

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2020	2019
REVENUES:		
Electric sales	\$ 217	\$ 249
Excise and gross receipts tax collections	5	5
Total revenues	222	254
OPERATING EXPENSES:		
Purchased power from non-affiliates	67	70
Purchased power from affiliates	62	78
Other operating expenses	39	42
Provision for depreciation	17	17
Deferral of regulatory liabilities, net	4	3
General taxes	13	13
Total operating expenses	202	223
OPERATING INCOME	20	31
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	3	2
Pension and OPEB mark-to-market adjustment	(11)	—
Interest expense	(7)	(7)
Capitalized financing costs	1	1
Total other expense	(14)	(4)
INCOME BEFORE INCOME TAXES	6	27
INCOME TAXES	1	6
NET INCOME	\$ 5	\$ 21

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>(In millions)</i>	March 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Restricted cash	\$ 4	\$ 6
Receivables-		
Customers	87	90
Less — Allowance for uncollectible customer receivables	2	2
	85	88
Affiliated companies	40	39
Other, net of allowance for uncollectible accounts	4	4
Prepaid taxes and other	16	19
	149	156
UTILITY PLANT:		
In service	1,956	1,920
Less — Accumulated provision for depreciation	293	281
	1,663	1,639
Construction work in progress	62	66
	1,725	1,705
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid purchased power	66	67
Other	36	40
	102	107
	<u>\$ 1,976</u>	<u>\$ 1,968</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	74	26
Accounts payable-		
Affiliated companies	26	87
Other	28	23
Accrued taxes	16	11
Accrued interest	8	7
Customer deposits	22	22
Other	17	16
	198	199
CAPITALIZATION:		
Common stockholder's equity-		
Other paid-in capital	357	356
Accumulated other comprehensive income	3	3
Retained earnings	241	236
Total common stockholder's equity	601	595
Long-term debt and other long-term obligations	571	574
	1,172	1,169
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	242	242
Regulatory liabilities	272	268
Retirement benefits	13	12
Adverse power purchase contracts	32	33
Other	47	45
	606	600
	<u>\$ 1,976</u>	<u>\$ 1,968</u>

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5	\$ 21
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	22	22
Deferred income taxes, net	(1)	6
Pension trust contributions	—	(6)
Retirement benefits	(2)	(2)
Pension and OPEB mark-to-market adjustment	11	—
Changes in current assets and liabilities-		
Receivables	2	(15)
Prepaid taxes and other current assets	3	3
Accounts payable	(56)	(9)
Accrued taxes	5	3
Accrued interest	1	1
Other current liabilities	(2)	(11)
Other	(1)	1
Net cash provided from (used for) operating activities	(13)	14
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing -		
Short-term borrowings, net	48	—
Redemptions and repayments-		
Long-term debt	(3)	(3)
Net cash provided from (used for) financing activities	45	(3)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(31)	(26)
Loans to affiliated companies, net	—	7
Asset removal costs	(3)	(3)
Net cash used for investing activities	(34)	(22)
Net change in cash, cash equivalents, and restricted cash	(2)	(11)
Cash, cash equivalents, and restricted cash at beginning of period	6	15
Cash, cash equivalents, and restricted cash at end of period	\$ 4	\$ 4