds	10,526	10,342
Investments	455	639
Goodwill	6,688	2,672
Mark-to-market derivative assets	841	758
Unamortized energy contracts assets	474	484
Pledged assets for Zion Station decommissioning	183	206
Other	1,398	1,445
Total deferred debits and other assets	30,972	22,611
Total assets[(a)]	$ 111,742	$ 95,384

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EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 3,640	$ 533
Long-term debt due within one year	2,058	1,500
Accounts payable	2,874	2,883
Accrued expenses	2,260	2,376
Payables to affiliates	8	8
Regulatory liabilities	512	369
Mark-to-market derivative liabilities	203	205
Unamortized energy contract liabilities	582	100
Renewable energy credit obligation	308	302
PHI merger related obligation	317	
Other	1,008	842
Total current liabilities	13,770	9,118
Long-term debt	29,314	23,645
Long-term debt to financing trusts	641	641
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	17,474	13,776
Asset retirement obligations	8,755	8,585
Pension obligations	3,771	3,385
Non-pension postretirement benefit obligations	1,902	1,618
Spent nuclear fuel obligation	1,022	1,021
Regulatory liabilities	4,378	4,201
Mark-to-market derivative liabilities	408	374
Unamortized energy contract liabilities	1,144	117
Payable for Zion Station decommissioning	72	90
Other	1,886	1,491
Total deferred credits and other liabilities	40,812	34,658
Total liabilities[(a)]	84,537	68,062
Commitments and contingencies		
Contingently redeemable noncontrolling interest	19	28
Shareholders equity		
Common stock (No par value, 2000 shares authorized, 922 shares and 920 shares outstanding at March 31, 2016 and December 31, 2015, respectively)	18,686	18,676
Treasury stock, at cost (35 shares at March 31, 2016 and December 31, 2015, respectively)	(2,327)	(2,327)
Retained earnings	11,954	12,068
Accumulated other comprehensive loss, net	(2,596)	(2,624)
Total shareholders equity	25,717	25,793
BGE preference stock not subject to mandatory redemption	193	193

Noncontrolling interest	1,276	1,308
Total equity	27,186	27,294
Total liabilities and shareholders equity	$ 111,742	$ 95,384

(a) Exelon s consolidated assets include $8,310 million and $8,268 million at March 31, 2016 and December 31, 2015, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon s consolidated liabilities include $3,421 million and $3,264 million at March 31, 2016 and December 31, 2015, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 Variable Interest Entities.

See the Combined Notes to Consolidated Financial Statements

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EXELON CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interest	Preference Stock	Total Shareholders Equity
Balance, December 31, 2015	954,668	$ 18,676	$ (2,327)	$ 12,068	$ (2,624)	$ 1,308	$ 193	$ 27,294
Net income				173		(53)	3	123
Long-term incentive plan activity	1,783	17						17
Employee stock purchase plan issuances	351	9						9
Tax benefit on stock compensation		(16)						(16)
Changes in equity of noncontrolling interest						2		2
Adjustment of contingently redeemable noncontrolling interest due to release of contingency						19		19
Common stock dividends				(287)				(287)
Preference stock dividends							(3)	(3)
Other comprehensive income, net of income taxes					28			28
Balance, March 31, 2016	956,802	$ 18,686	$ (2,327)	$ 11,954	$ (2,596)	$ 1,276	$ 193	$ 27,186

See the Combined Notes to Consolidated Financial Statements

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2015**
Operating revenues		
Operating revenues	$ 4,471	$ 5,629
Operating revenues from affiliates	268	211
Total operating revenues	4,739	5,840
Operating expenses		
Purchased power and fuel	2,440	3,426
Purchased power and fuel from affiliates	2	7
Operating and maintenance	1,296	1,162
Operating and maintenance from affiliates	171	149
Depreciation and amortization	289	254
Taxes other than income	126	122
Total operating expenses	4,324	5,120
Loss on sales of assets		(1)
Operating income	415	719
Other income and (deductions)		
Interest expense, net	(87)	(90)
Interest expense to affiliates	(10)	(12)
Other, net	93	94
Total other income and (deductions)	(4)	(8)
Income before income taxes	411	711
Income taxes	151	226
Equity in losses of unconsolidated affiliates	(3)	
Net income	257	485
Net (loss) income attributable to noncontrolling interests	(53)	42
Net income attributable to membership interest	$ 310	$ 443
Comprehensive income, net of income taxes		
Net income	$ 257	$ 485
Other comprehensive income (loss), net of income taxes		
Unrealized loss on cash flow hedges	(5)	(5)
Unrealized loss on equity investments	(2)	
Unrealized gain (loss) on foreign currency translation	6	(12)
Other comprehensive income (loss)	(1)	(17)

Comprehensive income	$ 256	$ 468

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$ 257	$ 485
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	667	591
Impairment of long-lived assets	119	
Loss on sales of assets		1
Deferred income taxes and amortization of investment tax credits	68	89
Net fair value changes related to derivatives	(106)	(165)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(55)	(47)
Other non-cash operating activities	51	45
Changes in assets and liabilities:		
Accounts receivable	173	24
Receivables from and payables to affiliates, net	(17)	(10)
Inventories	93	228
Accounts payable and accrued expenses	(363)	(254)
Option premiums received, net	17	5
Collateral received, net	198	288
Income taxes	(60)	(104)
Pension and non-pension postretirement benefit contributions	(112)	(107)
Other assets and liabilities	(148)	(232)
Net cash flows provided by operating activities	782	837
Cash flows from investing activities		
Capital expenditures	(1,125)	(937)
Proceeds from nuclear decommissioning trust fund sales	2,240	1,681
Investment in nuclear decommissioning trust funds	(2,297)	(1,747)
Acquisition of businesses	(1)	(15)
Proceeds from sale of long-lived assets		142
Change in restricted cash	4	(21)
Other investing activities	(25)	(2)
Net cash flows used in investing activities	(1,204)	(899)
Cash flows from financing activities		
Change in short-term borrowings	1,377	(1)
Proceeds from short-term borrowings with maturities greater than 90 days	123	
Issuance of long-term debt	151	806
Retirement of long-term debt	(94)	(18)
Retirement of long-term debt to affiliate		(550)
Changes in Exelon intercompany money pool	(1,183)	936
Distribution to member	(55)	(1,356)
Contribution from member	44	
Other financing activities	5	(3)

Net cash flows provided by (used in) financing activities	368	(186)
Decrease in cash and cash equivalents	(54)	(248)
Cash and cash equivalents at beginning of period	431	780
Cash and cash equivalents at end of period	$ 377	$ 532

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 377	$ 431
Restricted cash and cash equivalents	119	123
Accounts receivable, net		
Customer	1,963	2,095
Other	434	360
Mark-to-market derivative assets	1,185	1,365
Receivables from affiliates	154	83
Unamortized energy contract assets	85	86
Inventories, net		
Fossil fuel and emission allowances	251	384
Materials and supplies	884	880
Other	719	535
Total current assets	6,171	6,342
Property, plant and equipment, net	26,166	25,843
Deferred debits and other assets		
Nuclear decommissioning trust funds	10,526	10,342
Investments	250	210
Goodwill	47	47
Mark-to-market derivative assets	799	733
Prepaid pension asset	1,725	1,689
Pledged assets for Zion Station decommissioning	183	206
Unamortized energy contract assets	473	484
Deferred income taxes	12	6
Other	650	627
Total deferred debits and other assets	14,665	14,344
Total assets[a]	$ 47,002	$ 46,529

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	$ 1,529	$ 29
Long-term debt due within one year	177	90
Accounts payable	1,290	1,583
Accrued expenses	673	935
Payables to affiliates	140	104
Borrowings from Exelon intercompany money pool	63	1,252
Mark-to-market derivative liabilities	177	182
Unamortized energy contract liabilities	85	100
Renewable energy credit obligation	308	302
Other	333	356
Total current liabilities	4,775	4,933
Long-term debt	7,945	7,936
Long-term debt to affiliate	930	933
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,872	5,845
Asset retirement obligations	8,588	8,431
Non-pension postretirement benefit obligations	937	924
Spent nuclear fuel obligation	1,022	1,021
Payables to affiliates	2,600	2,577
Mark-to-market derivative liabilities	166	150
Unamortized energy contract liabilities	106	117
Payable for Zion Station decommissioning	71	90
Other	637	602
Total deferred credits and other liabilities	19,999	19,757
Total liabilities[a]	33,649	33,559
Commitments and contingencies		
Contingently redeemable noncontrolling interests	19	28
Equity		
Member s equity		
Membership interest	9,167	8,997
Undistributed earnings	2,956	2,701
Accumulated other comprehensive loss, net	(64)	(63)
Total member s equity	12,059	11,635
Noncontrolling interest	1,275	1,307
Total equity	13,334	12,942

Total liabilities and equity	$ 47,002	$ 46,529

(a) Generation s consolidated assets include $8,190 million and $8,235 million at March 31, 2016 and December 31, 2015, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation s consolidated liabilities include $3,094 million and $3,135 million at March 31, 2016 and December 31, 2015, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 3 Variable Interest Entities.

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Member s Equity				
(In millions)	**Membership Interest**	**Undistributed Earnings**	**Accumulated Other Comprehensive Loss, net**	**Noncontrolling Interest**	**Total Equity**
Balance, December 31, 2015	$ 8,997	$ 2,701	$ (63)	$ 1,307	$ 12,942
Net income (loss)		310		(53)	257
Acquisition of non-controlling interest				2	2
Adjustment of contingently redeemable noncontrolling interest due to release of contingency				19	19
Contribution from member	170				170
Distribution to member		(55)			(55)
Other comprehensive loss, net of income taxes			(1)		(1)
Balance, March 31, 2016	$ 9,167	$ 2,956	$ (64)	$ 1,275	$ 13,334

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2016**	**2015**
Operating revenues		
Electric operating revenues	$ 1,244	$ 1,184
Operating revenues from affiliates	5	1
Total operating revenues	1,249	1,185
Operating expenses		
Purchased power	343	318
Purchased power from affiliate	5	9
Operating and maintenance	305	333
Operating and maintenance from affiliate	63	45
Depreciation and amortization	189	175
Taxes other than income	75	75
Total operating expenses	980	955
Gain on sale of assets	5	
Operating income	274	230
Other income and (deductions)		
Interest expense, net	(83)	(81)
Interest expense to affiliates	(3)	(3)
Other, net	4	3
Total other income and (deductions)	(82)	(81)
Income before income taxes	192	149
Income taxes	77	59
Net income	$ 115	$ 90
Comprehensive income	$ 115	$ 90

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$ 115	$ 90
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	189	175
Deferred income taxes and amortization of investment tax credits	70	35
Other non-cash operating activities	32	126
Changes in assets and liabilities:		
Accounts receivable	69	(38)
Receivables from and payables to affiliates, net		(2)
Inventories	7	(10)
Accounts payable and accrued expenses	(207)	(121)
Collateral received (posted), net	7	(5)
Income taxes	20	131
Pension and non-pension postretirement benefit contributions	(32)	(121)
Other assets and liabilities	14	(9)
Net cash flows provided by operating activities	284	251
Cash flows from investing activities		
Capital expenditures	(639)	(530)
Other investing activities	13	7
Net cash flows used in investing activities	(626)	(523)
Cash flows from financing activities		
Changes in short-term borrowings	349	(21)
Issuance of long-term debt		400
Contributions from parent	39	14
Dividends paid on common stock	(91)	(75)
Other financing activities	(1)	(4)
Net cash flows provided by financing activities	296	314
(Decrease) Increase in cash and cash equivalents	(46)	42
Cash and cash equivalents at beginning of period	67	66
Cash and cash equivalents at end of period	$ 21	$ 108

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 21	$ 67
Restricted cash	2	2
Accounts receivable, net		
Customer	479	533
Other	221	272
Receivables from affiliates	202	199
Inventories, net	157	164
Regulatory assets	239	218
Other	51	63
Total current assets	1,372	1,518
Property, plant and equipment, net	17,971	17,502
Deferred debits and other assets		
Regulatory assets	925	895
Investments	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,182	2,172
Prepaid pension asset	1,476	1,490
Other	330	324
Total deferred debits and other assets	7,544	7,512
Total assets	$ 26,887	$ 26,532

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 643	$ 294
Long-term debt due within one year	665	665
Accounts payable	645	660
Accrued expenses	539	706
Payables to affiliates	64	62
Customer deposits	130	131
Regulatory liabilities	150	155
Mark-to-market derivative liability	26	23
Other	76	70
Total current liabilities	2,938	2,766
Long-term debt	5,845	5,844
Long-term debt to financing trust	205	205
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	4,985	4,914
Asset retirement obligations	113	111
Non-pension postretirement benefits obligations	254	259
Regulatory liabilities	3,489	3,459
Mark-to-market derivative liability	239	224
Other	512	507
Total deferred credits and other liabilities	9,592	9,474
Total liabilities	18,580	18,289
Commitments and contingencies		
Shareholders equity		
Common stock	1,588	1,588
Other paid-in capital	5,717	5,677
Retained earnings	1,002	978
Total shareholders equity	8,307	8,243
Total liabilities and shareholders equity	$ 26,887	$ 26,532

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COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Total Shareholders Equity
Balance, December 31, 2015	$ 1,588	$ 5,677	$ (1,639)	$ 2,617	$ 8,243
Net income			115		115
Appropriation of retained earnings for future dividends			(115)	115	
Common stock dividends				(91)	(91)
Contribution from parent		39			39
Parent tax matter indemnification		1			1
Balance, March 31, 2016	$ 1,588	$ 5,717	$ (1,639)	$ 2,641	$ 8,307

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 March 31, 2016	2015
Operating revenues		
Electric operating revenues	$ 643	$ 677
Natural gas operating revenues	197	308
Operating revenues from affiliates	1	
Total operating revenues	841	985
Operating expenses		
Purchased power	166	216
Purchased fuel	77	160
Purchased power from affiliate	78	62
Operating and maintenance	177	197
Operating and maintenance from affiliates	38	25
Depreciation and amortization	67	62
Taxes other than income	42	41
Total operating expenses	645	763
Gain on sales of assets		1
Operating income	196	223
Other income and (deductions)		
Interest expense, net	(28)	(25)
Interest expense to affiliates	(3)	(3)
Other, net	2	2
Total other income and (deductions)	(29)	(26)
Income before income taxes	167	197
Income taxes	43	58
Net income attributable to common shareholder	$ 124	$ 139
Comprehensive income	$ 124	$ 139

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$ 124	$ 139
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	67	62
Deferred income taxes and amortization of investment tax credits	23	5
Other non-cash operating activities	24	44
Changes in assets and liabilities:		
Accounts receivable	(51)	(115)
Receivables from and payables to affiliates, net	4	5
Inventories	24	34
Accounts payable and accrued expenses	18	(1)
Income taxes	29	67
Pension and non-pension postretirement benefit contributions	(29)	(12)
Other assets and liabilities	(95)	(70)
Net cash flows provided by operating activities	138	158
Cash flows from investing activities		
Capital expenditures	(195)	(148)
Changes in Exelon intercompany money pool	(160)	
Other investing activities	4	4
Net cash flows used in investing activities	(351)	(144)
Cash flows from financing activities		
Changes in Exelon intercompany money pool		65
Dividends paid on common stock	(69)	(70)
Other financing activities		(1)
Net cash flows used in financing activities	(69)	(6)
Increase (decrease) in cash and cash equivalents	(282)	8
Cash and cash equivalents at beginning of period	295	30
Cash and cash equivalents at end of period	$ 13	$ 38

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 13	$ 295
Restricted cash and cash equivalents	3	3
Accounts receivable, net		
Customer	288	258
Other	124	146
Receivables from affiliates	5	2
Receivable from Exelon intercompany pool	160	
Inventories, net		
Fossil fuel	18	43
Materials and supplies	27	26
Prepaid utility taxes	110	11
Regulatory assets	42	34
Other	26	24
Total current assets	816	842
Property, plant and equipment, net	7,209	7,141
Deferred debits and other assets		
Regulatory assets	1,605	1,583
Investments	27	28
Receivable from affiliates	417	405
Prepaid pension asset	368	347
Other	20	21
Total deferred debits and other assets	2,437	2,384
Total assets	$ 10,462	$ 10,367

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities		
Long-term debt due within one year	$ 300	$ 300
Accounts payable	261	281
Accrued expenses	84	109
Payables to affiliates	62	55
Customer deposits	59	58
Regulatory liabilities	134	112
Other	33	29
Total current liabilities	933	944
Long-term debt	2,281	2,280
Long-term debt to financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,849	2,792
Asset retirement obligations	27	27
Non-pension postretirement benefits obligations	288	287
Regulatory liabilities	521	527
Other	88	90
Total deferred credits and other liabilities	3,773	3,723
Total liabilities	7,171	7,131
Commitments and contingencies		
Shareholder s equity		
Common stock	2,455	2,455
Retained earnings	835	780
Accumulated other comprehensive income, net	1	1
Total shareholder s equity	3,291	3,236
Total liabilities and shareholder s equity	$ 10,462	$ 10,367

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholder s Equity
Balance, December 31, 2015	$ 2,455	$ 780	$ 1	$ 3,236
Net income		124		124
Common stock dividends		(69)		(69)
Balance, March 31, 2016	$ 2,455	$ 835	$ 1	$ 3,291

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2016**	**2015**
Operating revenues		
Electric operating revenues	$ 678	$ 714
Natural gas operating revenues	246	315
Operating revenues from affiliates	5	7
Total operating revenues	929	1,036
Operating expenses		
Purchased power	127	208
Purchased fuel	75	142
Purchased power from affiliate	171	137
Operating and maintenance	168	156
Operating and maintenance from affiliates	34	26
Depreciation and amortization	109	106
Taxes other than income	58	57
Total operating expenses	742	832
Operating income	187	204
Other income and (deductions)		
Interest expense, net	(20)	(21)
Interest expense to affiliates	(4)	(4)
Other, net	4	4
Total other income and (deductions)	(20)	(21)
Income before income taxes	167	183
Income taxes	66	74
Net income	101	109
Preference stock dividends	3	3
Net income attributable to common shareholder	$ 98	$ 106
Comprehensive income	$ 101	$ 109

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$ 101	$ 109
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	109	106
Deferred income taxes and amortization of investment tax credits	26	33
Other non-cash operating activities	44	64
Changes in assets and liabilities:		
Accounts receivable	(44)	(141)
Receivables from and payables to affiliates, net	7	(8)
Inventories	17	38
Accounts payable and accrued expenses	3	(14)
Collateral received (posted), net		(27)
Income taxes	78	26
Pension and non-pension postretirement benefit contributions	(38)	(4)
Other assets and liabilities	(30)	99
Net cash flows provided by operating activities	273	281
Cash flows from investing activities		
Capital expenditures	(176)	(136)
Change in restricted cash	(20)	2
Other investing activities	5	2
Net cash flows used in investing activities	(191)	(132)
Cash flows from financing activities		
Changes in short-term borrowings	(60)	(120)
Dividends paid on preference stock	(3)	(3)
Dividends paid on common stock	(45)	(36)
Contributions from parent	21	
Other financing activities	1	(13)
Net cash flows used in financing activities	(86)	(172)
Decrease in cash and cash equivalents	(4)	(23)
Cash and cash equivalents at beginning of period	9	64
Cash and cash equivalents at end of period	$ 5	$ 41

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 5	$ 9
Restricted cash and cash equivalents	44	24
Accounts receivable, net		
Customer	328	300
Other	77	112
Inventories, net		
Gas held in storage	13	36
Materials and supplies	39	33
Prepaid utility taxes	31	61
Regulatory assets	266	267
Other	16	3
Total current assets	819	845
Property, plant and equipment, net	6,684	6,597
Deferred debits and other assets		
Regulatory assets	499	514
Investments	12	12
Prepaid pension asset	337	319
Other	10	8
Total deferred debits and other assets	858	853
Total assets[(a)]	$ 8,361	$ 8,295

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	$ 150	$ 210
Long-term debt due within one year	378	378
Accounts payable	206	209
Accrued expenses	151	110
Payables to affiliates	59	52
Customer deposits	105	102
Regulatory liabilities	61	38
Other	28	35
Total current liabilities	1,138	1,134
Long-term debt	1,481	1,480
Long-term debt to financing trust	252	252
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,104	2,081
Asset retirement obligations	15	17
Non-pension postretirement benefits obligations	205	209
Regulatory liabilities	151	184
Other	71	61
Total deferred credits and other liabilities	2,546	2,552
Total liabilities[(a)]	5,417	5,418
Commitments and contingencies		
Shareholders equity		
Common stock	1,381	1,367
Retained earnings	1,373	1,320
Total shareholders equity	2,754	2,687
Preference stock not subject to mandatory redemption	190	190
Total equity	2,944	2,877
Total liabilities and shareholders equity	$ 8,361	$ 8,295

(a) BGE s consolidated assets include $47 million and $26 million at March 31, 2016 and December 31, 2015, respectively, of BGE s consolidated VIE that can only be used to settle the liabilities of the VIE. BGE s consolidated liabilities include $41 million and $41 million at March 31, 2016 and December 31, 2015, respectively, of BGE s consolidated VIE for which the VIE creditors do not have recourse to

BGE. See Note 3 Variable Interest Entities.

