

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

## GLOSSARY OF TERMS

The following abbreviations and acronyms may be used in this report to identify The Potomac Edison Company and its current and former subsidiaries and affiliated companies:

AE Supply	Allegheny Energy Supply Company, LLC, a wholly owned unregulated generation subsidiary of FE
AGC	Allegheny Generating Company, a wholly owned generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a wholly owned transmission subsidiary of FET
CEI	The Cleveland Electric Illuminating Company, a wholly owned Ohio electric power company subsidiary of FE
Electric Companies	OE, CEI, TE, FE PA, JCP&L, MP and PE
FE	FirstEnergy Corp., a public electric power holding company
FE PA	FirstEnergy Pennsylvania Electric Company, a wholly owned Pennsylvania electric power company subsidiary of FirstEnergy Pennsylvania Holding Company LLC, a wholly owned subsidiary of FE
FESC	FirstEnergy Service Company, which provides legal, financial, and other corporate support services
FET	FirstEnergy Transmission, LLC a consolidated VIE of FE, and the parent company of ATSI, MAIT and TrAIL, and having a joint venture in PATH and Valley Link
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
JCP&L	Jersey Central Power & Light Company, a wholly owned New Jersey electric power company subsidiary of FE
KATCo	Keystone Appalachian Transmission Company, a wholly owned transmission subsidiary of FE
MAIT	Mid-Atlantic Interstate Transmission, LLC, a wholly owned transmission subsidiary of FET
ME	Metropolitan Edison Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
MP	Monongahela Power Company, a wholly owned West Virginia electric power company subsidiary of FE
OE	Ohio Edison Company, a wholly owned Ohio electric power company subsidiary of FE
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PE	The Potomac Edison Company, a wholly owned Maryland and West Virginia electric power company subsidiary of FE
Penn	Pennsylvania Power Company, a former wholly owned Pennsylvania electric power company subsidiary of OE, which merged with and into FE PA on January 1, 2024
Pennsylvania Companies	ME, PN, Penn and WP, each of which merged with and into FE PA on January 1, 2024
PN	Pennsylvania Electric Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
TE	The Toledo Edison Company, a wholly owned Ohio electric power company subsidiary of FE
TrAIL	Trans-Allegheny Interstate Line Company, a wholly owned transmission subsidiary of FET
Transmission Companies	ATSI, MAIT, TrAIL and KATCo
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
Valley Link	Valley Link Transmission Company, LLC, a holding company formed by FET, DominionHV and Transource on November 24, 2024
WP	West Penn Power Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024

The following abbreviations and acronyms may be used to identify frequently used terms in this report:

A&R FET LLC Agreement	Fourth Amended and Restated Limited Liability Company Operating Agreement of FET
AEP	American Electric Power Company, Inc.
AFSI	Adjusted Financial Statement Income
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BRA	Base Residual Auction

Brookfield	North American Transmission Company II L.P., a controlled investment vehicle entity of Brookfield Infrastructure Partners
CAA	Clean Air Act
CCR	Coal Combustion Residual
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CO <sub>2</sub>	Carbon Dioxide
COVID-19	Coronavirus disease
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DominionHV	Dominion High Voltage Mid-Atlantic, Inc., an affiliate of VEPCO
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and the U.S. Attorney's Office for the S.D. Ohio
EEl	The Edison Electric Institute
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	U.S. Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
Exchange Act	Securities and Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FET Board	FET Board of Directors
FET LLC Agreement	Third Amended and Restated Limited Liability Company Operating Agreement of FET
FET P&SA II	Purchase and Sale Agreement entered into on February 2, 2023, by and between FE, FET, Brookfield, and the Brookfield Guarantors
FMB	First Mortgage Bond
FPA	Federal Power Act
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gas
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IRS	Internal Revenue Service
kV	Kilovolt
LOC	Letter of Credit
LTIIP	Long-Term Infrastructure Improvement Plan
MDPSC	Maryland Public Service Commission
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
NERC	North American Electric Reliability Corporation
NOL	Net Operating Loss
NUG	Non-Utility Generation
OBABA	One Big Beautiful Bill Act of 2025, as signed into law on July 4, 2025
OCC	Ohio Consumers' Counsel
ODSA	Ohio Development Service Agency
OPEB	Other Postemployment Benefits
OVEC	Ohio Valley Electric Corporation
PJM	PJM Interconnection, LLC, an RTO serving the PJM Region
PJM Tariff	PJM Open Access Transmission Tariff
PP&E	Property, Plant and Equipment
PPUC	Pennsylvania Public Utility Commission
PUCO	Public Utilities Commission of Ohio

