

EXELON CORP  
Form 8-K  
December 18, 2017

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
December 13, 2017  
Date of Report (Date of earliest event reported)

| Commission<br>File Number | Exact Name of<br>Registrant as<br>Specified in Its<br>Charter; State of<br>Incorporation;<br>Address of Principal<br>Executive Offices;<br>and<br>Telephone Number | IRS Employer<br>Identification<br>Number |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| 1-16169                   | EXELON<br>CORPORATION<br>(a Pennsylvania<br>corporation)<br>10 South Dearborn<br>Street<br>P.O. Box 805379<br>Chicago, Illinois<br>60680-5379<br>(800) 483-3220    | 23-2990190                               |
| 1-1839                    | COMMONWEALTH<br>EDISON<br>COMPANY<br>(an Illinois<br>corporation)<br>440 South LaSalle<br>Street<br>Chicago, Illinois<br>60605-1028<br>(312) 394-4321              | 36-0938600                               |
| 1-1910                    |                                                                                                                                                                    | 52-0280210                               |

|           |                                                                                                                                                                                             |            |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|           | BALTIMORE GAS<br>AND ELECTRIC<br>COMPANY<br>(a Maryland<br>corporation)<br>2 Center Plaza<br>110 West Fayette<br>Street<br>Baltimore, Maryland<br>21201<br>(410) 234-5000                   |            |
| 001-31403 | PEPCO HOLDINGS<br>LLC<br>(a Delaware limited<br>liability company)<br>701 Ninth Street,<br>N.W.<br>Washington, District<br>of Columbia 20068<br>(202) 872-2000                              | 52-2297449 |
| 001-01072 | POTOMAC<br>ELECTRIC POWER<br>COMPANY<br>(a District of<br>Columbia and<br>Virginia corporation)<br>701 Ninth Street,<br>N.W.<br>Washington, District<br>of Columbia 20068<br>(202) 872-2000 | 53-0127880 |
| 001-01405 | DELMARVA<br>POWER & LIGHT<br>COMPANY<br>(a Delaware and<br>Virginia corporation)<br>500 North Wakefield<br>Drive<br>Newark, Delaware<br>19702<br>(202) 872-2000                             | 51-0084283 |
| 001-03559 | ATLANTIC CITY<br>ELECTRIC<br>COMPANY<br>(a New Jersey<br>corporation)<br>500 North Wakefield<br>Drive<br>Newark, Delaware<br>19702<br>(202) 872-2000                                        | 21-0398280 |



Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether any of the registrants are emerging growth companies as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

## Section 2 - Financial Information

## Item 2.06. Material Impairments (PHI and ACE).

## Section 8 - Other Events

## Item 8.01. Other Events (All Registrants).

As previously disclosed, on December 13, 2016 (and as amended on March 13, 2017), Baltimore Gas and Electric Company (BGE), a subsidiary of Exelon Corporation (Exelon) filed with the Federal Energy Regulatory Commission (FERC) to begin recovering certain existing and future transmission-related income tax regulatory assets through its transmission formula rate. BGE's existing regulatory assets include (1) amounts that, if BGE's transmission formula rate provided for recovery through rates, would have been previously amortized and (2) amounts that would be amortized and recovered prospectively. On November 16, 2017, FERC issued an order rejecting BGE's proposed revisions to its transmission formula rate to recover these transmission-related income tax regulatory assets, which totaled \$42 million and \$38 million as of September 30, 2017 and December 31, 2016 respectively. On December 18, 2017, BGE filed for clarification and rehearing of FERC's order, still seeking full recovery of its existing transmission-related income tax regulatory assets. Commonwealth Edison Company (ComEd), Potomac Electric Power Company (Pepco), Delmarva Power & Light Company (DPL) and Atlantic City Electric Company (ACE) have similar transmission-related income tax regulatory assets also requiring FERC approval separate from their transmission formula rate. The maximum potential impairment amounts related to these regulatory assets were included in the Form 8-K filed on November 22, 2017. Similar regulatory assets at PECO Energy Company are not subject to the same FERC transmission rate recovery formula and, thus, are not impacted by the November 16, 2017 order.

Each of BGE, ComEd, Pepco, DPL and ACE believe there is sufficient basis to support full recovery of total existing transmission-related income tax regulatory assets, and each intends to further pursue such full recovery with FERC. However, upon further consideration of the November 16, 2017 order, management of each company has concluded that the portion of the total transmission-related income tax regulatory assets that would have been previously amortized and recovered through rates had the transmission formula rate provided for such recovery is no longer probable of recovery. Therefore, each company will record an after-tax impairment charge in December 2017 as follows:

|                    | For the<br>year ended<br>December<br>31, 2017 |
|--------------------|-----------------------------------------------|
| (in millions)      |                                               |
| Exelon             | \$ 36                                         |
| ComEd              | 3                                             |
| BGE                | 5                                             |
| PHI <sup>(a)</sup> | 28                                            |
| Pepco              | 14                                            |
| DPL                | 7                                             |
| ACE                | 7                                             |

(a) PHI reflects the consolidated regulatory asset impairments of Pepco, DPL and ACE

To the extent any of the companies are ultimately successful upon rehearing or appeal in FERC allowing future recovery of these amounts, the associated regulatory assets will be reestablished, with corresponding decreases to Income tax expense.



Management of each company has concluded the portion of the total transmission-related income tax regulatory assets related to prospective amortization remain probable of recovery through rates, and thus remain recorded on each company's balance sheets. To the extent all or a portion of the prospective amortization amounts were no longer considered probable of recovery, Exelon, ComEd, BGE, PHI, Pepco, DPL and ACE would record additional after-tax impairment charges, which could be up to approximately \$84 million, \$39 million, \$21 million, \$24 million, \$10 million, \$10 million and \$4 million, respectively, as of December 31, 2017.

\* \* \* \* \*

This Current Report includes 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 these forward-looking statements made by Exelon Corporation, Commonwealth Edison Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein as well as those discussed in (1) Exelon's 2016 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 24; (2) Exelon's Third Quarter 2017 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 (3) other factors discussed in filings with the Securities and Exchange Commission 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 Current 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 Current Report.

---

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EXELON CORPORATION

/s/ Jonathan W. Thayer  
Jonathan W. Thayer  
Senior Executive Vice President and Chief Financial Officer  
Exelon Corporation

COMMONWEALTH EDISON COMPANY

/s/ Joseph R. Trpik, Jr.  
Joseph R. Trpik, Jr.  
Senior Vice President, Chief Financial Officer and Treasurer  
Commonwealth Edison Company

BALTIMORE GAS AND ELECTRIC COMPANY

/s/ David M. Vahos  
David M. Vahos  
Senior Vice President, Chief Financial Officer and Treasurer  
Baltimore Gas and Electric Company

PEPCO HOLDINGS LLC

/s/ Donna J. Kinzel  
Donna J. Kinzel  
Senior Vice President, Chief Financial Officer and Treasurer  
Pepco Holdings LLC

POTOMAC ELECTRIC POWER COMPANY

/s/ Donna J. Kinzel  
Donna J. Kinzel  
Senior Vice President, Chief Financial Officer and Treasurer  
Potomac Electric Power Company



DELMARVA POWER & LIGHT COMPANY

/s/ Donna J. Kinzel

Donna J. Kinzel

Senior Vice President, Chief Financial Officer and Treasurer

Delmarva Power & Light Company

ATLANTIC CITY ELECTRIC COMPANY

/s/ Donna J. Kinzel

Donna J. Kinzel

Senior Vice President, Chief Financial Officer and Treasurer

Atlantic City Electric Company

December 18, 2017