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholders Equity	Preference Stock Not Subject To Mandatory Redemption	Total Equity
Balance, December 31, 2015	$ 1,367	$ 1,320	$ 2,687	$ 190	$ 2,877
Net income		101	101		101
Preference stock dividends		(3)	(3)		(3)
Common stock dividends		(45)	(45)		(45)
Distribution to parent	(7)		(7)		(7)
Contribution from parent	21		21		21
Balance, March 31, 2016	$ 1,381	$ 1,373	$ 2,754	$ 190	$ 2,944

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Successor	*Predecessor*	
	March 24 to March 31,	**January 1 to March 23,**	**Three Months Ended March 31,**
(In millions)	**2016**	**2016**	**2015**
Operating revenues			
Electric operating revenues	$ 90	$ 1,096	$ 1,268
Natural gas operating revenues	3	57	86
Operating revenues from affiliates	12		
Total operating revenues	105	1,153	1,354
Operating expenses			
Purchased power	26	471	588
Purchased fuel	1	26	51
Purchased power and fuel from affiliates	11		
Operating and maintenance	447	294	300
Operating and maintenance from affiliates	2		
Depreciation and amortization	14	152	155
Taxes other than income	15	105	118
Total operating expenses	516	1,048	1,212
Operating (loss) income	(411)	105	142
Other income and (deductions)			
Interest expense, net	(6)	(65)	(68)
Other, net	2	(4)	9
Total other income and (deductions)	(4)	(69)	(59)
(Loss) Income before income taxes	(415)	36	83
Income taxes	(106)	17	30
Net (loss) income attributable to membership interest/common shareholders	$ (309)	$ 19	$ 53
Comprehensive (loss) income, net of income taxes			
Net (loss) income	$ (309)	$ 19	$ 53
Other comprehensive income, net of income taxes			
Pension and non-pension postretirement benefit plans:			
Actuarial loss reclassified to periodic cost		1	1
Other comprehensive income		1	1
Comprehensive (loss) income	$ (309)	$ 20	$ 54

See the Combined Notes to Consolidated Financial Statements

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Successor	*Predecessor*	
	March 24 to March 31,	**January 1 to March 23,**	**Three Months Ended March 31,**
(In millions)	**2016**	**2016**	**2015**
Cash flows from operating activities			
Net (loss) income	$ (309)	$ 19	$ 53
Adjustments to reconcile net (loss) income to net cash from operating activities:			
Depreciation, amortization and accretion	14	152	155
Deferred income taxes and amortization of investment tax credits	(112)	19	49
Net fair value changes related to derivatives		18	
Other non-cash operating activities	410	46	57
Changes in assets and liabilities:			
Accounts receivable	16	(28)	(214)
Receivables from and payables to affiliates, net	46		
Inventories		(4)	(3)
Accounts payable and accrued expenses	(4)	42	43
Collateral received, net		1	
Income taxes	7	12	(3)
Pension and non-pension postretirement benefit contributions		(4)	(5)
Other assets and liabilities	(25)	(9)	25
Net cash flows provided by operating activities	43	264	157
Cash flows from investing activities			
Capital expenditures	(29)	(273)	(246)
Changes in restricted cash	(1)	3	9
Purchases of investments	(2)	(68)	
Other investing activities	2	(5)	2
Net cash flows used in investing activities	(30)	(343)	(235)
Cash flows from financing activities			
Changes in short-term borrowings	(20)	(121)	74
Proceeds from short-term borrowings with maturities greater than 90 days		500	
Issuance of long-term debt			208
Retirement of long-term debt		(11)	(22)
Issuance of preferred stock			18
Dividends paid on common stock			(68)
Common stock issued for the Direct Stock Purchase and Dividend Reinvestment Plan and employee-related compensation		2	8
Distribution to member	(108)		
Change in Exelon intercompany money pool	(53)		
Other financing activities		2	(13)
Net cash flows provided by financing activities	(181)	372	205

(Decrease) Increase in cash and cash equivalents	(168)	293	127
Cash and cash equivalents at beginning of period	319	26	15
Cash and cash equivalents at end of period	$ 151	$ 319	$ 142

See the Combined Notes to Consolidated Financial Statements

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	*Successor* March 31, 2016 (Unaudited)	*Predecessor* December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 151	$ 26
Restricted cash and cash equivalents	12	14
Accounts receivable, net		
Customer	536	581
Other	284	316
Mark-to-market derivative asset		18
Receivable from affiliates	16	
Inventories, net		
Gas held in storage	4	9
Materials and supplies	122	122
Regulatory assets	801	305
Other	75	81
Total current assets	2,001	1,472
Property, plant and equipment, net	10,980	10,864
Deferred debits and other assets		
Regulatory assets	3,202	2,277
Investments	131	80
Goodwill	4,016	1,406
Long-term note receivable	4	4
Prepaid pension asset	517	
Unamortized energy contract assets	1	
Deferred income taxes	23	14
Other	57	67
Total deferred debits and other assets	7,951	3,848
Total assets[(a)]	$ 20,932	$ 16,184

See the Combined Notes to Consolidated Financial Statements

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	*Successor* March 31, 2016 (Unaudited)	*Predecessor* December 31, 2015
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	$ 1,317	$ 958
Long-term debt due within one year	476	456
Accounts payable	348	404
Accrued expenses	327	263
Payables to affiliates	66	
Unamortized energy contract liabilities	497	
Customer deposits	121	107
Merger related obligation	235	
Regulatory liabilities	106	66
Other	51	70
Total current liabilities	3,544	2,324
Long-term debt	5,656	4,823
Deferred credits and other liabilities		
Regulatory liabilities	186	147
Deferred income taxes and unamortized investment tax credits	3,399	3,406
Asset retirement obligations	5	8
Pension obligations		466
Non-pension postretirement benefit obligations	143	215
Unamortized energy contract liabilities	1,038	
Other	289	199
Total deferred credits and other liabilities	5,060	4,441
Total liabilities[a]	14,260	11,588
Commitments and contingencies		
Preferred stock[b]		183
Member s equity/Shareholders equity		
Membership interest/Common stock[c]	6,981	3,832
Undistributed (losses)/Retained earnings	(309)	617
Accumulated other comprehensive loss, net		(36)
Total member s equity/shareholders equity	6,672	4,413
Total liabilities and member s equity/shareholders equity	$ 20,932	$ 16,184

(a) PHI s consolidated total assets include $68 million and $30 million at March 31, 2016 and December 31, 2015, respectively, of PHI s consolidated VIE that can only be used to settle the liabilities of the VIE. PHI s consolidated total liabilities include $200 million and $172 million at March 31, 2016 and December 31, 2015, respectively, of PHI s consolidated VIE for which the VIE creditors do not have recourse to PHI. See Note 3 Variable Interest Entities.

(b) At December 31, 2015, PHI had 18,000 shares of Series A preferred stock outstanding, par value $0.01 per share.

(c) At December 31, 2015, PHI s (predecessor) shareholders equity included $3,829 million of other paid-in capital and $3 million of common stock. At December 31, 2015, PHI had 400,000,000 shares of common stock authorized and 254,289,261 shares of common stock outstanding, par value $0.01 per share.

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PEPCO HOLDINGS LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(In millions, except shares)	Common Stock/ Membership Interest[a]	Retained Earnings/ Undistributed Losses	Accumulated Other Comprehensive Loss, net	Total Shareholders / Member s Equity
Predecessor				
Balance at December 31, 2015	$ 3,832	$ 617	$ (36)	$ 4,413
Net income		19		19
Original issue shares, net	3			3
Net activity related to stock-based awards	3			3
Other comprehensive income, net of income taxes			1	1
Balance at March 23, 2016	$ 3,838	$ 636	$ (35)	$ 4,439
Successor				
Balance at March 24, 2016[b]	$ 7,200	$	$	$ 7,200
Net loss		(309)		(309)
Distribution to member	(235)			(235)
Distribution of net retirement benefit obligation to member	45			45
Assumption of member purchase liability[c]	(29)			(29)
Balance at March 31, 2016	$ 6,981	$ (309)	$	$ 6,672

(a) At March 23, 2016 and December 31, 2015, PHI s (predecessor) shareholders equity included $3,835 million and $3,829 million of other paid-in capital, and $3 million and $3 million of common stock, respectively.
(b) The March 24, 2016, beginning balance differs from the PHI Merger total purchase price by $59 million related to an acquisition accounting adjustment recorded at Exelon Corporate to reflect unitary state income tax consequences of the merger.
(c) The total purchase price consideration for the PHI Merger included $29 million for cash paid for PHI stock-based compensation awards. See Note 4 Mergers, Acquisitions and Dispositions for further information. The $29 million of cash was paid by PHI.

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POTOMAC ELECTRIC POWER COMPANY

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Operating revenues		
Electric operating revenues	$ 550	$ 544
Operating revenues from affiliates	1	1
Total operating revenues	551	545
Operating expenses		
Purchased power	191	211
Purchased power and fuel from affiliates	6	
Operating and maintenance	288	112
Operating and maintenance from affiliates	2	1
Depreciation and amortization	75	62
Taxes other than income	94	96
Total operating expenses	656	482
Operating (loss) income	(105)	63
Other income and (deductions)		
Interest expense, net	(37)	(30)
Other, net	9	5
Total other income and (deductions)	(28)	(25)
(Loss) Income before income taxes	(133)	38
Income taxes	(25)	12
Net (loss) income attributable to common shareholder	$ (108)	$ 26
Comprehensive (loss) income	$ (108)	$ 26

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POTOMAC ELECTRIC POWER COMPANY

STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net (loss) income	$ (108)	$ 26
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:		
Depreciation and amortization	75	62
Deferred income taxes and amortization of investment tax credits	(31)	12
Other non-cash operating activities	153	23
Changes in assets and liabilities:		
Accounts receivable	(24)	(93)
Receivables from and payables to affiliates, net	55	21
Inventories	1	(6)
Accounts payable and accrued expenses	(4)	6
Income taxes	151	
Pension and non-pension postretirement benefit contributions	(1)	
Other assets and liabilities	(9)	(18)
Net cash flows provided by operating activities	258	33
Cash flows from investing activities		
Capital expenditures	(109)	(119)
Purchases of investments	(31)	
Changes in restricted cash	2	3
Other investing activities	2	3
Net cash flows used in investing activities	(136)	(113)
Cash flows from financing activities		
Changes in short-term borrowings	(64)	(104)
Issuance of long-term debt		208
Retirement of long-term debt		(12)
Dividends paid on common stock	(39)	
Contribution from parent		112
Other financing activities		(4)
Net cash flows (used in) provided by financing activities	(103)	200
Increase in cash and cash equivalents	19	120
Cash and cash equivalents at beginning of period	5	6
Cash and cash equivalents at end of period	$ 24	$ 126

See the Combined Notes to Financial Statements

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POTOMAC ELECTRIC POWER COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 24	$ 5
Restricted cash and cash equivalents		2
Accounts receivable, net		
Customer	240	230
Other	117	261
Inventories, net	65	67
Regulatory assets	133	140
Assets held for sale	4	
Other	22	21
Total current assets	605	726
Property, plant and equipment, net	5,225	5,162
Deferred debits and other assets		
Regulatory assets	663	661
Investments	99	68
Prepaid pension asset	280	287
Other	5	4
Total deferred debits and other assets	1,047	1,020
Total assets	$ 6,877	$ 6,908

See the Combined Notes to Financial Statements

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POTOMAC ELECTRIC POWER COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities		
Short-term borrowings	$	$ 64
Long-term debt due within one year	11	11
Accounts payable	129	145
Accrued expenses	138	119
Payables to affiliates	85	30
Customer deposits	51	46
Regulatory liabilities	26	15
Merger related obligation	49	
Other	20	25
Total current liabilities	509	455
Long-term debt	2,341	2,340
Deferred credits and other liabilities		
Regulatory liabilities	29	29
Deferred income taxes and unamortized investment tax credits	1,695	1,723
Non-pension postretirement benefit obligations	49	49
Other	161	72
Total deferred credits and other liabilities	1,934	1,873
Total liabilities	4,784	4,668
Commitments and contingencies		
Shareholder s equity		
Common stock	1,122	1,122
Retained earnings	971	1,118
Total shareholder s equity	2,093	2,240
Total liabilities and shareholder s equity	$ 6,877	$ 6,908

See the Combined Notes to Financial Statements

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POTOMAC ELECTRIC POWER COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder s Equity
Balance, December 31, 2015	$ 1,122	$ 1,118	$ 2,240
Net loss		(108)	(108)
Common stock dividends		(39)	(39)
Balance, March 31, 2016	$ 1,122	$ 971	$ 2,093

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DELMARVA POWER & LIGHT COMPANY

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2016**	**2015**
Operating revenues		
Electric operating revenues	$ 301	$ 333
Natural gas operating revenues	59	86
Operating revenues from affiliates	2	2
Total operating revenues	362	421
Operating expenses		
Purchased power	147	178
Purchased fuel	25	47
Purchased power from affiliate	4	
Operating and maintenance	204	81
Depreciation, amortization and accretion	39	39
Taxes other than income	15	13
Total operating expenses	434	358
Operating (loss) income	(72)	63
Other income and (deductions)		
Interest expense, net	(12)	(12)
Other, net	3	2
Total other income and (deductions)	(9)	(10)
(Loss) Income before income taxes	(81)	53
Income taxes	(9)	21
Net (loss) income attributable to common shareholder	$ (72)	$ 32
Comprehensive (loss) income	$ (72)	$ 32

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DELMARVA POWER & LIGHT COMPANY

STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net (loss) income	$ (72)	$ 32
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	39	39
Deferred income taxes and amortization of investment tax credits	(4)	21
Other non-cash operating activities	118	12
Changes in assets and liabilities:		
Accounts receivable	4	(82)
Receivables from and payables to affiliates, net	20	4
Inventories	1	5
Accounts payable and accrued expenses	(3)	12
Collateral received	1	
Income taxes	52	
Other assets and liabilities	(9)	14
Net cash flows provided by operating activities	147	57
Cash flows from investing activities		
Capital expenditures	(81)	(68)
Changes in restricted cash		5
Other investing activities		2
Net cash flows used in investing activities	(81)	(61)
Cash flows from financing activities		
Changes in short-term borrowings	(30)	69
Dividends paid on common stock	(38)	(62)
Net cash flows (used in) provided by financing activities	(68)	7
(Decrease) Increase in cash and cash equivalents	(2)	3
Cash and cash equivalents at beginning of period	5	4
Cash and cash equivalents at end of period	$ 3	$ 7

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DELMARVA POWER & LIGHT COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 3	$ 5
Accounts receivable, net		
Customer	149	154
Other	40	96
Inventories, net		
Gas held in storage	4	8
Materials and supplies	34	32
Regulatory assets	67	72
Other	22	21
Total current assets	319	388
Property, plant and equipment, net	3,132	3,070
Deferred debits and other assets		
Regulatory assets	295	299
Goodwill	8	8
Prepaid pension asset	197	202
Other	8	2
Total deferred debits and other assets	508	511
Total assets	$ 3,959	$ 3,969

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DELMARVA POWER & LIGHT COMPANY

BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities		
Short-term borrowings	$ 75	$ 105
Long-term debt due within one year	218	204
Accounts payable	100	109
Accrued expenses	44	31
Payables to affiliates	42	20
Customer deposits	35	31
Regulatory liabilities	57	49
Merger related obligation	76	
Other	9	15
Total current liabilities	656	564
Long-term debt	1,047	1,061
Deferred credits and other liabilities		
Regulatory liabilities	109	111
Deferred income taxes and unamortized investment tax credits	939	945
Non-pension postretirement benefit obligations	21	19
Other	60	32
Total deferred credits and other liabilities	1,129	1,107
Total liabilities	2,832	2,732
Commitments and contingencies		
Shareholder s equity		
Common stock	612	612
Retained earnings	515	625
Total shareholder s equity	1,127	1,237
Total liabilities and shareholder s equity	$ 3,959	$ 3,969

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DELMARVA POWER & LIGHT COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder s Equity
Balance, December 31, 2015	$ 612	$ 625	$ 1,237
Net loss		(72)	(72)
Common stock dividends		(38)	(38)
Balance, March 31, 2016	$ 612	$ 515	$ 1,127