RFC	ReliabilityFirst Corporation
ROE	Return on Equity
RTO	Regional Transmission Organization
S.D. Ohio	Federal District Court, Southern District of Ohio
SOFR	Secured Overnight Financing Rate
SOS	Standard Offer Service
SPE	Special Purpose Entity
TCJA	Tax Cuts and Jobs Act adopted December 22, 2017
U.S.	United States
VEPCO	Virginia Electric and Power Company, a subsidiary of Dominion Energy, Inc.
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVPSC	Public Service Commission of West Virginia

## Report of Independent Auditors

To Management and the Board of Directors of The Potomac Edison Company

### **Opinion**

We have audited the accompanying consolidated financial statements of The Potomac Edison Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, of common stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLP  
Cleveland, Ohio  
March 31, 2026

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
<b>REVENUES:</b>		
Electric sales	\$ 1,202	\$ 1,036
Excise and gross receipts tax collections	20	18
Total revenues	1,222	1,054
<b>OPERATING EXPENSES:</b>		
Purchased power from non-affiliates	391	319
Purchased power from affiliates	244	216
Other operating expenses	221	212
Provision for depreciation	76	72
Amortization of regulatory assets, net	75	65
General taxes	57	53
Total operating expenses	1,064	937
<b>OPERATING INCOME</b>	158	117
<b>OTHER INCOME (EXPENSE):</b>		
Miscellaneous income, net	14	4
Pension and OPEB mark-to-market adjustment	19	1
Interest expense	(47)	(42)
Capitalized financing costs	12	7
Total other expense	(2)	(30)
<b>INCOME BEFORE INCOME TAXES</b>	156	87
<b>INCOME TAXES</b>	38	18
<b>NET INCOME</b>	\$ 118	\$ 69

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

<i>(In millions, except share amounts)</i>	December 31, 2025	December 31, 2024
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Restricted cash	\$ 6	\$ 7
Receivables -		
Customers	166	148
Less — Allowance for uncollectible customer receivables	2	2
	<u>164</u>	<u>146</u>
Affiliated companies	106	75
Other	11	10
Notes receivable from affiliates	16	—
Prepaid taxes and other	24	27
	<u>327</u>	<u>265</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
In service	2,838	2,598
Less — Accumulated provision for depreciation	493	455
	<u>2,345</u>	<u>2,143</u>
Construction work in progress	255	176
	<u>2,600</u>	<u>2,319</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Prepaid purchased power	39	41
Regulatory assets	183	242
Prepaid pension and OPEB costs	81	59
Other	43	42
	<u>346</u>	<u>384</u>
<b>TOTAL ASSETS <sup>(1)</sup></b>	<b><u>\$ 3,273</u></b>	<b><u>\$ 2,968</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 9	\$ 8
Short-term borrowings - affiliated companies	—	91
Accounts payable -		
Affiliated companies	74	99
Other	24	18
Accrued taxes	19	19
Accrued interest	12	9
Customer deposits	21	20
NUG contract buyout	55	55
Other	28	17
	<u>242</u>	<u>336</u>
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt and other long-term obligations	1,050	860
Accumulated deferred income taxes, net	372	334
Regulatory liabilities	195	176
Retirement benefits	3	3
NUG contract buyout	169	224
Other	138	151
	<u>1,927</u>	<u>1,748</u>
<b>TOTAL LIABILITIES <sup>(1)</sup></b>	<b><u>2,169</u></b>	<b><u>2,084</u></b>
<b>COMMON STOCKHOLDER'S EQUITY:</b>		
Common stock and other paid-in capital, \$0.01 par value, 26,000,000 shares authorized - 22,385,000 shares outstanding	469	367
Retained earnings	635	517
<b>TOTAL COMMON STOCKHOLDER'S EQUITY</b>	<b><u>1,104</u></b>	<b><u>884</u></b>
<b>COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 12.)</b>		
<b>TOTAL LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>	<b><u>\$ 3,273</u></b>	<b><u>\$ 2,968</u></b>

