

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>REVENUES:</b>				
Electric sales	\$ 200	\$ 209	\$ 624	\$ 663
Excise and gross receipts tax collections	5	6	13	14
Total revenues	<u>205</u>	<u>215</u>	<u>637</u>	<u>677</u>
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	57	65	192	231
Purchased power from non-affiliates	58	59	183	163
Other operating expenses	39	38	115	127
Provision for depreciation	16	17	50	49
Deferral (amortization) of regulatory liabilities, net	(2)	3	(9)	1
General taxes	13	12	37	37
Total operating expenses	<u>181</u>	<u>194</u>	<u>568</u>	<u>608</u>
<b>OPERATING INCOME</b>	<u>24</u>	<u>21</u>	<u>69</u>	<u>69</u>
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	3	4	8	10
Interest expense	(7)	(7)	(21)	(21)
Capitalized financing costs	—	1	2	3
Total other expense	<u>(4)</u>	<u>(2)</u>	<u>(11)</u>	<u>(8)</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>20</u>	<u>19</u>	<u>58</u>	<u>61</u>
<b>INCOME TAXES</b>	<u>5</u>	<u>3</u>	<u>13</u>	<u>12</u>
<b>NET INCOME</b>	<u>\$ 15</u>	<u>\$ 16</u>	<u>\$ 45</u>	<u>\$ 49</u>
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	<u>\$ 15</u>	<u>\$ 16</u>	<u>\$ 45</u>	<u>\$ 49</u>
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(1)	(1)	(2)	(2)
Other comprehensive loss	(1)	(1)	(2)	(2)
Income tax benefits on other comprehensive loss	(1)	—	(1)	(2)
Other comprehensive loss, net of tax	<u>—</u>	<u>(1)</u>	<u>(1)</u>	<u>—</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 44</u>	<u>\$ 49</u>

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In millions)</i>	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Restricted cash	\$ 3	\$ 15
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2 in 2019 and 2018	76	101
Affiliated companies	24	25
Other, net of allowance for uncollectible accounts of none in 2019 and \$1 in 2018	5	5
Notes receivable from affiliates	—	19
Prepaid taxes and other	21	19
	<u>129</u>	<u>184</u>
<b>UTILITY PLANT:</b>		
In service	1,883	1,813
Less — Accumulated provision for depreciation	269	243
	<u>1,614</u>	<u>1,570</u>
Construction work in progress	69	54
	<u>1,683</u>	<u>1,624</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Prepaid purchased power	69	73
Other	43	28
	<u>112</u>	<u>101</u>
	<u>\$ 1,924</u>	<u>\$ 1,909</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 7	\$ 6
Short-term borrowings - affiliated companies	16	—
Accounts payable-		
Affiliated companies	26	40
Other	25	35
Accrued taxes	12	15
Accrued interest	8	7
Customer deposits	23	23
Other	13	24
	<u>130</u>	<u>150</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Other paid-in capital	356	354
Accumulated other comprehensive income	4	5
Retained earnings	221	191
Total common stockholder's equity	<u>581</u>	<u>550</u>
Long-term debt and other long-term obligations	574	581
	<u>1,155</u>	<u>1,131</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	226	212
Regulatory liabilities	317	320
Retirement benefits	25	33
Adverse power purchase contracts	34	36
Other	37	27
	<u>639</u>	<u>628</u>
	<u>\$ 1,924</u>	<u>\$ 1,909</u>

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 45	\$ 49
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory liabilities, net	40	67
Deferred income taxes, net	11	13
Pension trust contributions	(6)	(17)
Retirement benefits, net of payments	(7)	(9)
Changes in current assets and liabilities-		
Receivables	26	21
Prepaid taxes and other current assets	(2)	(4)
Accounts payable	(24)	(14)
Accrued taxes	(3)	(20)
Other current liabilities	(10)	(1)
Other	2	6
Net cash provided from operating activities	72	91
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Long-term debt redemptions and repayments	(6)	(5)
Short-term borrowings - affiliated companies, net	16	—
Common stock dividend payments	(15)	(20)
Other	—	(1)
Net cash used for financing activities	(5)	(26)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(90)	(89)
Loans to affiliated companies, net	19	28
Asset removal costs	(8)	(6)
Net cash used for investing activities	(79)	(67)
Net change in cash, cash equivalents, and restricted cash	(12)	(2)
Cash, cash equivalents, and restricted cash at beginning of period	15	6
Cash, cash equivalents, and restricted cash at end of period	\$ 3	\$ 4