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2016**	**2015**
Operating revenues		
Electric operating revenues	$ 290	$ 333
Operating revenues from affiliates	1	1
Total operating revenues	291	334
Operating expenses		
Purchased power	157	191
Purchased power from affiliates	1	
Operating and maintenance	211	68
Operating and maintenance from affiliates	1	1
Depreciation, amortization and accretion	40	43
Taxes other than income	2	2
Total operating expenses	412	305
Operating (loss) income	(121)	29
Other income and (deductions)		
Interest expense, net	(16)	(16)
Other, net	4	1
Total other income and (deductions)	(12)	(15)
(Loss) Income before income taxes	(133)	14
Income taxes	(33)	5
Net (loss) income attributable to common shareholder	$ (100)	$ 9
Comprehensive (loss) income	$ (100)	$ 9

See the Combined Notes to Consolidated Financial Statements

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
(In millions)	**2016**	**2015**
Cash flows from operating activities		
Net (loss) income	$ (100)	$ 9
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation, amortization and accretion	40	43
Deferred income taxes and amortization of investment tax credits	(33)	5
Other non-cash operating activities	132	8
Changes in assets and liabilities:		
Accounts receivable	5	(44)
Receivables from and payables to affiliates, net	20	2
Inventories	(2)	(1)
Accounts payable and accrued expenses	19	21
Income taxes	168	
Other assets and liabilities	(3)	20
Net cash flows provided by operating activities	246	63
Cash flows from investing activities		
Capital expenditures	(101)	(54)
Changes in restricted cash	1	
Other investing activities		1
Net cash flows used in investing activities	(100)	(53)
Cash flows from financing activities		
Changes in short-term borrowings	(5)	16
Retirement of long-term debt	(11)	(10)
Dividends paid on common stock	(11)	(12)
Net cash flows used in financing activities	(27)	(6)
Increase in cash and cash equivalents	119	4
Cash and cash equivalents at beginning of period	3	2
Cash and cash equivalents at end of period	$ 122	$ 6

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 122	$ 3
Restricted cash and cash equivalents	11	12
Accounts receivable, net		
Customer	146	156
Other	74	242
Inventories, net	24	23
Regulatory assets	95	98
Other	13	12
Total current assets	485	546
Property, plant and equipment, net	2,384	2,322
Deferred debits and other assets		
Regulatory assets	419	414
Long-term note receivable	4	4
Prepaid pension asset	79	82
Other	22	19
Total deferred debits and other assets	524	519
Total assets[(a)]	$ 3,393	$ 3,387

See the Combined Notes to Consolidated Financial Statements

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities		
Short-term borrowings	$	$ 5
Long-term debt due within one year	47	48
Accounts payable	101	96
Accrued expenses	77	70
Payables to affiliates	36	16
Customer deposits	35	30
Regulatory liabilities	22	18
Merger related obligation	110	
Other	16	14
Total current liabilities	444	297
Long-term debt	1,144	1,153
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	854	885
Non-pension postretirement benefit obligations	35	33
Regulatory liabilities	5	7
Other	22	12
Total deferred credits and other liabilities	916	937
Total liabilities[(a)]	2,504	2,387
Commitments and contingencies		
Shareholder s equity		
Common stock	773	773
Retained earnings	116	227
Total shareholder s equity	889	1,000
Total liabilities and shareholder s equity	$ 3,393	$ 3,387

(a) ACE s consolidated total assets include $29 million and $30 million at March 31, 2016 and December 31, 2015, respectively, of ACE s consolidated VIE that can only be used to settle the liabilities of the VIE. ACE s consolidated total liabilities include $161 million and $172 million at March 31, 2016 and December 31, 2015, respectively, of ACE s consolidated VIE for which the VIE creditors do not have recourse to ACE. See Note 3 Variable Interest Entities.

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ATLANTIC CITY ELECTRIC COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Total Shareholder s Equity
Balance, December 31, 2015	$ 773	$ 227	$ 1,000
Net loss		(100)	(100)
Common stock dividends		(11)	(11)
Balance, March 31, 2016	$ 773	$ 116	$ 889

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Index to Combined Notes To Consolidated Financial Statements

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

Applicable Notes

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

1. Significant Accounting Policies (All Registrants)

Description of Business (All Registrants)

Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution and transmission businesses. Prior to March 23, 2016, Exelon s principal, wholly owned subsidiaries included Generation, ComEd, PECO and BGE. On March 23, 2016, in conjunction with the Amended and Restated Agreement and Plan of Merger (the PHI Merger Agreement), Purple Acquisition Corp, a wholly owned subsidiary of Exelon, merged with and into PHI, with PHI continuing as the surviving entity as a wholly owned subsidiary of Exelon. PHI is a utility services holding company engaged through its principal wholly owned subsidiaries, Pepco, DPL and ACE, in the energy distribution and transmission businesses. Refer to Note 4 Mergers, Acquisitions and Dispositions for further information regarding the merger transaction.

The energy generation business includes:

Generation: Generation, physical delivery and marketing of power across multiple geographical regions through its customer-facing business, Constellation, which sells electricity and natural gas to both wholesale and retail customers. Generation also sells renewable energy and other energy-related products and services, and engages in natural gas and oil exploration and production activities (Upstream). Generation has six reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and Other Power Regions.

The energy delivery businesses include:

ComEd: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in northern Illinois, including the City of Chicago.

PECO: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of natural gas distribution services in the Pennsylvania counties surrounding the City of Philadelphia.

BGE: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in central Maryland, including the City of Baltimore, and the purchase and regulated retail sale of natural gas and the provision of natural gas distribution services in central Maryland, including the City of Baltimore.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Pepco: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in the District of Columbia and major portions of Prince George s County and Montgomery County in Maryland.

DPL: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in portions of Maryland and Delaware, and the purchase and regulated retail sale of natural gas and the provision of natural gas distribution services in northern Delaware.

ACE: Purchase and regulated retail sale of electricity and the provision of electric distribution and transmission services in southern New Jersey.

Basis of Presentation (All Registrants)

Pursuant to the acquisition of PHI, Exelon s financial reporting reflects PHI s consolidated financial results subsequent to the March 23, 2016, acquisition date. Exelon has accounted for the merger transaction applying the acquisition method of accounting, which requires the assets acquired and liabilities assumed by Exelon to be reported in Exelon s financial statements at fair value, with any excess of the purchase price over the fair value of net assets acquired reported as goodwill. Exelon has pushed-down the application of the acquisition method of accounting to the consolidated financial statements of PHI such that the assets and liabilities of PHI are similarly recorded at their respective fair values, and goodwill has been established as of the acquisition date. Accordingly, the consolidated financial statements of PHI for periods before and after the March 23, 2016, acquisition date reflect different bases of accounting, and the financial positions and the results of operations of the predecessor and successor periods are not comparable. The acquisition method of accounting has not been pushed down to PHI s wholly-owned subsidiary utility registrants, Pepco, DPL and ACE.

For financial statement purposes, beginning on March 24, 2016, disclosures that had solely related to PHI, Pepco, DPL or ACE activities now also apply to Exelon, unless otherwise noted. When appropriate, Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE are named specifically for their related activities and disclosures.

Certain prior year amounts in the Consolidated Statements of Operations and Comprehensive Income Consolidated Balance Sheets and Consolidated Statements of Cash Flows of PHI, Pepco, DPL and ACE have been reclassified to conform the presentation of these amounts to the current period presentation in Exelon s financial statements. Most significantly for PHI, Pepco, DPL and ACE, current regulatory assets and liabilities have been presented separately from the non-current portions in each respective Consolidated Balance Sheet where recovery or refund is expected within the next 12 months. Additionally, for PHI, Pepco, DPL and ACE, the removal cost within Accumulated depreciation was reclassified to the Regulatory liability or Regulatory asset account to align with Exelon s presentation. The reclassifications were not considered errors for PHI, Pepco, DPL or ACE.

In its December 31, 2015 Form 10-K, Exelon revised the presentation on the Statements of Operations and Comprehensive Income for PECO and BGE to reflect separately operating revenues from the sale of electricity and operating revenues from the sale of natural gas, as well as, to reflect separately purchased power expense and purchased fuel expense within the operating expenses section of the Statement of Operations and Comprehensive Income. Further, Exelon revised the presentation from Total operating revenues to Rate-regulated utility revenues and Competitive businesses revenues on the face of Exelon s Consolidated Statement of Operations and Comprehensive Income for all periods presented. Similarly, Exelon has separately presented Rate-regulated utility purchased power and fuel expense and Competitive businesses purchased power and fuel expense on the face of Exelon s Consolidated Statement of Operations and Comprehensive Income for all periods presented. The reclassifications described herein were made for presentation purposes and did not affect any of the Registrants total operating revenues or net income.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

ACE Basic Generation Service Recovery Mechanism

ACE has a recovery mechanism for purchased power costs associated with BGS. ACE records a deferred energy supply costs regulatory asset or regulatory liability for under or over-recovered costs that are expected to be recovered from or refunded by ACE customers, respectively. In the first quarter of 2016, ACE changed its method of accounting for determining under or over-recovered costs in this recovery mechanism to now include unbilled revenues in the determination of under or over-recovered costs. ACE believes this change is preferable as it better reflects the economic impacts of dollar-for-dollar cost recovery mechanisms. ACE applied the change retrospectively. The impact of the change was a $12 million reduction to ACE s opening Retained earnings as of January 1, 2014 with a corresponding reduction to Regulatory assets. The impact of the change on Net income attributable to common shareholder is an increase of $1 million and $5 million for the three months ended March 31, 2016 and March 31, 2015, respectively.

Classification of Interest on Uncertain Tax Positions

In the first quarter of 2016 PHI, Pepco, DPL and ACE changed their accounting principle for classification of interest on uncertain tax positions. PHI, Pepco, DPL and ACE have reclassified interest on uncertain tax positions as interest expense from income tax expense in the Consolidated Statements of Operations and Comprehensive Income. GAAP does not address the preferability of one acceptable method of accounting over the other for the classification of interest on uncertain tax positions. However, PHI, Pepco, DPL, and ACE believe this change is preferable for comparability of their financial statements with the financial statements of the other Registrants in the combined filing, for consistency with FERC classification, and for a more appropriate representation of the effective tax rate as they manage the settlement of uncertain tax positions and interest expense separately. PHI, Pepco, DPL, and ACE applied the change retrospectively.

The reclassification in the Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2016 is less than $1 million for each of PHI Successor, PHI Predecessor and DPL, and $1 million for each of Pepco and ACE. The reclassification in the Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2015 is less than $1 million for PHI, Pepco, DPL and ACE, respectively. The reclassification amount is more significant for the year-ended December 31, 2015.

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

The accompanying consolidated financial statements as of March 31, 2016 and 2015 and for the three months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2015 Consolidated Balance Sheets were obtained 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, 2016. 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. These notes should be read in conjunction with the Combined Notes to Consolidated Financial Statements of all Registrants included in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of their respective 2015 Form 10-K Reports.

2. New Accounting Pronouncements (All Registrants)

Exelon has identified the following new accounting standards that have been recently adopted.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new standard replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Registrants are currently assessing the impacts this guidance may have on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures as well as the transition method that they will use to adopt the guidance. Exelon is considering the impacts of the new guidance on its ability to recognize revenue for certain contracts where collectability is in question, its accounting for contributions in aid of construction, bundled sales contracts and contracts with pricing provisions that may require it to recognize revenue at prices other than the contract price (e.g., straight line or estimated future market prices). In addition, the Registrants will be required to capitalize costs to acquire new contracts, whereas Exelon currently expenses those costs as incurred. In August 2015, the FASB issued an amendment to provide a one year deferral of the effective date to annual reporting periods beginning on or after December 15, 2017, as well as an option to early adopt the standard for annual periods beginning on or after December 15, 2016. The Registrants do not plan to early adopt the standard. In March 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property. In May 2016, the FASB issued a final amendment regarding narrow scope improvements and practical expedients. The Registrants are currently assessing the impact of these updates.

Leases

In February 2016, the FASB issued authoritative guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance requires lessees to recognize both the right-of-use assets and lease liabilities in the balance sheet for most leases, whereas today only financing type lease liabilities (capital leases) are recognized in the balance sheet. This is expected to require significant changes to systems, processes and procedures in order to recognize and measure leases recorded on the balance sheet that are currently classified as operating leases. In addition, the definition of a lease has been revised in regards to when an arrangement conveys the right to control the use of the identified asset under the arrangement which may result in changes to the classification of an arrangement as a lease. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. The accounting applied by a lessor is largely unchanged from that applied under current GAAP. The standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Registrants are currently assessing the impacts this guidance may have on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures as well as the potential to early adopt the guidance.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share

In May 2015, the FASB issued authoritative guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Investments measured at net asset value per share using the practical expedient will be presented as a reconciling item between the fair value hierarchy disclosure and the investment line item on the Balance Sheet. The guidance also simplified the disclosure requirements for investments valued using the practical expedient. The guidance is effective for the Registrants for fiscal years beginning after December 15, 2015. The Registrants adopted the standard in the first quarter of 2016, and applied the guidance retrospectively to all prior periods presented. The adoption of this guidance had no impact on the Registrants Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows. See Note 8 Fair Value of Financial Assets and Liabilities for the disclosure impacts.

Customer s Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued authoritative guidance that clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. A cloud computing arrangement would include a software license if (1) the customer has a contractual right to take possession of the software at any time during the hosting period without significant penalty and (2) it is feasible for the customer to either operate the software on its own hardware or contract with another party unrelated to the vendor to host the software. If the arrangement does not contain a software license, it would be accounted for as a service contract. The Registrants prospectively adopted the standard in the first quarter of 2016. The adoption of this guidance had no impact on the Registrants Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued authoritative guidance that amends the consolidation analysis for variable interest entities (VIEs) as well as voting interest entities. The new guidance primarily (1) changes the VIE assessment of limited partnerships, (2) amends the effect that fees paid to a decision maker or service provider have on the VIE analysis, (3) amends how variable interests held by a reporting entity s related parties and de facto agents impact its consolidation conclusion, (4) clarifies how to determine whether equity holders (as a group) have power over an entity, and (5) provides a scope exception for registered and similar unregistered money market funds. The guidance became effective for the Registrants January 1, 2016. The Registrants adopted the standard in the first quarter of 2016. The Registrants have evaluated the standard and have not identified any changes to consolidation conclusions as a result of the new guidance. Based on the analysis completed, additional entities were considered VIEs. See Note 3 Variable Interest Entities for the disclosure impacts.

The following recently issued accounting standards are not yet required to be reflected in the consolidated financial statements of the Registrants.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued authoritative guidance intended to simplify various aspects to how share-based payment awards to employees are accounted for and presented in the financial statements. The new guidance eliminates additional paid-in capital pools and requires excess tax benefits and tax deficiencies to be recorded in the Statement of Operations and Comprehensive Income. The standard is effective for fiscal years beginning after December 15, 2016 with early adoption permitted if all provisions are adopted within the same period. The guidance is required to be applied on either a prospective, modified retrospective, or retrospective

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

basis depending on the provisions applied. The Registrants do not expect that this guidance will have a significant impact on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures. The Registrants are currently assessing the potential to early adopt the guidance.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued authoritative guidance eliminating the requirement to retroactively adopt the equity method of accounting as a result of an increase in the level ownership or degree of influence of an existing investment. The guidance now requires an investor to add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for the equity method of accounting. The standard is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Registrants do not expect that this guidance will have a significant impact on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures. The Registrants are currently assessing the potential to early adopt the guidance.

Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

In March 2016, the FASB issued authoritative guidance which clarifies that a change in the counterparty of a derivative contract does not, in and of itself, require dedesignation of that hedge accounting relationship as long as all of the other hedge accounting criteria are met. The standard is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. Entities have the option to adopt this standard on a prospective basis to new derivative contract novations or on a modified retrospective basis. The Registrants do not expect that this guidance will have a significant impact on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures. The Registrants are currently assessing the transition method and the potential to early adopt the guidance.

Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued authoritative guidance which simplifies the embedded derivative analysis for debt instruments containing contingent call or put options by removing the requirement to assess whether a contingent event is related to interest rates or credit risks. The guidance clarifies that a contingent put or call option embedded in a debt instrument would be evaluated for possible separate accounting as a derivative instrument without regard to the nature of the exercise contingency. The standard is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The guidance is required to be applied on a modified retrospective basis to all existing and future debt instruments. The Registrants are currently assessing the impacts this guidance may have on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures as well as the potential to early adopt the guidance.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued authoritative guidance which (i) requires all investments in equity securities, including other ownership interests such as partnerships, unincorporated joint ventures and limited liability companies, to be carried at fair value through net income, (ii) requires an incremental recognition and disclosure requirement related to the presentation of fair value changes of financial liabilities for which the fair value option has been elected, (iii) amends several disclosure requirements, including the methods and significant assumptions used to estimate fair value or a description of the changes in the methods and assumptions used to

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

estimate fair value, and (iv) requires disclosure of the fair value of financial assets and liabilities measured at amortized cost at the amount that would be received to sell the asset or paid to transfer the liability. The standard is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The guidance is required to be applied retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of adoption (modified retrospective method). The Registrants are currently assessing the impacts this guidance may have on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures as well as the potential to early adopt the guidance.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued authoritative guidance that requires inventory to be measured at the lower of cost or net realizable value. The new guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This definition is consistent with existing authoritative guidance. Current guidance requires inventory to be measured at the lower of cost or market where market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. The guidance is effective for periods beginning after December 15, 2016 with early adoption permitted. The guidance is required to be applied prospectively. The Registrants do not expect that this guidance will have a significant impact on their Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures. The Registrants are currently assessing the potential to early adopt the guidance.

3. Variable Interest Entities (All Registrants)

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

At March 31, 2016, Exelon, Generation, BGE, PHI and ACE collectively consolidated nine VIEs or VIE groups for which the applicable Registrant was the primary beneficiary. At December 31, 2015, Exelon, Generation and BGE collectively had seven consolidated VIEs or VIE groups and PHI and ACE collectively had one consolidated VIE (*see Consolidated Variable Interest Entities below).* As of March 31, 2016 and December 31, 2015, Exelon and Generation collectively had significant interests in nine and eight other VIEs, respectively, for which the applicable Registrant does not have the power to direct the entities activities and, accordingly, was not the primary beneficiary *(see Unconsolidated Variable Interest Entities below).*

Consolidated Variable Interest Entities

In June 2015, 2015 ESA Investco, LLC, then a wholly owned subsidiary of Generation, entered into an arrangement to purchase a 90% equity interest and 99% of the tax attributes of another distributed energy company. In November 2015, Generation sold 69% of its equity interest in 2015 ESA Investco, LLC to a tax equity investor. Generation and the tax equity investor will contribute a total of $250 million of equity incrementally from inception through December 2016 in proportion to their ownership interests, which equates to approximately $172 million for the tax equity investor and $78 million for Generation (see Note 18 Commitments and Contingencies for more details). The investment in the distributed energy company was

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

evaluated, and it was determined to be a VIE for which Generation is not the primary beneficiary (see additional details in the Unconsolidated Variable Interest Entities section below). As of December 31, 2015, Generation consolidated 2015 ESA Investco, LLC under the voting interest model. However, pursuant to the new consolidation guidance effective as of January 1, 2016 for the Registrants, 2015 ESA Investco, LLC meets the definition of a VIE because the company has a similar structure to a limited partnership and the limited partners do not have kick out rights with respect to the general partner. (For additional details related to the new consolidation guidance, see Note 2 New Accounting Pronouncements.) Under VIE guidance, Generation is the primary beneficiary; therefore, the entity continues to be consolidated.

Exelon s, Generation s, BGE s, PHI s and ACE s consolidated VIEs consist of:

- A retail gas group formed by Generation to enter into a collateralized gas supply agreement with a third-party gas supplier,
- a group of solar project limited liability companies formed by Generation to build, own and operate solar power facilities,
- several wind project companies designed by Generation to develop, construct and operate wind generation facilities,
- a group of companies formed by Generation to build, own and operate other generating facilities,
- certain retail power and gas companies for which Generation is the sole supplier of energy,
- CENG,
- 2015 ESA Investco, LLC,
- BondCo, a special purpose bankruptcy remote limited liability company formed by BGE to acquire, hold, issue and service bonds secured by rate stabilization property, and
- ATF, a special purpose entity formed by ACE for the purpose of securitizing authorized portions of ACE s recoverable stranded costs through the issuance and sale of transition bonds.

As of March 31, 2016 and December 31, 2015, ComEd, PECO, Pepco and DPL do not have any material consolidated VIEs.

As of March 31, 2016 and December 31, 2015, Exelon, Generation, BGE, PHI and ACE provided the following support to their respective consolidated VIEs:

Generation provides operating and capital funding to the solar and wind entities for ongoing construction, operations and maintenance of the solar and wind power facilities and there is limited recourse to Generation related to certain solar and wind entities.

Generation and Exelon, where indicated, provide the following support to CENG (see Note 5 Investment in Constellation Energy Nuclear Group, LLC and Note 26 Related Party Transactions of the Exelon 2015 Form 10-K for additional information regarding Generation s and Exelon s transactions with CENG):

under the NOSA, Generation conducts all activities related to the operation of the CENG nuclear generation fleet owned by CENG subsidiaries (the CENG fleet) and provides corporate and administrative services for the remaining life and decommissioning of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDF,

under the Power Services Agency Agreement (PSAA), Generation provides scheduling, asset management, and billing services to the CENG fleet for the remaining operating life of the CENG nuclear plants,

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

under power purchase agreements with CENG, Generation purchased or will purchase 50.01% of the available output generated by the CENG nuclear plants not subject to other contractual agreements from January 2015 through the end of the operating life of each respective plant. However, pursuant to amendments dated March 31, 2015, the energy obligations under the Ginna Nuclear Power Plant (Ginna) PPAs have been suspended during the term of the Reliability Support Services Agreement (RSSA) (see Note 5 Regulatory Matters for additional details),

Generation provided a $400 million loan to CENG. As of March 31, 2016, the remaining obligation is $304 million, including accrued interest, which reflects the principal payment made in January 2015,

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 18 Commitments and Contingencies for more details),

in connection with CENG s severance obligations, Generation has agreed to reimburse CENG for a total of approximately $6 million of the severance benefits paid or to be paid in 2014 through 2016. As of March 31, 2016, the remaining obligation is immaterial,

Generation and EDF share in the $637 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance,

Generation provides a guarantee of approximately $7 million associated with hazardous waste management facilities and underground storage tanks. In addition, EDF executed a reimbursement agreement that provides reimbursement to Exelon for 49.99% of any amounts paid by Generation under this guarantee,

Generation and EDF are the members-insured with Nuclear Electric Insurance Limited and have assigned the loss benefits under the insurance and the NEIL premium costs to CENG and guarantee the obligations of CENG under these insurance programs in proportion to their respective member interests (see Note 18 Commitments and Contingencies for more details), and

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

Generation provides approximately $14 million in credit support for the retail power and gas companies for which Generation is the sole supplier of energy.

Generation provides a $75 million parental guarantee to a third-party gas supplier and provides limited recourse to other third-party gas suppliers and customers in support of its retail gas group.

Generation provides operating and capital funding to the other generating facilities for ongoing construction, operations and maintenance and provides a parental guarantee of up to $275 million in support of the payment obligations related to the Engineering, Procurement and Construction contract in support of one of its other generating facilities.

In the case of BondCo, BGE is required to remit all payments it receives from all residential customers through non-bypassable, rate stabilization charges to BondCo. During the three months ended March 31, 2016 and 2015, BGE remitted $20 million and $21 million to BondCo, respectively.

In the case of ATF, proceeds from the sale of each series of transition bonds by ATF were transferred to ACE in exchange for the transfer by ACE to ATF of the right to collect a non-bypassable Transition

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Bond Charge from ACE customers pursuant to bondable stranded costs rate orders issued by the NJBPU in an amount sufficient to fund the principal and interest payments on transition bonds and related taxes, expenses and fees. During the three months ended March 31, 2016 and 2015, ACE transferred $14 million and $13 million to ATF, respectively.

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

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

The carrying amounts and classification of the consolidated VIEs assets and liabilities included in the Registrants consolidated financial statements at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016					December 31, 2015				
				Successor					*Predecessor*	
	Exelon[a][b]	**Generation**	**BGE**	**PHI[b]**	**ACE**	**Exelon[a]**	**Generation**	**BGE**	**PHI**	**ACE**
Current assets	$ 928	$ 860	$ 44	$ 22	$ 11	$ 909	$ 881	$ 23	$ 12	$ 12
Noncurrent assets	8,047	7,996	3	46	18	8,009	8,004	3	18	18
Total assets	$ 8,975	$ 8,856	$ 47	$ 68	$ 29	$ 8,918	$ 8,885	$ 26	$ 30	$ 30
Current liabilities	$ 544	$ 400	$ 83	58	$ 47	$ 473	$ 387	$ 81	$ 48	$ 48
Noncurrent liabilities	3,050	2,865	41	142	114	2,927	2,884	41	124	124
Total liabilities	$ 3,594	$ 3,265	$ 124	$ 200	$ 161	$ 3,400	$ 3,271	$ 122	$ 172	$ 172

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

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Assets and Liabilities of Consolidated VIEs

Included within the balances above are assets and liabilities of certain consolidated VIEs for which the assets can only be used to settle obligations of those VIEs, and liabilities that creditors, or beneficiaries, do not have recourse to the general credit of the Registrants. As of March 31, 2016 and December 31, 2015, these assets and liabilities primarily consisted of the following:

	March 31, 2016					December 31, 2015				
				Successor					*Predecessor*	
	Exelon[a][b]	Generation	BGE	PHI[b]	ACE	Exelon[a]	Generation	BGE	PHI	ACE
Cash and cash equivalents	$ 145	$ 145	$	$	$	$ 164	$ 164	$	$	$
Restricted cash	117	62	44	11	11	100	77	23	12	12
Accounts receivable, net										
Customer	231	231				219	219			
Other	28	28				43	43			
Mark-to-market derivatives assets	120	120				140	140			
Inventory										
Materials and supplies	186	186				181	181			
Other current assets	50	36		11		35	30			
Total current assets	877	808	44	22	11	882	854	23	12	12
Property, plant and equipment, net	5,141	5,141				5,160	5,160			
Nuclear decommissioning trust funds	2,069	2,069				2,036	2,036			
Goodwill	47	47				47	47			
Mark-to-market derivatives assets	41	41				53	53			
Other noncurrent assets	135	84	3	46	18	90	85	3	18	18
Total noncurrent assets	7,433	7,382	3	46	18	7,386	7,381	3	18	18
Total assets	$ 8,310	$ 8,190	$ 47	$ 68	$ 29	$ 8,268	$ 8,235	$ 26	$ 30	$ 30
Long-term debt due within one year	$ 265	$ 128	$ 79	$ 56	$ 45	$ 111	$ 27	$ 79	$ 46	$ 46
Accounts payable	164	164				216	216			
Accrued expenses	81	75	4	2	2	115	113	2	2	2
Mark-to-market derivative liabilities	7	7				5	5			
Unamortized energy contract liabilities	12	12				12	12			
Other current liabilities	13	13				13	13			
Total current liabilities	542	399	83	58	47	472	386	81	48	48
Long-term debt	743	559	41	142	114	666	623	41	124	124
Asset retirement obligations	2,016	2,016				1,999	1,999			
Pension obligation[c]	9	9				9	9			

Unamortized energy contract liabilities	35	35				39	39			
Other noncurrent liabilities	76	76				79	79			
Total noncurrent liabilities	2,879	2,695	41	142	114	2,792	2,749	41	124	124
Total liabilities	$ 3,421	$ 3,094	$ 124	$ 200	$ 161	$ 3,264	$ 3,135	$ 122	$ 172	$ 172

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Includes certain purchase accounting adjustments not pushed down to the ACE standalone entity.
(c) Includes the CNEG retail gas pension obligation, which is presented as a net asset balance within the Prepaid pension asset line item on Generation s balance sheet. See Note 13 Retirement Benefits for additional details.

Unconsolidated Variable Interest Entities

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

The Registrants unconsolidated VIEs consist of:

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

As of March 31, 2016 and December 31, 2015, Exelon and Generation had significant unconsolidated variable interests in nine and eight VIEs, respectively for which Exelon or Generation, as applicable, was not the primary beneficiary; including certain equity investments and certain commercial agreements. Exelon and Generation only include unconsolidated VIEs that are individually material in the tables below. However, Generation has several individually immaterial VIEs that in aggregate represent a total investment of $18 million. These immaterial VIEs are equity and debt securities in energy development companies. The maximum exposure to loss related to these securities is limited to the $18 million included in Investments on Exelon s and Generation s Consolidated Balance Sheets. The risk of a loss was assessed to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss.

In July 2014, Generation entered into an arrangement to purchase a 90% equity interest and 90% of the tax attributes of a distributed energy company. Generation s total equity commitment in this arrangement was $91 million and was paid incrementally over an approximate two year period (see Note 18 Commitments and Contingencies for additional details). This arrangement did not meet the definition of a VIE and was recorded as an equity method investment. However, pursuant to the new consolidation guidance effective as of January 1, 2016 for the Registrants, the distributed energy company meets the definition of a VIE because the company has a similar structure to a limited partnership and the limited partners do not have kick out rights of the general partner. (For additional details related to the new consolidation guidance, see Note 2 New Accounting Pronouncements.) Generation is not the primary beneficiary; therefore, the investment continues to be recorded using the equity method.

In June 2015, 2015 ESA Investco, LLC, then a wholly owned subsidiary of Generation, entered into an arrangement to purchase a 90% equity interest and 99% of the tax attributes of a distributed energy company, which is an unconsolidated VIE. Separate from the equity investment, Generation provided $27 million in cash to the other (10%) equity holder in the distributed energy company in exchange for a convertible promissory note.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In November 2015, Generation sold 69% of its equity interest in 2015 ESA Investco, LLC to a tax equity investor. Generation and the tax equity investor will contribute a total of $250 million of equity incrementally from inception through December 2016 in proportion of their ownership interests, which equates to approximately $172 million for the tax equity investor and $78 million for Generation (see Note 18 Commitments and Contingencies for additional details). Generation and the tax equity investor provide a parental guarantee of up to $275 million in proportion to their ownership interests in support of 2015 ESA Investco, LLC s obligation to make equity contributions to the distributed energy company, which is an unconsolidated VIE. The investment in the distributed energy company was evaluated and it was determined to be a VIE for which Generation is not the primary beneficiary. See additional details in the Consolidated Variable Interest Entities section above.

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

March 31, 2016	Commercial Agreement VIEs	Equity Investment VIEs	Total
Total assets[a]	$ 264	$ 357	$ 621
Total liabilities[a]	15	247	262
Exelon s ownership interest in VIE[a]		75	75
Other ownership interests in VIE[a]	249	35	284
Registrants maximum exposure to loss:			
Carrying amount of equity method investments		94	94
Contract intangible asset	9		9
Debt and payment guarantees		3	3
Net assets pledged for Zion Station decommissioning[b]	17		17

December 31, 2015	Commercial Agreement VIEs	Equity Investment VIEs	Total
Total assets[a]	$ 263	$ 164	$ 427
Total liabilities[a]	22	125	147
Exelon s ownership interest in VIE[a]		11	11
Other ownership interests in VIE[a]	241	28	269
Registrants maximum exposure to loss:			
Carrying amount of equity method investments		21	21
Contract intangible asset	9		9
Debt and payment guarantees		3	3
Net assets pledged for Zion Station decommissioning[b]	17		17

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

(b) These items represent amounts on Exelon s and Generation s Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of $183 million and $206 million as of March 31, 2016 and December 31, 2015, respectively; offset by payables to ZionSolutions LLC of $166 million and $189 million as of March 31, 2016 and December 31, 2015, respectively. These items are included to provide information regarding the relative size of the ZionSolutions LLC unconsolidated VIE.

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Mergers, Acquisitions and Dispositions

Merger with Pepco Holdings, Inc. (Exelon)

Description of Transaction

On March 23, 2016, Exelon completed the merger contemplated by the Merger Agreement among Exelon, Purple Acquisition Corp., a wholly owned subsidiary of Exelon (Merger Sub) and Pepco Holdings, Inc. (PHI). As a result of that merger, Merger Sub was merged into PHI (the PHI Merger) with PHI surviving as a wholly owned subsidiary of Exelon and Exelon Energy Delivery Company, LLC (EEDC), a wholly owned subsidiary of Exelon which also owns Exelon s interests in ComEd, PECO and BGE (through a special purpose subsidiary in the case of BGE). Following the completion of the PHI Merger, Exelon and PHI completed a series of internal corporate organization restructuring transactions resulting in the transfer of PHI s unregulated business interests to Exelon and Generation and the transfer of PHI, Pepco, DPL and ACE to a special purpose subsidiary of EEDC.

Regulatory Matters

On August 27, 2015, the District of Columbia Public Service Commission (DCPSC) issued an Opinion and Order denying approval of the merger, concluding that the merger as presented was not in the public interest. Exelon and PHI filed an Application for Reconsideration with the DCPSC on September 28, 2015. On October 6, 2015, various parties, including Exelon and PHI, entered into a Nonunanimous Full Settlement Agreement and Stipulation (Settlement Agreement) with respect to the merger. Exelon and PHI subsequently filed a motion of joint applicants requesting the DCPSC to reopen the approval application to allow for consideration of the Settlement Agreement and granting additional requested relief.

On October 28, 2015, the DCPSC agreed to reopen the approval application to allow for consideration of the Settlement Agreement. On February 26, 2016, the DCPSC rejected the Settlement Agreement and also voted that the merger would be deemed approved without further DCPSC action if the Settlement Agreement was modified in specific ways (Revised Settlement Agreement), and if such modifications were acceptable to Exelon, PHI, the District of Columbia Government, the Office of People s Counsel, the District of Columbia Water and Sewer Authority, the National Consumer Law Center, National Housing Trust and National Housing Trust-Enterprise Preservation Corporation, and the Apartment and Office Building Association of Metropolitan Washington (collectively, Settling Parties). On March 7, 2016, Exelon and PHI made a filing with the DCPSC requesting approval of the merger through either (1) the adoption of the Settlement Agreement as originally executed by the Settling Parties, (2) the adoption of the Revised Settlement Agreement as a resolution on the merits, or (3) the adoption of a compromise position with modifications to the Revised Settlement Agreement. On March 23, 2016, the DCPSC approved the merger through the adoption of the Revised Settlement Agreement with a minor modification.

Approval of the merger across all jurisdictions was conditioned upon Exelon and PHI agreeing to certain commitments including where applicable: customer rate credits, funding for energy efficiency and delivery system modernization programs, a green sustainability fund, workforce development initiatives, charitable contributions, renewable generation and other required commitments. In addition, the orders approving the merger in Delaware, New Jersey, and Maryland include a most favored nation provision which, generally speaking, requires allocation of merger benefits proportionally across all the jurisdictions. Exelon estimates total commitments of approximately $444 million on a net present value basis (excluding charitable contributions and renewable generation commitments) will be provided. The actual cost of commitments may differ by a material amount depending on the result of final negotiations and application of the most favored nation provision. The following pre-tax costs were recognized, including the estimated impacts of applying the most favored nation

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

provision, after the closing of the merger and are included in Operating and maintenance expense in Exelon s, Pepco s, DPL s and ACE s Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2016 and PHI s successor Consolidated Statement of Operations and Comprehensive Income:

					Successor	
Description	**Expected Payment Period**	**Pepco**	**DPL**	**ACE**	**PHI**	**Exelon**
Customer bill credit	2016 2017	$ 65	$ 58	$ 62	$ 185	$ 185
Energy efficiency	2016 2021					64
Charitable contributions	2016 2026	28	12	10	50	50
Customer base rate credit	2016 2019	26			26	26
Delivery system modernization	Q2 2016					22
Green sustainability fund	Q2 2016					14
Workforce development	2016 2020					11
Most favored nation		19	32	48	99	129
Other		1	2		3	7
Total		$ 139	$ 104	$ 120	$ 363	$ 508

Pursuant to the orders approving the merger, Exelon expects to make $73 million, $46 million and $49 million equity contributions to Pepco, DPL and ACE, respectively, in the second quarter of 2016 to fund the after-tax amounts of the customer bill credit and the customer base rate credit commitments.

In addition, Exelon is committed to develop or to assist in the commercial development of approximately 32 MWs of new generation in Maryland and the District of Columbia, 27MWs of which are expected to be completed by 2018. These investments are expected to total approximately $130 million. These investments are expected to be primarily capital in nature, and will generate future earnings at Exelon and Generation. Investment costs will be recognized as incurred and recorded on Exelon s and Generation s financial statements. Exelon has also committed to purchase 100MW of wind energy to procure, under certain circumstances, wind RECs for the purpose of meeting Delaware s renewable portfolio standards, and to maintain and promote energy efficiency and demand response programs in the PHI jurisdictions.

Pursuant to the various jurisdictions merger approval conditions, over specified periods Pepco, DPL and ACE are not permitted to reduce employment levels due to involuntary attrition associated with the merger integration process and have made other commitments regarding hiring and relocation of positions.

Exelon has been named in suits filed in the Delaware Chancery Court alleging that individual directors of PHI breached their fiduciary duties by entering into the merger transaction and Exelon aided and abetted the individual directors breaches. The suits seek to enjoin PHI from completing the merger or seek rescission of the merger if completed. In addition, they also seek unspecified damages and costs. Exelon was also named in a federal court suit making similar claims. In September 2014, the parties reached a proposed settlement that would resolve all claims, which is subject to court approval, with a decision not anticipated until the second or third quarter of 2016. Exelon does not believe resolution of these suits will have a material impact on Exelon s results of operations or cash flows.

On July 21, 2015, the OPC filed a motion to stay the MDPSC order approving the merger and to set a schedule for discovery and presentation of new evidence. On July 29, 2015, Public Citizen, Inc. filed a response supporting OPC s motion to stay, and on July 31, 2015 the Sierra Club and the Chesapeake Climate Action Network (CCAN) filed a joint motion to stay. In July and August, Exelon, PHI, the MDPSC, Prince George s

County and Montgomery County filed responses opposing the motions to stay. The judge issued an order denying the motions for stay on August 12, 2015. On January 8, 2016, the Circuit Court judge affirmed the MDPSC s order approving the merger and denied the petitions for judicial review filed by the OPC, the Sierra Club, CCAN and Public Citizen, Inc. On January 19, 2016, the OPC filed a notice of appeal to the Maryland Court of Special Appeals, and on January 21, the Sierra Club and CCAN filed a notice of appeal. Exelon believes the matters are without merit. These appeals are not expected to be resolved any earlier than the first quarter of 2017.

On March 25, 2016, Grid 2.0 filed an application for reconsideration of the DCPSC s March 23, 2016 order approving the merger. On March 30, 2016, Exelon filed a reply to that application. The DCPSC has tolled the date to act upon the application until May 25, 2016 and, therefore, the DCPSC is expected to issue an order ruling on these motions by that date. On April 20, 2016, DC Public Power filed a motion to reconsider the DCPSC s March 23, 2016 order, motion to intervene and motion to consider alternative settlement provisions (namely, that the DCPSC consider requiring the post-merger divestiture of Pepco s DC-based assets to a not-for-profit independent grid operator). On April 27, 2016, Exelon filed a reply to these motions. The DCPSC is expected to issue an order ruling on these motions by May 20, 2016. On April 22, 2016, (1) the District of Columbia Office of People s Counsel, (2) the District of Columbia Government, and (3) DC Sun and Public Citizen each filed separate applications for reconsideration of the DCPSC s March 23, 2016 order. On April 29, 2016, Exelon filed a reply to these applications. The DCPSC is expected to issue an order ruling on these applications by May 23, 2016. These applications for reconsideration generally argue that the DCPSC violated its regulations, utilized improper processes, abused its discretion, acted arbitrarily and capriciously, committed legal error and denied due process in approving the merger under terms that revised the Settlement Agreement offered by the companies and various parties. Exelon believes the matters are without merit.

Accounting for the Merger Transaction

The total purchase price consideration of approximately $7.1 billion for the PHI Merger consisted of cash paid to PHI shareholders, cash paid for PHI preferred securities and cash paid for PHI stock-based compensation equity awards as follows:

(In millions of dollars, except per share data)	Total Consideration
Cash paid to PHI shareholders at $27.25 per share (254 million shares outstanding at March 23, 2016)	$ 6,933
Cash paid for PHI preferred stock[(a)]	180
Cash paid for PHI stock-based compensation equity awards[(b)]	29
Total purchase price	$ 7,142

(a) As of December 31, 2015, the preferred stock was included in Other non-current assets on Exelon s Consolidated Balance Sheet.

(b) PHI s unvested time-based restricted stock units and performance-based restricted stock units issued prior to April 29, 2014 were immediately vested and paid in cash upon the close of the merger. PHI s remaining unvested time-based restricted stock units as of the close of the merger were cancelled. There were no remaining unvested performance-based restricted stock units as of the close of the merger.

PHI shareholders received $27.25 of cash in exchange for each share of PHI common stock outstanding as of the effective date of the merger. In connection with the Merger Agreement, Exelon entered into a Subscription Agreement under which it purchased $180 million of a new class of nonvoting, nonconvertible and nontransferable preferred securities of PHI prior to December 31, 2015. On March 23, 2016, the preferred securities were cancelled for no consideration to Exelon, and accordingly, the $180 million cash consideration previously paid to acquire the preferred securities was treated as purchase price consideration.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Exelon applied push-down accounting to PHI, and accordingly, the PHI assets acquired and liabilities assumed were recorded on Exelon s and PHI s Consolidated Balance Sheets as of March 23, 2016, at their estimated fair values as follows:

Preliminary Purchase Price Allocation	
Current assets	$ 2,107
Property, plant and equipment	11,071
Regulatory assets	5,118
Other assets	656
Goodwill	4,016
Total assets	22,968
Current liabilities	3,425
Unamortized energy contracts	1,550
Regulatory liabilities	297
Long-term debt, including current maturities	6,076
Deferred income taxes	3,441
Pension and OPEB liability	846
Other liabilities	191
Total liabilities	15,826
Total purchase price	$ 7,142

On its successor financial statements, PHI has recorded beginning March 24, 2016, Membership interest equity of $7.2 billion, greater than the total $7.1 billion purchase price, reflecting the impacts of a $59 million deferred tax liability recorded only at Exelon Corporate to reflect unitary state income tax consequences of the merger.

The excess of the purchase price over the estimated fair value of the assets acquired and the liabilities assumed totaled $4.0 billion, which was recognized as goodwill by PHI and Exelon at the acquisition date, reflecting the value associated with enhancing Exelon s regulated utility portfolio of businesses, including the ability to leverage experience and best practices across the utilities and the opportunities for synergies. For purposes of future required impairment assessments, the goodwill has been preliminarily assigned to PHI s reportable units Pepco, DPL and ACE in the amounts of $1.7 billion, $1.2 billion and $1.1 billion, respectively. None of this goodwill is expected to be tax deductible.

Immediately following closing of the merger, $235 million of net assets included in the table above associated with PHI s unregulated business interests were distributed by PHI to Exelon. Of this amount, Exelon contributed $163 million of such net assets to Generation.

The fair values of PHI s assets and liabilities were determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing), discount rates reflecting risk inherent in the future cash flows and impacts of utility rate regulation. There were also judgments made to determine the expected useful lives assigned to each class of assets acquired.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Exelon s and PHI s carrying amount of goodwill for the three months ended March 31, 2016 was as follows:

	PHI	Exelon[(a)]
Beginning balance	$	$ 2,672
Goodwill from business combination	4,016	4,016
Ending balance	$ 4,016	$ 6,688

(a) As of March 31, 2016, there were no changes to the carrying amount of goodwill for ComEd and Generation, see Note 11 Intangible Assets of the Exelon 2015 Form 10-K for further information.

Through its wholly-owned rate regulated utility subsidiaries, most of PHI s assets and liabilities are subject to cost-of-service rate regulation. Under such regulation, rates charged to customers are established by a regulator to provide for recovery of costs and a fair return on invested capital, or rate base, generally measured at historical cost. In applying the acquisition method of accounting, for regulated assets and liabilities included in rate base or otherwise earning a return (primarily plant, property and equipment and regulatory assets earning a return), no fair value adjustments were recorded as historical cost is viewed as a reasonable proxy for fair value.

Fair value adjustments were applied to the historical cost bases of other assets and liabilities subject to rate regulation but not earning a return (including debt instruments and pension and OPEB obligations). In these instances, a corresponding offsetting regulatory asset or liability was also established, as the underlying utility asset and liability amounts are recoverable from or refundable to customers at historical cost (and not at fair value) through the rate setting process. Similar treatment was applied for fair value adjustments to record intangible assets and liabilities, such as for electricity and gas energy supply contracts as further described below. Regulatory assets and liabilities established to offset fair value adjustments are amortized in amounts and over time frames consistent with the realization or settlement of the fair value adjustments, with no impact on reported net income. See Note 5 Regulatory Matters for additional information regarding the fair value of regulatory assets and liabilities established by Exelon and PHI.

Fair value adjustments were recorded at Exelon and PHI for the difference between the contract price and the market price of electricity and gas energy supply contracts of PHI s wholly-owned rate regulated utility subsidiaries. These adjustments are intangible assets and liabilities classified as unamortized energy contracts on Exelon s and PHI s Consolidated Balance Sheets as of March 31, 2016. The difference between the contract price and the market price at the acquisition date of the Merger was recognized for each contract as either an intangible asset or liability. In total, Exelon and PHI recorded a net $1.5 billion liability reflecting out-of-the-money contracts. The valuation of the acquired intangible assets and liabilities was estimated by applying either the market approach or the income approach depending on the nature of the underlying contract. The market approach was utilized when prices and other relevant information generated by market transactions involving comparable transactions were available. Otherwise the income approach, which is based upon discounted projected future cash flows associated with the underlying contracts, was utilized. In certain instances, the valuations were based upon certain unobservable inputs, which are considered Level 3 inputs, pursuant to applicable accounting guidance. Key estimates and inputs include forecasted power prices and the discount rate. The unamortized energy contract fair value adjustment amounts and the corresponding offsetting regulatory asset and liability amounts are amortized through Purchase power and fuel expense or Operating revenues, as applicable, over the life of the applicable contract in relation to the present value of the underlying cash flows as of the merger date. Amortizations were not significant for the period March 24, 2016 to March 31, 2016 at Exelon or PHI.

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

The valuations performed in the first quarter of 2016 to assess the fair value of certain assets acquired and liabilities assumed are considered preliminary as a result of the short time period between the closing of the merger and the end of the first quarter of 2016. Accounting guidance provides that the allocation of the purchase price may be modified up to one year from the date of the merger as more information is obtained about the fair value of assets acquired and liabilities assumed; however, Exelon expects to finalize these amounts by the end of 2016, if not sooner. The significant assets and liabilities for which preliminary valuation amounts are recognized at March 31, 2016 include the fair value of intangible assets and liabilities, uncertain tax positions, deferred income tax assets and liabilities, pension and OPEB plans, long-term debt, and unregulated property, plant and equipment. The preliminary amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. Any changes to the fair value assessments may affect the purchase price allocation and could potentially impact goodwill.

As mentioned, under cost-of-service rate regulation, rates charged to customers are established by a regulator to provide for recovery of costs and a fair return on invested capital, or rate base, generally measured at historical cost. Historical cost information therefore is the most relevant presentation for the financial statements of PHI s rate regulated utility subsidiary registrants, Pepco, DPL and ACE. As such, Exelon and PHI did not push-down the application of acquisition accounting to PHI s utility registrants, and therefore the financial statements of Pepco, DPL and ACE do not reflect the revaluation of any assets and liabilities.

The current quarter impact of PHI, including its unregulated businesses, on Exelon s Consolidated Statement of Operations and Comprehensive Income includes Operating revenues of $107 million and Net loss of $(315) million during the three months ended March 31, 2016.

For the periods ended March 31, 2016 and 2015, Exelon and PHI have recognized expense to achieve the PHI acquisition as follows:

Acquisition, Integration and Financing Costs[a]	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Exelon	$ 102	$ 108
Generation	16	7
ComEd[b]	(8)	3
PECO	2	1
BGE	2	1
Pepco	27	1
DPL	16	1
ACE	13	1

Acquisition, Integration and Financing Costs[a]	*Successor* March 24, 2016 to March 31, 2016	*Predecessor* January 1, 2016 to March 23, 2016	*Predecessor* Three Months Ended March 31, 2015
PHI	$ 56	$ 29	$ 8

(a) The costs incurred are classified primarily within Operating and maintenance expense in the Registrants respective Consolidated Statement of Operations and Comprehensive Income, with the exception of the financing costs, which are included within Interest expense. Costs do not include merger commitments discussed above.

(b) Excludes acquisition, integration and financing costs of $9 million incurred at ComEd that have been recorded as a regulatory asset.

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

Pro-forma Impact of the Merger

The following unaudited pro forma financial information reflects the consolidated results of operations of Exelon as if the merger with PHI had taken place on January 1, 2015. The unaudited pro forma information was calculated after applying Exelon s accounting policies and adjusting PHI s results to reflect purchase accounting adjustments.

The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved had the merger events taken place on the dates indicated, or the future consolidated results of operations of the combined company.

	Three Months Ended March 31, 2016[(a)]	Three Months Ended March 31, 2015[(b)]	Year Ended December 31, 2015[(c)]
Total operating revenues	$ 8,556	$ 10,062	$ 33,823
Net income attributable to common shareholders	577	800	2,618
Basic earnings per share	$ 0.63	$ 0.87	$ 2.85
Diluted earnings per share	0.62	0.87	2.84

(a) The amounts above exclude non-recurring costs directly related to the merger of $639 million and intercompany revenue of $170 million for the three months ended March 31, 2016.
(b) The amounts above exclude non-recurring costs directly related to the merger of $116 million and intercompany revenue of $122 million for the three months ended March 31, 2015.
(c) The amounts above exclude non-recurring costs directly related to the merger of $92 million and intercompany revenue of $559 million for the year ended December 31, 2015.

Asset Divestitures (Exelon, Generation, PHI, Pepco and ACE)

At March 31, 2016, Generation had net liabilities held for sale of $5 million which were reflected within Other current assets and Other current liabilities in the Consolidated Balance Sheet. The assets held for sale at December 31, 2015 were not material. On April 21, 2016, Generation completed the sale of the retired New Boston generating site, located in the Boston, Massachusetts, resulting in a pre-tax gain of approximately $32 million to be recorded in the second quarter. In addition, Pepco and ACE had net assets held for sale of $4 million and $1 million, respectively, which were reflected within Other current assets and Other current liabilities in their Consolidated Balance Sheets. The assets held for sale at December 31, 2015 were not material. On May 2, 2016, Pepco completed the sale of the New York Avenue land parcel, located in Washington, D.C., resulting in a pre-tax gain of approximately $8 million at Pepco to be recorded in the second quarter. Due to the fair value adjustments recorded at Exelon and PHI as part of purchase accounting, no gain will be recorded in the Exelon and PHI Consolidated Statements of Operations and Comprehensive Income.

5. Regulatory Matters (All Registrants)

Except for the matters noted below, the disclosures set forth in Note 3 Regulatory Matters of the Exelon 2015 Form 10-K and Note 7 Regulatory Matters of the PHI 2015 Form 10-K appropriately represent, in all material respects, the current status of regulatory and legislative proceedings of the Registrants. The following is an update to that discussion.

Illinois Regulatory Matters

Distribution Formula Rate (Exelon and ComEd). On April 13, 2016, ComEd filed its annual distribution formula rate with the ICC pursuant to EIMA. The filing establishes the revenue requirement used to set the rates that will take effect in January 2017 after the ICC s review and approval, which is due by December 2016. The revenue requirement requested is based on 2015 actual costs plus projected 2016 capital additions as well as an annual reconciliation of the revenue requirement in effect in 2015 to the actual costs incurred that year. ComEd s 2016 filing request includes a total increase to the revenue requirement of $138 million, reflecting an increase of $139 million for the initial revenue requirement for 2017 and a decrease of $1 million related to the annual reconciliation for 2015. The revenue requirement for 2017 provides for a weighted average debt and equity return on distribution rate base of 6.71% inclusive of an allowed ROE of 8.64%, reflecting the average rate on 30-year treasury notes plus 580 basis points. The annual reconciliation for 2015 provided for a weighted average debt and equity return on distribution rate base of 6.69% inclusive of an allowed ROE of 8.59%, reflecting the average rate on 30-year treasury notes plus 580 basis points less a performance metrics penalty of 5 basis points. See table below for ComEd s regulatory assets associated with its distribution formula rate. For additional information on ComEd s distribution formula rate filings see Note 3 Regulatory Matters of the Exelon 2015 Form 10-K.

Grand Prairie Gateway Transmission Line (Exelon and ComEd). On December 2, 2013, ComEd filed a request to obtain the ICC s approval to construct a 60-mile overhead 345kV transmission line that traverses Ogle, DeKalb, Kane and DuPage Counties in Northern Illinois. On October 22, 2014, the ICC issued an Order approving ComEd s request. The City of Elgin and certain other parties each filed an appeal of the ICC Order in the Illinois Appellate Court for the Second District. ComEd then reached a settlement of the appeal filed by all parties except Elgin. On March 31, 2016, the Illinois Appellate Court issued its opinion affirming the ICC s grant of a certificate to ComEd to construct and operate the line. On May 28, 2014, in a separate proceeding, FERC issued an order granting ComEd s request to include 100% of the capital costs recorded to construction work in progress during construction of the line in ComEd s transmission rate base. If the project is cancelled or abandoned for reasons beyond ComEd s control, FERC approved the ability for ComEd to recover 100% of its prudent costs incurred after May 21, 2014 and 50% of its costs incurred prior to May 21, 2014 in ComEd s transmission rate base. The costs incurred for the project prior to May 21, 2014 were immaterial. ComEd has acquired numerous easements across the project route through voluntary transactions. ComEd is seeking to acquire the remaining rights either through settlement or condemnation proceedings that are currently pending in the relevant circuit courts. ComEd began construction of the line during the second quarter of 2015 with an expected in-service date of the second quarter of 2017.

Pennsylvania Regulatory Matters

Pennsylvania Procurement Proceedings (Exelon and PECO). Through PECO s first two PAPUC approved DSP Programs, PECO procured electric supply for its default electric customers through PAPUC approved competitive procurements. DSP I and DSP II expired on May 31, 2013 and May 31, 2015, respectively.

The second DSP Program included a number of retail market enhancements recommended by the PAPUC in its previously issued Retail Markets Intermediate Work Plan Order. PECO was also directed to submit a plan to allow its low-income CAP customers to purchase their generation supply from EGSs beginning in April 2014. In May 2013, PECO filed its CAP Shopping Plan with the PAPUC. By an Order entered on January 24, 2014, the PAPUC approved PECO s plan, with modifications, to make CAP shopping available beginning April 15, 2014. On March 20, 2014, the Office of Consumer Advocate (OCA) and low-income advocacy groups filed an appeal and emergency request for a stay with the Pennsylvania Commonwealth Court, claiming that the PAPUC-ordered CAP Shopping plan does not contain sufficient protections for low-income customers. On July 14, 2015, the Court issued opinions on the OCA and low-income advocacy group appeal. Specifically, the Court remanded the issue to the PAPUC with instructions that it approve a rule revision to the PECO CAP Shopping Plan that would prohibit CAP customers from entering into contracts with an EGS that would impose early cancellation/termination fees. The PAPUC appealed the Court s decision. On April 5, 2016, the PAPUC s request for appeal was denied. PECO does not have information at this time as to what action it may be required to take following remand to the PAPUC.

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On December 4, 2014, the PAPUC approved PECO s third DSP Program. The program has a 24-month term from June 1, 2015 through May 31, 2017, and complies with electric generation procurement guidelines set forth in Act 129. Under the program, PECO is procuring electric supply through four competitive procurements for fixed price full requirements contracts of two years or less for the residential classes and small and medium commercial classes and spot market price full requirement contracts for the large commercial and industrial class load. Beginning in June 2016, the medium commercial class (101-500 kW) will move to spot market pricing. As of March 31, 2016, PECO entered into contracts with PAPUC-approved bidders, including Generation, resulting from the first three of its four scheduled procurements. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO s Consolidated Statement of Operations and Comprehensive Income.

On March 17, 2016, PECO filed its fourth DSP Program with the PAPUC. The program has a 24-month term from June 1, 2017 through May 31, 2019, and complies with electric generation procurement guidelines set forth in Act 129. A PAPUC ruling is expected in late 2016.

For further information on the Pennsylvania procurement proceedings, see Note 3 Regulatory Matters of the Exelon 2015 Form 10-K.

Energy Efficiency Programs (Exelon and PECO). On June 19, 2015, the PAPUC issued its Phase III EE&C implementation order that provides energy consumption reduction requirements for the third phase of Act 129 s EE&C program with a five-year term from June 1, 2016 through May 31, 2021. The order tentatively established PECO s five-year cumulative consumption reduction target at 2,080,553 MWh.

Pursuant to the Phase III implementation order, PECO filed its five-year EE&C Phase III Plan with the PAPUC on November 30, 2015. The Plan sets forth how PECO will reduce electric consumption by at least 1,962,659 MWh, with a goal of 2,100,875 MWh in its service territory for the period June 1, 2016 through May 31, 2021. The PAPUC approved PECO s EE&C Phase III Plan on March 17, 2016, subject to clarification of a few minor issues. PECO refiled its Phase III Plan, with all requested clarifications, on March 31, 2016.

For further information on energy efficiency programs, see Note 3 Regulatory Matters of the Exelon 2015 Form 10-K.

Maryland Regulatory Matters

2016 Maryland Electric Distribution Rate Case (Exelon, PHI and Pepco). On April 19, 2016, Pepco filed an application with the MDPSC requesting an increase of $127 million to its annual service revenues for electric delivery, based on a requested ROE of 10.6%. Any adjustments to rates approved by the MDPSC are expected to take effect in November 2016. In addition to the proposed $127 million rate increase, Pepco is proposing to continue its Grid Resiliency Charge initially approved in July 2013 in connection with Pepco s electric distribution rate case filed in November 2012. In connection with the Grid Resiliency Charge, Pepco proposes to accelerate improvement to priority feeders and install single-phase reclosing fuse technology by investing $16 million a year for two years for a total of $32 million. Pepco cannot predict how much of the requested increase the MDPSC will approve or if it will approve Pepco s Grid Resiliency Charge proposal.

2013 Maryland Electric and Gas Distribution Rate Case (Exelon and BGE). On May 17, 2013, and as amended on August 23, 2013, BGE filed for electric and gas base increases with the MDPSC. In addition to these requested rate increases, BGE s application also included a request for recovery of incremental capital expenditures and operating costs associated with BGE s proposed short-term reliability improvement plan (the ERI initiative) in response to a MDPSC order through a surcharge separate from base rates.

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On December 13, 2013, the MDPSC issued an order authorizing BGE to recover through a surcharge mechanism costs associated with five ERI initiative programs designed to accelerate electric reliability improvements premised upon the condition that the MDPSC approve specific projects in advance of cost recovery. As of March 31, 2016, BGE has received approval of its updated surcharge filings three times for rates to be effective in 2014, 2015 and 2016.

In January 2014, the residential consumer advocate in Maryland filed an appeal to the order issued by the MDPSC on December 13, 2013 in BGE s 2013 electric and gas distribution rate cases. The residential consumer advocate filed its related legal memorandum on August 22, 2014, challenging the MDPSC s approval of the ERI initiative surcharge. BGE submitted a response to the appeal on October 15, 2014, and a hearing was held on November 17, 2014. On October 26, 2015, the Circuit Court for Baltimore City issued an order affirming the MDPSC decision. However, on November 23, 2015, the residential consumer advocate filed an appeal of the Circuit Court s decision with the Maryland Court of Special Appeals. On March 7, 2016, the consumer advocate withdrew its appeal and no further action is expected.

Smart Meter and Smart Grid Investments (Exelon and BGE). In August 2010, the MDPSC approved a comprehensive smart grid initiative for BGE that included the planned installation of 2 million residential and commercial electric and gas smart meters at an expected total cost of $480 million of which $200 million was funded by SGIG. The MDPSC s approval ordered BGE to defer the associated incremental costs, depreciation and amortization, and an appropriate return, in a regulatory asset until such time as a cost-effective advanced metering system is implemented. As of March 31, 2016 and December 31, 2015, BGE recorded a regulatory asset of $212 million and $196 million, respectively, representing incremental costs, depreciation and amortization, and a debt return on fixed assets related to its AMI program. As part of the settlement in BGE s 2014 electric and gas distribution rate case, the cost of the retired non-AMI meters will be amortized over 10 years.

As part of the 2015 electric and gas distribution rate case filed on November 6, 2015, BGE is seeking recovery of its smart grid initiative costs. Of BGE s requested $197 million, $141 million relates to the smart grid initiative. In support of its recovery of smart grid initiative costs, BGE provided evidence demonstrating that the benefits exceed the costs on a present value basis by a ratio of 2.3 to 1.0, on a nominal basis. For further information, see Note 3 Regulatory Matters of the Exelon 2015 Form 10-K.

MDPSC New Generation Contract Requirement (Exelon, Generation, BGE, PHI, Pepco and DPL). On April 12, 2012, the MDPSC issued an order that requires BGE, Pepco and DPL (collectively, the Contract EDCs) to negotiate and enter into a contract with the winning bidder of a competitive bidding process to build one new power plant in the range of 650 to 700 MW beginning in 2015, in amounts proportional to their relative SOS loads. Under the terms of the order, the winning bidder will construct a 661 MW natural gas-fired combined cycle generation plant in Waldorf, Maryland, with an expected commercial operation date of June 1, 2015, and each of the Contract EDCs will recover its costs associated with the contract through surcharges on its respective SOS customers.

In response to a complaint filed by a group of generating companies in the PJM region, on September 30, 2013, the U.S. District Court for the District of Maryland issued a ruling that the MDPSC s April 2012 order violated the Supremacy Clause of the U.S. Constitution by attempting to regulate wholesale prices. In contrast, on October 1, 2013, in response to appeals filed by the Contract EDCs and other parties, the Maryland Circuit Court for Baltimore City upheld the MDPSC s orders requiring the Contract EDCs to enter into the contracts.

On October 24, 2013, the Federal district court issued an order ruling that the contracts are illegal and unenforceable. In November 2013 both the winning bidder and the MDPSC appealed the Federal district court decision to the U.S. Court of Appeals for the Fourth Circuit, which affirmed the lower Federal court ruling. On November 26, 2014, both the winning bidder and the MDPSC petitioned the U.S. Supreme Court to consider

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hearing an appeal of the Fourth Circuit decision. On October 19, 2015, the U.S. Supreme Court agreed to review the decision. On April 19, 2016, the U.S. Supreme Court unanimously affirmed the Fourth Circuit s ruling upholding the Federal district court s decision.

The decision of the Maryland Circuit Court was appealed to the Maryland Court of Special Appeals and was stayed pending decision by the U.S. Supreme Court. The U.S. Supreme Court decision will likely moot the state court action pending in the Court of Special Appeals of Maryland.

Delaware Regulatory Matters

Gas Cost Rates. (Exelon, PHI and DPL) DPL makes an annual GCR filing with the DPSC for the purpose of allowing DPL to recover natural gas procurement costs through customer rates. In August 2015, DPL made its 2015 GCR filing. The rates proposed in the 2015 GCR filing would result in a GCR decrease of approximately 26%, primarily reflecting lower natural gas prices. On September 22, 2015, the DPSC issued an order allowing DPL to place the new rates into effect on November 1, 2015, subject to refund and pending final DPSC approval. On March 22, 2016, the DPSC approved the Gas Cost Rate as filed.

2013 Electric Distribution Base Rates (Exelon, PHI and DPL). In March 2013, and as amended on September 20, 2013, DPL filed for an electric distribution base rate increase with the DPSC, ultimately requesting an annual increase of $42 million.

In August 2014, the DPSC issued a final order in DPL s 2013 electric distribution rate case for an annual increase of $15 million and an ROE of 9.70%. Rates became effective on May 1, 2014.

In September 2014, DPL filed an appeal with the Delaware Superior Court of the DPSC s August 2014 order in this proceeding, seeking the court s review of the DPSC s decision relating to the recovery of costs associated with one component of employee compensation, certain retirement benefits and credit facility expenses. The Division of the Public Advocate filed a cross-appeal in September 2014, pertaining to the treatment of a prepaid pension expense and other postretirement benefit obligations in base rates. Under the Settlement Agreement related to the Merger, the parties agreed to suspend the appeal and, upon consummation of the Merger, to the withdrawal of the appeal and the cross-appeal with prejudice. In accordance with the settlement, on April 13, 2016, the parties filed a Stipulation of Dismissal with the court to dismiss the appeal and the cross-appeal. The court has not yet acted on this filing.

District of Columbia Regulatory Matters

District of Columbia Power Line Undergrounding Initiative (Exelon, PHI and Pepco). On May 3, 2014, the Council of the District of Columbia enacted the Electric Company Infrastructure Improvement Financing Act of 2014 (the Improvement Financing Act), which provides enabling legislation for the DC PLUG initiative. This $1 billion initiative seeks to selectively place underground some of the District of Columbia s most outage-prone power lines, which lines and surrounding conduit would be owned and maintained by Pepco.

The Improvement Financing Act provides that: (i) Pepco is to fund approximately $500 million of the estimated cost to complete the DC PLUG initiative, recovering those costs through a surcharge on the electric bills of Pepco District of Columbia customers; (ii) $375 million of the DC PLUG initiative cost is to be financed by the District of Columbia s issuance of securitized bonds, which bonds will be repaid through a surcharge on the electric bills of Pepco District of Columbia customers that Pepco will remit to the District of Columbia; and (iii) the remaining costs up to $125 million are to be covered by the existing capital projects program of the District of Columbia Department of Transportation (DDOT). Pepco will not earn a return on or a return of the

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cost of the assets funded with the proceeds of the securitized bonds or assets that are constructed by DDOT under its capital projects program, but ownership and responsibility for the operation and maintenance of such assets will be transferred to Pepco for a nominal amount.

On June 17, 2014, Pepco and DDOT filed a Triennial Plan related to the construction of selected underground feeders in the District of Columbia and recovery of Pepco s investment through a volumetric surcharge (the Triennial Plan), all in accordance with the Improvement Financing Act. On August 1, 2014, Pepco filed an application for the issuance of a financing order to provide for the issuance of the District s bonds and a volumetric surcharge for the District to recover the costs associated with the bond issuance (the DDOT surcharge).

On November 12, 2014, the DCPSC issued an order approving the Triennial Plan and Pepco s volumetric surcharge, and issued the financing order, including approval of the DDOT surcharge. Together these orders permit (i) Pepco and DDOT to commence proposed construction under the Triennial Plan; (ii) the District of Columbia to issue the necessary bonds to fund the District of Columbia s portion of the DC PLUG initiative; and (iii) the establishment of the customer surcharges contemplated by the Improvement Financing Act.

In March 2015, a party to the DCPSC proceedings filed with the District of Columbia Court of Appeals a petition for review of the order approving the Triennial Plan and the issuance of the financing order. On January 14, 2016, the District of Columbia Court of Appeals affirmed the orders of the DCPSC. On January 27, 2016, the original petitioning party sought rehearing of the District of Columbia Court of Appeals decision. On March 17, 2016, the District of Columbia Court of Appeals denied the original petitioning party s motion for rehearing.

Separately, in June 2015, an agency of the federal government served by Pepco asserted that the DDOT surcharge constitutes a tax on end users from which the federal government is immune. PHI is currently evaluating the assertion and the resolution of this matter will likely delay implementation of the DC PLUG initiative.

New Jersey Regulatory Matters

2016 Electric Distribution Base Rates (Exelon, PHI and ACE). On March 22, 2016, ACE filed an application with the NJBPU requesting an increase of $84 million to its annual service revenues for electric delivery, based on a requested ROE of 10.6%. In addition to the request for base rate relief, ACE has also included a request that the NJBPU approve ACE s five-year grid resiliency initiative known as PowerAhead. As proposed, PowerAhead includes $176 million of capital investments to advance modernization of the electric grid through energy efficiency, increased distributed generation, and resiliency, focused on improving the distribution system s ability to withstand major storm events. A decision is expected in the first half of 2017. ACE cannot predict how much of the requested increase the NJBPU will approve or if it will approve ACE s PowerAhead initiative.

Update and Reconciliation of Certain Under-Recovered Balances (Exelon, PHI and ACE). On February 1, 2016, ACE submitted its 2016 annual petition with the NJBPU seeking to reconcile and update (i) charges related to the recovery of above-market costs associated with ACE s long-term power purchase contracts with the NUGs and (ii) costs related to surcharges for the New Jersey Societal Benefit Program (a statewide public interest program that is intended to benefit low income customers and address other public policy goals) and ACE s uncollected accounts.

The net impact of adjusting the charges as proposed is an overall annual rate increase of $9 million (revised to $19 million in April 2016, based upon an update for actuals through March 2016), including New Jersey sales and use tax. The matter is pending at the NJBPU. ACE has requested that the NJBPU place the new rates into effect by June 1, 2016.

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Standard Offer Capacity Agreements (Exelon, PHI and ACE). On April 28, 2011, ACE entered into three SOCAs by order of the NJBPU, each with a different generation company. ACE and the other New Jersey EDCs entered into the SOCAs under protest, arguing that the EDCs were denied due process and that the SOCAs violated certain of the requirements of the New Jersey law under which the SOCAs were established (the NJ SOCA Law). On October 22, 2013, in light of the decision of the U.S. District Court for the District of New Jersey described below, the state appeals of the NJBPU implementation orders filed by the EDCs and generators were dismissed without prejudice, subject to the parties exercising their appellate rights in the Federal courts.

In February 2011, ACE joined other plaintiffs in an action filed in the U.S. District Court for the District of New Jersey challenging the NJ SOCA Law on the grounds that it violates the Commerce Clause and the Supremacy Clause of the U.S. Constitution. In October 2013, the Federal district court issued a ruling that the NJ SOCA Law is preempted by the Federal Power Act (FPA) and violates the Supremacy Clause, and is therefore null and void. On October 11, 2013, the Federal district court issued an order ruling that the SOCAs are void, invalid and unenforceable, which order was affirmed by the U.S. Court of Appeals for the Third Circuit on September 11, 2014.

On November 26, 2014 and December 10, 2014, respectively, one of the generation companies and the NJBPU petitioned the U.S. Supreme Court to consider hearing an appeal of the Third Circuit decision. On April 19, 2016, the U.S. Supreme Court unanimously affirmed the Fourth Circuit decision, discussed above under MDPSC New Generation Contract Requirement, holding that the MDPSC s required contracts are illegal and unenforceable. On April 25, 2016, the U.S. Supreme Court ruled not to review the Third Circuit decision. This denial leaves the Third Circuit decision in place, with the same outcome as the Fourth Circuit decision.

ACE terminated one of the three SOCAs effective July 1, 2013 due to the occurrence of an event of default on the part of the generation company counterparty. ACE terminated the remaining two SOCAs effective November 19, 2013, in response to the October 2013 Federal district court decision.

New York Regulatory Matters

Ginna Nuclear Power Plant Reliability Support Services Agreement (Exelon and Generation). In November 2014, in response to a petition filed by Ginna Nuclear Power Plant (Ginna) regarding the possible retirement of Ginna, the New York Public Service Commission (NYPSC) directed Ginna and Rochester Gas & Electric Company (RG&E) to negotiate a Reliability Support Services Agreement (RSSA) to support the continued operation of Ginna to maintain the reliability of the RG&E transmission grid for a specified period of time. During 2015 and 2016, Ginna and RG&E made filings with the NYPSC and FERC for their approval of the proposed RSSA. Although the RSSA was still subject to regulatory approvals, on April 1, 2015, Ginna began delivering the power and capacity from the Ginna plant into the ISO-NY consistent with the technical provisions of the RSSA.

On March 22, 2016, Ginna submitted a compliance filing with FERC with revisions to the RSSA requested by FERC. On April 8, 2016, FERC accepted the compliance filing and on April 20, 2016, the NYPSC accepted the revised RSSA. Because all regulatory approvals for the RSSA have now been received, Generation will begin recognizing revenue based on the final approved pricing contained in the RSSA. Generation will also recognize a one-time revenue adjustment in April 2016 of approximately $101 million representing the net cumulative previously unrecognized amount of revenue retroactive from the April 1, 2015 effective date through March 31, 2016. A 49.99% portion of the one-time adjustment will be removed from Generation s results as a result of the non-controlling interest in CENG.

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The RSSA approved by the regulatory authorities has a term expiring on March 31, 2017, subject to possible extension in the event that RG&E needs additional time to complete transmission upgrades to address reliability concerns. In March 2016, RG&E notified Ginna that RG&E expects to complete the transmission upgrades prior to the RSSA expiration in March 2017 and will not need Ginna as an ongoing reliability solution after that date.

If Ginna does not plan to retire shortly after the expiration of the RSSA, Ginna is required to file a notice to that effect with the NYPSC no later than September 30, 2016. Under the terms of the RSSA, if Ginna continues to operate after June 14, 2017, Ginna would be required to make certain refund payments up to a maximum of $20 million to RG&E related to capital expenditures.

The approved RSSA requires Ginna to continue operating through the RSSA term. There remains an increased risk that, for economic reasons, Ginna could be retired before the end of its operating license period in 2029 if an adequate regulatory or legislative solution is not adopted in New York. In the event the plant were to be retired before the current license term ends in 2029, Exelon s and Generation s results of operations could be adversely affected by the accelerated future decommissioning costs, severance costs, increased depreciation rates, and impairment charges, among other items. See Note 7-Implications of Potential Early Plant Retirements for further information regarding the impacts of a decision to early retire one or more nuclear plants.

Federal Regulatory Matters

Transmission Formula Rate (Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE). The following tables provide information about the net regulatory asset or liabilities associated with the transmission formula rate of the indicated registrants as of March 31, 2016 and December 31, 2015. The regulatory asset associated with the transmission true-up is amortized to Operating revenues as the associated amounts are recovered through rates.

As of March 31, 2016	Exelon	ComEd	BGE	*Successor* PHI	Pepco	DPL	ACE
Regulatory Assets[(a)]	$ 60	$ 31	$ 17	$ 12	$ 4	$ 7	$ 1

As of December 31, 2015	Exelon	ComEd	BGE	*Predecessor* PHI	Pepco	DPL	ACE
Regulatory Assets[(a)(b)]	$ 43	$ 31	$ 12	$ 14	$ 5	$ 7	$ 2

(a) The regulatory assets represent a component of the costs included within the energy and transmission regulatory programs. Refer to Regulatory Assets and Liabilities table for additional information.
(b) The Exelon consolidated amounts do not include the regulatory assets of PHI, Pepco, DPL, and ACE at December 31, 2015.

On April 13, 2016, ComEd filed its annual transmission formula rate update based upon the FERC approved formula with the FERC. The filing establishes the revenue requirement used to set rates that will take effect in June 2016, subject to review by the FERC and other parties, which is due by fourth quarter 2016. ComEd s 2016 annual update includes a total increase to the revenue requirement of $94 million, reflecting an increase of $90 million for the initial revenue requirement and an increase of $4 million related to the annual reconciliation. The revenue requirement provides for a weighted average debt and equity return on transmission rate base of 8.47%, inclusive of an allowed ROE of 11.50%, a decrease from the 8.61% average debt and equity return previously authorized.

On April 27, 2016, BGE filed its annual transmission formula rate update based upon the FERC approved formula with the FERC. The filing establishes the revenue requirement used to set rates that will take effect in June 2016, subject to review by the FERC and other parties, which is due by third quarter 2016. BGE s 2016

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annual update includes a total increase to the revenue requirement of $15 million, reflecting an increase of $12 million for the initial revenue requirement and a decrease of $3 million related to the annual reconciliation. This increase excludes the $13 million increase in revenue requirement associated with dedicated facilities charges. The revenue requirement provides for a weighted average debt and equity return on transmission rate base of 8.09%, inclusive of an allowed ROE of 10.50% a decrease from the 8.46% average debt and equity return previously authorized.

For additional information regarding ComEd and BGE s transmission formula rate filings see Note 3 Regulatory Matters of the Exelon 2015 Form 10-K for additional information.

FERC Transmission Complaint (Exelon, BGE, PHI, Pepco, DPL and ACE). In February 2013, consumer advocates and regulators from the District of Columbia, New Jersey, Delaware and Maryland, and the Delaware Electric Municipal Cooperatives (the parties), filed a complaint at FERC against BGE, Pepco, DPL and ACE relating to their respective transmission formula rates. BGE s formula rate included a 10.8% base ROE and a 50 basis point incentive for participating in PJM (and certain additional incentive base points on certain projects). Pepco s, DPL s and ACE s formula rates included, for facilities placed into service after January 1, 2006, a base ROE of 11.3%, and for facilities placed into service prior to January 1, 2006, a base ROE of 10.8% and a 50 basis point incentive for participating in PJM. The parties sought a reduction in the base return on equity to 8.7% and changes to the formula rate process. Under FERC rules, any revenues subject to refund are limited to a fifteen month period and the earliest date from which the base ROE could be adjusted and refunds required is the date of the complaint.

On August 21, 2014, FERC issued an order in the proceeding, which established hearing and settlement judge procedures for the complaint, and set a refund effective date of February 27, 2013.

On February 23, 2016, FERC approved the settlement filed by the parties on November 6, 2015, covering the ROE issues raised in the complaints. The settlement provides for a 10% base ROE, effective March 8, 2016, which will be augmented by the PJM incentive adder of 50 basis points, and refunds to customers of BGE, Pepco, DPL and ACE of $13.7 million, $14.2 million, $11.9 million and $9.5 million, respectively. The settlement also prohibits any settling party from filing to change the base ROE or any incentives prior to June 1, 2018. The date for filing a request for rehearing has expired without any such requests having been filed. Accordingly, the order is not eligible for appeal and the matter is considered closed.

Operating License Renewals (Exelon and Generation). On August 29, 2012, Generation submitted a hydroelectric license application to FERC for a 46-year license for the Conowingo Hydroelectric Project (Conowingo). Generation is working with stakeholders to resolve water quality licensing issues with the MDE for Conowingo, including: (1) water quality, (2) fish habitat, and (3) sediment. On January 30, 2014, Generation filed a water quality certification application pursuant to Section 401 of the CWA with MDE for Conowingo, addressing these and other issues. MDE indicated that it believed it did not have sufficient information to process Generation s application. As a result, Generation entered into an agreement with MDE to work with state agencies in Maryland, the U.S. Army Corps of Engineers, the U.S. Geological Survey, the University of Maryland Center for Environmental Science and the U.S. Environmental Protection Agency Chesapeake Bay Program to design, conduct and fund an additional multi-year sediment study. Generation has agreed to contribute up to $3.5 million to fund the additional study. In addition, because of the ongoing sediment and nutrient monitoring study, and because states must act upon water quality certification applications within a year of submission, Exelon agreed with Maryland to coordinate the withdrawal and refiling of the application in accordance with FERC policy that requires an applicant to resubmit its request for a water quality certification within 90 days of the date of withdrawal.

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On August 7, 2015, US Fish and Wildlife Service of the US Department of the Interior (Interior) submitted its modified fishway prescription to FERC in the Conowingo licensing proceedings. On September 11, 2015, Exelon filed a request for an administrative hearing and proposed an alternative prescription to challenge DOI s preliminary prescription. On April 21, 2016, Exelon and Interior executed a Settlement Agreement resolving all issues between Exelon and Interior relating to fish passage at Conowingo. Accordingly, on April 22, 2016, Exelon withdrew its Request for a Trial-Type Hearing and Alternative Prescription. The financial impact of the Settlement Agreement is estimated to be $3 million to $7 million per year, on average, over the life of the new license, including both capital and operating costs. The actual timing and amount of these costs are not currently fixed and may vary significantly from year to year throughout the life of the new license. Resolution of the remaining issues relating to Conowingo may have a material effect on Exelon s and Generation s results of operations and financial position through an increase in capital expenditures and operating costs.

The FERC license for Conowingo expired on September 1, 2014. Under the Federal Power Act, FERC is required to issue an annual license for a facility until the new license is issued. On September 10, 2014, FERC issued an annual license for Conowingo, effective as of the expiration of the previous license. If FERC does not issue a new license prior to the expiration of an annual license, the annual license will renew automatically. On March 11, 2015, FERC issued the final Environmental Impact Statement for Conowingo. The stations are currently being depreciated over their estimated useful lives, which includes the license renewal period. As of March 31, 2016, $25 million of direct costs associated with the Conowingo licensing effort have been capitalized.

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

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

As a result of applying the acquisition method of accounting and pushing it down to the consolidated financial statements of PHI, certain regulatory assets and liabilities were established at Exelon and PHI to offset the impacts of fair valuing the acquired assets and liabilities assumed which are subject to regulatory recovery. In total, Exelon and PHI recorded a net $2.5 billion regulatory asset reflecting adjustments recorded as a result of the acquisition method of accounting.

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The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE as of March 31, 2016 and December 31, 2015. For additional information on the specific regulatory assets and liabilities, refer to Note 3 Regulatory Matters of the Exelon 2015 Form 10-K and Note 7 Regulatory Matters of the PHI 2015 Form 10-K.

March 31, 2016	Exelon	ComEd	PECO	BGE	*Successor* PHI	Pepco	DPL	ACE
Regulatory assets								
Pension and other postretirement benefits[a]	$ 4,261	$	$	$	$	$	$	$
Deferred income taxes	1,861	65	1,499	80	217	139	35	43
AMI programs[r]	687	149	60	212	266	181	85	
Under-recovered distribution service costs[b]	198	198						
Debt costs[c]	132	45	1	8	86	19	9	7
Fair value of long-term debt[d]	896				741			
Fair value of PHI's unamortized energy contracts[e]	1,535				1,535			
Severance	8			8				
Asset retirement obligations	113	71	22	19	1	1		
MGP remediation costs	276	246	29	1				
Under-recovered uncollectible accounts	60	60						
Renewable energy	265	265						
Energy and transmission programs[f][g][m][n][o]	118	56		38	24	5	6	13
Deferred storm costs	47			2	45	19	6	20
Electric generation-related regulatory asset	18			18				
Rate stabilization deferral	77			67	10	9	1	
Energy efficiency and demand response programs	651		1	264	386	277	108	1
Merger integration costs	5			5				
Conservation voltage reduction	3			3				
Under-recovered revenue decoupling[h]	36			36				
COPCO acquisition adjustment	12				12		12	
Recoverable workers compensation and long-term disability	31				31	31		
Vacation accrual	43		17		26		15	11
Securitized stranded costs	185				185			185
CAP arrearage	8		8					
Removal costs	397				397	103	73	222
AEC[i]	7				7			
Other	61	9	10	4	34	12	12	12
Total regulatory assets	11,991	1,164	1,647	765	4,003	796	362	514
Less: current portion	1,584	239	42	266	801	133	67	95
Total non-current regulatory assets	$ 10,407	$ 925	$ 1,605	$ 499	$ 3,202	$ 663	$ 295	$ 419

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March 31, 2016	Exelon	ComEd	PECO	BGE	*Successor* PHI	Pepco	DPL	ACE
Regulatory liabilities								
Other postretirement benefits	$ 93	$	$	$	$	$	$	$
Nuclear decommissioning	2,599	2,182	417					
Removal costs	1,669	1,334		187	148	21	127	
Deferred rent[(j)]	42				42			
Energy efficiency and demand response programs	122	78	43		1			1
DLC program costs	9		9					
Electric distribution tax repairs	89		89					
Gas distribution tax repairs	25		25					
Energy and transmission programs[(f)(g)(k)(l)(p)(q)]	187	43	69	15	60	25	25	10
Other	55	2	3	10	41	9	14	16
Total regulatory liabilities	4,890	3,639	655	212	292	55	166	27
Less: current portion	512	150	134	61	106	26	57	22
Total non-current regulatory liabilities	$ 4,378	$ 3,489	$ 521	$ 151	$ 186	$ 29	$ 109	$ 5

December 31, 2015	Exelon	ComEd	PECO	BGE	*Predecessor* PHI	Pepco	DPL	ACE
Regulatory assets								
Pension and other postretirement benefits	$ 3,156	$	$	$	$ 910	$	$	$
Deferred income taxes	1,616	64	1,473	79	214	137	36	41
AMI programs[(r)]	399	140	63	196	267	180	87	
Under-recovered distribution service costs[(b)]	189	189						
Debt costs	47	46	1	8	36	19	10	7
Fair value of long-term debt[(d)]	162							
Severance	9			9				
Asset retirement obligations	108	67	22	19	1	1		
MGP remediation costs	286	255	30	1				
Under-recovered uncollectible accounts	52	52						
Renewable energy	247	247						
Energy and transmission programs[(f)(g)(k)(m)(n)(o)]	84	43	1	40	33	9	11	13
Deferred storm costs	2			2	43	19	6	18
Electric generation-related regulatory asset	20			20				
Rate stabilization deferral	87			87	14	10	4	
Energy efficiency and demand response programs	279		1	278	401	289	111	1
Merger integration costs	6			6				
Conservation voltage reduction	3			3				
Under-recovered revenue decoupling[(h)]	30			30				
COPCO acquisition adjustment							13	
Workers compensation and long-term disability costs					31	31		
Vacation accrual	6		6		23		14	9
Securitized stranded costs					202			202
CAP arrearage	7		7					
Removal costs					369	92	69	208

Other	29	10	13	3	38	14	10	13
Total regulatory assets	6,824	1,113	1,617	781	2,582	801	371	512
Less: current portion	759	218	34	267	305	140	72	98
Total non-current regulatory assets	$ 6,065	$ 895	$ 1,583	$ 514	$ 2,277	$ 661	$ 299	$ 414

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

December 31, 2015	Exelon	ComEd	PECO	BGE	*Predecessor* PHI	Pepco	DPL	ACE
Regulatory liabilities								
Other postretirement benefits	$ 94	$	$	$	$	$	$	$
Nuclear decommissioning	2,577	2,172	405					
Removal costs	1,527	1,332		195	150	21	129	
Energy efficiency and demand response programs	92	52	40		1			1
DLC program costs	9		9					
Electric distribution tax repairs	95		95					
Gas distribution tax repairs	28		28					
Energy and transmission programs(f)(g)(k)(l)(p)(q)	131	53	60	18	27	16	19	8
Over-recovered revenue decoupling(h)	1			1				
Other	16	5	2	8	35	7	12	16
Total regulatory liabilities	4,570	3,614	639	222	213	44	160	25
Less: current portion	369	155	112	38	66	15	49	18
Total non-current regulatory liabilities	$ 4,201	$ 3,459	$ 527	$ 184	$ 147	$ 29	$ 111	$ 7

(a) As of March 31, 2016, the pension and other postretirement benefits regulatory asset at Exelon includes regulatory assets of $1,125 million established at the date of the PHI Merger related to unrecognized costs that are probable of regulatory recovery. The regulatory assets are amortized over periods from 3 to 15 years, depending on the underlying component. Pepco, DPL and ACE are currently recovering these costs through base rates. Pepco, DPL and ACE are not earning a return on the recovery of these costs in base rates.

(b) As of March 31, 2016, ComEd s regulatory asset of $198 million was comprised of $156 million for the 2014 2016 annual reconciliations and $42 million related to significant one-time events including $31 million of deferred storm costs, $9 million of Constellation merger and integration related costs and $2 million of smart meter related costs. As of December 31, 2015, ComEd s regulatory asset of $189 million was comprised of $142 million for the 2014 and 2015 annual reconciliations and $47 million related to significant one-time events, including $36 million of deferred storm costs and $11 million of Constellation merger and integration related costs. See Note 4 Merger, Acquisitions, and Dispositions of the Exelon 2015 Form 10-K for further information.

(c) Includes at Exelon and PHI the regulatory asset recorded at Exelon and PHI for debt costs that are recoverable through the ratemaking process at Pepco, DPL, and ACE which were eliminated at Exelon and PHI as part of acquisition accounting.

(d) Includes the unamortized regulatory assets recorded for the difference between carrying value and fair value of long-term debt of BGE as of the Constellation merger date and at Exelon and PHI for the difference between carrying value and fair value of long-term debt of Pepco, DPL and ACE as of the PHI Merger date.

(e) Represents the regulatory asset recorded at Exelon and PHI offsetting the fair value adjustments related to Pepco s, DPL s and ACE s electricity and gas energy supply contracts recorded at PHI as of the PHI Merger date. Pepco, DPL and ACE are allowed full recovery of the costs of these supply contracts through their respective rate making processes.

(f) As of March 31, 2016, ComEd s regulatory asset of $56 million included $18 million related to under-recovered energy costs, $31 million associated with transmission costs recoverable through its FERC approved formulate rate, and $7 million of Constellation merger and integration costs to be recovered upon FERC approval. As of March 31, 2016, ComEd s regulatory liability of $43 million included $17 million related to over-recovered energy costs and $26 million associated with revenues received for renewable energy requirements. As of December 31, 2015, ComEd s regulatory asset of $43 million included $5 million related to under-recovered energy costs, $31 million associated with transmission costs recoverable through its FERC approved formulate rate, and $7 million of Constellation merger and integration costs to be recovered upon FERC approval. As of December 31, 2015, ComEd s regulatory liability of $53 million included $29 million related to over-recovered energy costs and $24 million associated with revenues received for renewable energy requirements.

(g) As of March 31, 2016, BGE s regulatory asset of $38 million included $5 million of costs associated with transmission costs recoverable through its FERC approved formula rate and $33 million related to under-recovered electric energy costs. As of March 31, 2016, BGE s regulatory liability of $15 million related to $2 million of over-recovered transmission costs and $14 million of over-recovered natural gas costs, offset by $1 million of abandonment costs to be

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

recovered upon FERC approval. As of December 31, 2015, BGE s regulatory asset of $40 million included $12 million of costs associated with transmission costs recoverable through its FERC approved formula rate and $28 million related to under-recovered electric energy costs. As of December 31, 2015, BGE s regulatory liability of $18 million related to $14 million of over-recovered transmission costs and $5 million of over-recovered natural gas costs, offset by $1 million of abandonment costs to be recovered upon FERC approval.

(h) Represents the electric and gas distribution costs recoverable from customers under BGE s decoupling mechanism. As of March 31, 2016, BGE had a regulatory asset of $31 million related to under-recovered electric revenue decoupling and a regulatory asset of $5 million related to under-recovered natural gas revenue decoupling. As of December 31, 2015, BGE had a regulatory asset of $30 million related to under-recovered electric revenue decoupling and a regulatory liability of $1 million related to over-recovered natural gas revenue decoupling.

(i) Represents the regulatory asset recorded at Exelon and PHI for the difference between the carrying value and fair value of alternative energy credits at Pepco, DPL and ACE recorded at Exelon and PHI that are recoverable through the rate making process.

(j) Represents the regulatory liability recorded at Exelon and PHI for deferred rent related to a lease that is recoverable through the ratemaking process at Pepco, DPL and ACE which was eliminated at PHI as part of acquisition accounting.

(k) As of March 31, 2016, PECO s regulatory liability of $69 million included $36 million related to the DSP program, $26 million related to the over-recovered natural gas costs under the PGC, $3 million related to over-recovered electric transmission costs and $4 million related to over-recovered non-bypassable transmission service charges. As of December 31, 2015, PECO s regulatory asset of $1 million related to under-recovered non-bypassable transmission service charges. As of December 31, 2015, PECO s regulatory liability of $60 million included $35 million related to the DSP program, $22 million related to the over-recovered natural gas costs under the PGC and $3 million related to the over-recovered electric transmission costs.

(l) As of March 31, 2016, DPL s regulatory liability of $25 million included $6 million related to over-recovered natural gas costs under the GCR mechanism, $7 million of over-recovered electric energy costs, and $12 million of over-recovered transmission costs. As of December 31, 2015, DPL s regulatory liability of $19 million included $4 million related to the over-recovered natural gas costs under the GCR mechanism, $4 million of over-recovered electric energy costs, and $11 million of over-recovered transmission costs.

(m) As of March 31, 2016, Pepco s regulatory asset of $5 million included $4 million of transmission costs recoverable through its FERC approved formula rate and $1 million of under-recovered electric energy costs. As of December 31, 2015, Pepco s regulatory asset of $9 million included $5 million of transmission costs recoverable through its FERC approved formula rate and $4 million of recoverable abandonment costs.

(n) As of March 31, 2016, DPL s regulatory asset of $6 million related to transmission costs recoverable through its FERC approved formula rate. As of December 31, 2015, DPL s regulatory asset of $11 million included $7 million of transmission costs recoverable through its FERC approved formula rate, $3 million of recoverable abandonment costs, and $1 million of under-recovered electric energy costs.

(o) As of March 31, 2016, ACE s regulatory asset of $13 million included $1 million of transmission costs recoverable through its FERC approved formula rate and $12 million of under-recovered electric energy costs. As of December 31, 2015, ACE s regulatory asset of $13 million included $2 million of transmission costs recoverable through its FERC approved formula rate and $11 million of under-recovered electric energy costs.

(p) As of March 31, 2016, Pepco s regulatory liability of $25 million included $15 million of over-recovered transmission costs and $10 million of over-recovered electric energy costs. As of December 31, 2015, Pepco s regulatory liability of $16 million included $14 million of over-recovered transmission costs and $2 million of over-recovered electric energy costs.

(q) As of March 31, 2016, ACE s regulatory liability of $10 million related to over-recovered transmission costs. As of December 31, 2015, ACE s regulatory liability of $8 million related to over-recovered transmission costs.

(r) Represents AMI costs associated with the installation of smart meters and the early retirement of legacy meters throughout Pepco s and DPL s service territories that are recoverable from customers. AMI has not been approved by the NJBPU for ACE in New Jersey. PHI generally is deferring carrying charges on these regulatory assets.

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

ComEd, PECO, BGE, Pepco, DPL and ACE are required, under separate legislation and regulations in Illinois, Pennsylvania, Maryland, District of Columbia and New Jersey, to purchase certain receivables from

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

retail electric and natural gas suppliers that participate in the utilities consolidated billing. ComEd, BGE, Pepco and DPL purchase receivables at a discount to recover primarily uncollectible accounts expense from the suppliers. PECO and ACE are required to purchase receivables at face value and are permitted to recover uncollectible accounts expense from customers through distribution rates. Exelon, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE do not record unbilled commodity receivables under the POR programs. Purchased billed receivables are classified in Other accounts receivable, net on Exelon s, ComEd s, PECO s, BGE s, PHI s, Pepco s, DPL s and ACE s Consolidated Balance Sheets. The followi tables provide information about the purchased receivables of those companies as of March 31, 2016 and December 31, 2015.

As of March 31, 2016	Exelon	ComEd	PECO	BGE	*Successor* PHI	Pepco	DPL	ACE
Purchased receivables[c]	$ 343	$ 96	$ 75	$ 66	$ 106	$ 77	$ 11	$ 18
Allowance for uncollectible accounts[a]	(38)	(16)	(8)	(8)	(6)	(4)		(2)
Purchased receivables, net	$ 305	$ 80	$ 67	$ 58	$ 100	$ 73	$ 11	$ 16

As of December 31, 2015	Exelon	ComEd	PECO	BGE	*Predecessor* PHI	Pepco	DPL	ACE
Purchased receivables[b]	$ 229	$ 103	$ 67	$ 59	$ 100	$ 70	$ 11	$ 19
Allowance for uncollectible accounts[a]	(31)	(16)	(7)	(8)	(6)	(4)		(2)
Purchased receivables, net	$ 198	$ 87	$ 60	$ 51	$ 94	$ 66	$ 11	$ 17

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

(b) PECO s gas POR program became effective on January 1, 2012 and included a 1% discount on purchased receivables in order to recover the implementation costs of the program. The implementation costs were fully recovered and the 1% discount was reset to 0%, effective July 2015.

(c) Pepco s electric POR program in Maryland included a discount on purchased receivables ranging from 0% to 2% depending on customer class, and Pepco s electric POR program in the District of Columbia included a discount on purchased receivables ranging from 0% to 6% depending on customer class.

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

Long-Lived Assets (Exelon and Generation)

During the first quarter of 2016, significant changes in Generation s intended use of the Upstream oil and gas assets, developments with nonrecourse debt held by its upstream subsidiary CEU Holdings, LLC (as described in Note 10 Debt and Credit Agreements) and continued declines in both production volumes and commodity prices suggested that the carrying value may be impaired. Generation concluded that the estimated undiscounted future cash flows and fair value of its Upstream properties were less than their carrying values at March 31, 2016. As a result, a pre-tax impairment charge of $119 million was recorded in March 2016 within Operating and maintenance expense in Exelon s and Generation s Consolidated Statements of Operations and Comprehensive Income. After reflecting the impairment charges, Generation has $63 million of Upstream assets remaining on its Consolidated Balance Sheets at March 31, 2016. Further declines in commodity prices or further developments with Generation s intended use or disposition of the assets could potentially result in future impairments of the Upstream assets.

The fair value analysis was primarily based on the income approach using significant unobservable inputs (Level 3) including commodity prices and production volumes, projected capital and maintenance expenditures and discount rates.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Like-Kind Exchange Transaction (Exelon)

In June 2000, UII, LLC (formerly Unicom Investments, Inc.) (UII), a wholly owned subsidiary of Exelon Corporation, entered into transactions pursuant to which UII invested in coal-fired generating station leases (Headleases) with the Municipal Electric Authority of Georgia (MEAG). The generating stations were leased back to MEAG as part of the transactions (Leases).

On March 31, 2016, UII and MEAG finalized an agreement to terminate the MEAG Headleases, the MEAG Leases, and other related agreements prior to their expiration dates. As a result of the lease termination, UII received an early termination payment of $360 million from MEAG and wrote-off the $356 million net investment in the MEAG Headleases and the Leases. The transaction resulted in a pre-tax gain of $4 million which is reflected in Operating and maintenance expense in Exelon s Consolidated Statements of Operations and Comprehensive Income. See Note 11 Income Taxes for additional information.

7. Implications of Potential Early Plant Retirements (Exelon and Generation)

Exelon and Generation continue to evaluate the current and expected economic value of each of Generation s nuclear plants. Factors that will continue to affect the economic value of Generation s nuclear plants include, but are not limited to: market power prices, results of capacity auctions, potential legislative and regulatory solutions in New York and Illinois such as the recently proposed Zero Emission Standard element of the Next Generation Energy Plan (NGEP) or Low Carbon Portfolio Standard (LCPS) legislation in Illinois and Clean Energy Standard (CES) in New York, the impact of final rules from the EPA requiring reduction of carbon and other emissions and the efforts of the states to implement those final rules.

In 2015, Exelon and Generation deferred retirement decisions on Clinton and Quad Cities until 2016 in order to participate in the 2016-2017 MISO primary reliability auction and the 2019-2020 PJM capacity auction to be held in April and May 2016, respectively, as well as to provide Illinois policy makers with additional time to consider needed reforms and for MISO to consider market design changes to ensure long-term power system reliability in southern Illinois. In April 2016, Clinton cleared the MISO primary reliability auction as a price taker for the 2016-2017 planning year. The resulting capacity price is insufficient to cover cash operating costs and a risk-adjusted rate of return to shareholders. The results of the 2019-2020 PJM capacity auction will be available on May 24, 2016.

On May 6, 2016 Exelon and Generation announced intentions to shut down the Clinton nuclear plant on June 1, 2017 and Quad Cities nuclear plant on June 1, 2018 if Illinois does not pass adequate legislation by May 31, 2016 and if Quad Cities does not clear the 2019-2020 PJM capacity auction. Exelon and Generation previously committed to cease operation of the Oyster Creek nuclear plant by the end of 2019. The approved RSSA requires Ginna to continue operating through the RSSA term expiring in March 2017. There remains an increased risk that, for economic reasons, Ginna could be retired before the end of its operating license period in 2029 if an adequate regulatory or legislative solution is not adopted in New York. Refer to Note 5 Regulatory Matters for additional discussion on the Ginna RSSA.

In response to a decision to early retire one or more nuclear plants, certain changes in accounting treatment would be triggered and Exelon s and Generation s results of operations and cash flows could be materially affected by, among other items: accelerated depreciation expense, impairment charges related to inventory that cannot be used at other nuclear units and cancellation of in-flight capital projects, contract termination fees, accelerated amortization of plant specific nuclear fuel costs, employee-related costs (i.e. severance, relocation, retention, etc.), accelerated asset retirement obligation expense related to future decommissioning activities, and additional funding of nuclear decommissioning trust funds. In addition, any early plant retirement would also result in reduced operating costs, lower fuel expense, and lower capital expenditures in the periods beyond shutdown.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following table provides the balance sheet amounts as of March 31, 2016 for significant assets and liabilities associated with the three nuclear plants currently considered by management to be at the greatest risk of early retirement due to their current economic valuations and other factors.

(in millions)	Quad Cities	Clinton	Ginna	Total
Asset Balances				
Materials and supplies inventory	$ 47	$ 58	$ 30	$ 135
Nuclear fuel inventory, net	213	95	54	362
Completed plant, net	1,014	574	127	1,715
Construction work in progress	28	11	11	50
Liability Balances				
Asset retirement obligation	(706)	(407)	(651)	(1,764)
NRC License Renewal Term	2032	2046[(a)]	2029	

(a) Assumes Clinton seeks and receives a 20-year operating license renewal extension.

The precise timing of an early retirement date, and resulting financial statement impact, may be affected by a number of factors, including the results of any transmission system reliability study assessments, the nature of any co-owner requirements and stipulations, and decommissioning trust fund requirements, 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 obligations and just prior to its next scheduled nuclear refueling outage date in that year.

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

Fair Value of Financial Liabilities Recorded at the Carrying Amount

The following tables present the carrying amounts and fair values of the Registrants short-term liabilities, long-term debt, SNF obligation, trust preferred securities (long-term debt to financing trusts or junior subordinated debentures) and preferred stock as of March 31, 2016 and December 31, 2015:

Exelon

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 3,643	$ 3	$ 3,640	$	$ 3,643
Long-term debt (including amounts due within one year)[(a)]	31,372	1,132	29,577	2,135	32,844
Long-term debt to financing trusts[(b)]	641			670	670
SNF obligation	1,022		817		817

	December 31, 2015				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 536	$ 3	$ 533	$	$ 536

Long-term debt (including amounts due within one year)[a]	25,145	931	23,644	1,349	25,924
Long-term debt to financing trusts[b]	641			673	673
SNF obligation	1,021		818		818

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Generation

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 1,529	$	$ 1,529	$	$ 1,529
Long-term debt (including amounts due within one year)[a]	9,052		7,539	1,549	9,088
SNF obligation	1,022		817		817

	December 31, 2015				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 29	$	$ 29	$	$ 29
Long-term debt (including amounts due within one year)[a]	8,959		7,767	1,349	9,116
SNF obligation	1,021		818		818

ComEd

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 643	$	$ 643	$	$ 643
Long-term debt (including amounts due within one year)[a]	6,510		7,357		7,357
Long-term debt to financing trusts[b]	205			207	207

	December 31, 2015				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 294	$	$ 294	$	$ 294
Long-term debt (including amounts due within one year)[a]	6,509		7,069		7,069
Long-term debt to financing trusts[b]	205			213	213

PECO

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)[a]	$ 2,581	$	$ 2,900	$	$ 2,900
Long-term debt to financing trusts	184			196	196

December 31, 2015

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)[(a)]	$ 2,580	$	$ 2,786	$	$ 2,786
Long-term debt to financing trusts	184			195	195

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

BGE

	March 31, 2016				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 153	$ 3	$ 150	$	$ 153
Long-term debt (including amounts due within one year)[a]	1,859		2,119		2,119
Long-term debt to financing trusts[b]	252			267	267

	December 31, 2015				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 213	$ 3	$ 210	$	$ 213
Long-term debt (including amounts due within one year)[a]	1,858		2,044		2,044
Long-term debt to financing trusts[b]	252			264	264

PHI

	March 31, 2016				
	Carrying Amount	Fair Value			
Successor		Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 1,317	$	$ 1,317	$	$ 1,317
Long-term debt (including amounts due within one year)	6,132		5,540	586	6,126

	December 31, 2015				
	Carrying Amount	Fair Value			
Predecessor		Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 958	$	$ 958	$	$ 958
Long-term debt (including amounts due within one year)[a]	5,279		5,231	586	5,817
Preferred stock	183			183	183

Pepco

	March 31, 2016				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)[a]	$ 2,352	$	$ 2,876	$	$ 2,876

	December 31, 2015				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 64	$	$ 64	$	$ 64

Long-term debt (including amounts due within one year)[(a)]	2,351	2,673	2,673

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

DPL

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 75	$	$ 75	$	$ 75
Long-term debt (including amounts due within one year)[a]	1,265		1,238	103	1,341

	December 31, 2015				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 105	$	$ 105	$	$ 105
Long-term debt (including amounts due within one year)[a]	1,265		1,185	103	1,288

ACE

	March 31, 2016				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Long-term debt (including amounts due within one year)[a]	$ 1,191	$	$ 1,081	$ 288	$ 1,369

	December 31, 2015				
	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Short-term liabilities	$ 5	$	$ 5	$	$ 5
Long-term debt (including amounts due within one year)[a]	1,201		1,044	280	1,324

(a) Includes unamortized debt issuance costs of $179 million, $72 million, $37 million, $14 million, $9 million, $31 million, $10 million, and $6 million for Exelon, Generation, ComEd, PECO, BGE, Pepco, DPL and ACE, respectively, as of March 31, 2016. Includes unamortized debt issuance costs of $180 million, $70 million, $38 million, $15 million, $9 million, $49 million, $31 million, $10 million, and $6 million for Exelon, Generation, ComEd, PECO, BGE, PHI, Pepco, DPL and ACE, respectively, as of December 31, 2015.

(b) Includes unamortized debt issuance costs of $7 million, $1 million, and $6 million for Exelon, ComEd and BGE, respectively, as of March 31, 2016 and December 31, 2015.

Short-Term Liabilities. The short-term liabilities included in the tables above are comprised of dividends payable (included in other current liabilities) (Level 1) and short-term borrowings (Level 2). The Registrants carrying amounts of the short-term liabilities are representative of fair value because of the short-term nature of these instruments.

Long-Term Debt. The fair value amounts of Exelon s taxable debt securities (Level 2) and private placement taxable debt securities (Level 3) are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves. In order to incorporate the credit risk of the Registrants into the discount rates, Exelon obtains pricing (i.e., U.S. Treasury rate plus credit spread) based on trades of existing Exelon debt securities as well as debt securities of other issuers in the electric utility sector with similar credit ratings in both the primary and secondary market, across the Registrants debt maturity spectrum. The credit spreads of various tenors obtained from this information are added to the appropriate benchmark U.S. Treasury rates in order to determine the current market yields for the various tenors. The yields are then converted into discount rates of various tenors that are used for discounting the respective cash flows of the same tenor for each bond or note. Due to low trading volume of private

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

placement debt, qualitative factors such as market conditions, low volume of investors and investor demand, this debt is classified as Level 3. The fair value of Exelon s equity units (Level 1) are valued based on publicly traded securities issued by Exelon.

The fair value of Generation s and PHI s non-government-backed fixed rate nonrecourse debt (Level 3) is based on market and quoted prices for its own and other nonrecourse debt with similar risk profiles. Given the low trading volume in the nonrecourse debt market, the price quotes used to determine fair value will reflect certain qualitative factors, such as market conditions, investor demand, new developments that might significantly impact the project cash flows or off-taker credit, and other circumstances related to the project (e.g., political and regulatory environment). The fair value of Generation s government-backed fixed rate project financing debt (Level 3) is largely based on a discounted cash flow methodology that is similar to the taxable debt securities methodology described above. Due to the lack of market trading data on similar debt, the discount rates are derived based on the original loan interest rate spread to the applicable Treasury rate as well as a current market curve derived from government-backed securities. Variable rate project financing debt resets on a monthly or quarterly basis and the carrying value approximates fair value (Level 2). When trading data is available on variable rate project financing debt, the fair value is based on market and quoted prices for its own and other nonrecourse debt with similar risk profiles (Level 2). Generation, Pepco, DPL and ACE also have tax-exempt debt (Level 2). Due to low trading volume in this market, qualitative factors, such as market conditions, investor demand, and circumstances related to the issuer (e.g., conduit issuer political and regulatory environment), may be incorporated into the credit spreads that are used to obtain the fair value as described above. Variable rate tax-exempt debt (Level 2) resets on a regular basis and the carrying value approximates fair value.

SNF Obligation. The carrying amount of Generation s SNF obligation (Level 2) is derived from a contract with the DOE to provide for disposal of SNF from Generation s nuclear generating stations. When determining the fair value of the obligation, the future carrying amount of the SNF obligation estimated to be settled in 2025 is calculated by compounding the current book value of the SNF obligation at the 13-week Treasury rate. The compounded obligation amount is discounted back to present value using Generation s discount rate, which is calculated using the same methodology as described above for the taxable debt securities, and an estimated maturity date of 2025.

Long-Term Debt to Financing Trusts. Exelon s long-term debt to financing trusts is valued based on publicly traded securities issued by the financing trusts. Due to low trading volume of these securities, qualitative factors, such as market conditions, investor demand, and circumstances related to each issue, this debt is classified as Level 3.

Preferred Stock. The fair value of these securities is determined based on the carrying value of the shares per the Subscription Agreement between PHI and Exelon. See Note 16 Mezzanine Equity for further details.

Recurring Fair Value Measurements

Exelon records the fair value of assets and liabilities in accordance with the hierarchy established by the authoritative guidance for fair value measurements. 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.

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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.

Transfers in and out of levels are recognized as of the end of the reporting period when the transfer occurred. Given derivatives categorized within Level 1 are valued using exchange-based quoted prices within observable periods, transfers between Level 2 and Level 1 were not material. Additionally, there were no significant transfers between Level 1 and Level 2 during the three months ended March 31, 2016 for cash equivalents, nuclear decommissioning trust fund investments, pledged assets for Zion Station decommissioning, Rabbi trust investments, and deferred compensation obligations. For derivative contracts, transfers into Level 2 from Level 3 generally occur when the contract tenor becomes more observable and due to changes in market liquidity or assumptions for certain commodity contracts.

Generation and Exelon

In accordance with the applicable guidance on fair value measurement, certain investments that are measured at fair value using the NAV per share as a practical expedient are no longer classified within the fair value hierarchy and are included under Not subject to leveling in the table below. See Note 2 New Accounting Pronouncements for additional information.

The following tables present assets and liabilities measured and recorded at fair value on Exelon s and Generation s Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2016 and December 31, 2015:

	Generation					Exelon				
As of March 31, 2016	**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	$ 130	$	$	$	$ 130	$ 721	$	$	$	$ 721
NDT fund investments										
Cash equivalents[(a)]	266	11			277	266	11			277
Equities	3,273	21	1	1,875	5,170	3,273	21	1	1,875	5,170
Fixed income										
Corporate debt		1,868	243		2,111		1,868	243		2,111
U.S. Treasury and agencies	1,402	13			1,415	1,402	13			1,415
Foreign governments		45			45		45			45
State and municipal debt		285								