<sup>(1)</sup> As of December 31, 2025 and 2024, the combined assets of PE's VIE were \$6 million, that can only be used to settle obligations of the VIE. As of December 31, 2025 and 2024, these assets include, respectively: Restricted cash of \$6 million in 2025 and 2024. The consolidated liabilities

as of December 31, 2025 and 2024, include \$39 million and \$47 million, respectively, of liabilities of the VIE whose creditors have no recourse to PE. As of December 31, 2025 and 2024, these liabilities include, respectively: Currently payable long-term debt of \$9 million and \$8 million, Accrued interest of \$1 million in 2025 and 2024, Long-term debt and other long-term obligations of \$30 million and \$39 million, and included in PE's Regulatory liabilities are \$1 million of regulatory assets in 2025 and 2024.

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY**

<i>(In millions, except share amounts)</i>	<b>Outstanding</b>	<b>Other Paid- In Capital</b>	<b>Retained Earnings</b>	<b>Total Stockholder's Equity</b>
<b>Balance, January 1, 2024</b>	22,385,000	\$ 365	\$ 448	\$ 813
Net income			69	69
Stock-based compensation <sup>(1)</sup>		2		2
<b>Balance, December 31, 2024</b>	22,385,000	\$ 367	\$ 517	\$ 884
Net income			118	118
Equity contribution from parent		100		100
Stock-based compensation <sup>(1)</sup>		2		2
<b>Balance, December 31, 2025</b>	<u>22,385,000</u>	<u>\$ 469</u>	<u>\$ 635</u>	<u>\$ 1,104</u>

<sup>(1)</sup> In the form of FE common equity granted to certain PE employees primarily related to the 401(k) Savings Plan.

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 118	\$ 69
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation, amortization and impairments	149	139
Charges (credits) associated with changes in ARO	(17)	17
Transmission revenue collections, net	3	(4)
Deferred income taxes, net	33	16
Employee benefit costs, net	(7)	(6)
Pension and OPEB mark-to-market adjustment	(19)	(1)
Changes in current assets and liabilities-		
Receivables	(48)	(27)
Prepaid taxes and other current assets	3	(8)
Accounts payable	(21)	50
Accrued taxes	—	(7)
Accrued interest	3	—
Other current liabilities	10	(3)
Collateral, net	(1)	13
Purchased power agreement termination liability	(55)	(55)
Employee benefit plan funding and related payments	(1)	(1)
Other	5	13
Net cash provided from operating activities	155	205
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital investments	(324)	(261)
Loans to affiliated companies, net	(16)	—
Asset removal costs	(17)	(16)
Other	1	(2)
Net cash used for investing activities	(356)	(279)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New financing -		
Long-term debt	200	—
Short-term borrowings - affiliated companies, net	—	82
Redemptions and repayments-		
Long-term debt	(8)	(8)
Short-term borrowings - affiliated companies, net	(91)	—
Equity contribution from parent	100	—
Other	(1)	—
Net cash provided from financing activities	200	74
Net change in cash, cash equivalents, and restricted cash	(1)	—
Cash, cash equivalents, and restricted cash at beginning of period	7	7
Cash, cash equivalents, and restricted cash at end of period	\$ 6	\$ 7
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid (received) during the year:		
Interest (net of amounts capitalized)	\$ 38	\$ 38
Income taxes, net of refunds	\$ 10	\$ (6)
Significant non-cash transactions:		
Accrued capital investments	\$ 14	\$ 14

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Terms.

PE is a wholly owned subsidiary of FE, incorporated in Maryland and Virginia. PE owns property and does business as an electric public utility in Maryland, Virginia, and West Virginia, providing distribution services to approximately 0.4 million customers in Maryland and West Virginia and provides transmission services in Maryland, West Virginia and Virginia. PE has 473 employees and serves an area that has a population of approximately 1.0 million. PE complies with the regulations, orders, policies and practices prescribed by FERC and the MDPSC, WVPSC and VSCC.

The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period.

PE has evaluated events and transactions for potential recognition or disclosure through March 31, 2026, the date the financial statements were issued.

Certain prior year amounts have been reclassified to conform to the current year presentation.

*Economic Conditions*

While supply lead times have not fully returned to levels prior to the COVID-19 pandemic, PE continues to monitor the situation in light of demand increases across the industry, including due to data center usage, and the imposition of tariffs and retaliatory tariffs that have been, and may be, imposed by the U.S. government in response. PE continues to implement mitigation strategies to address supply constraints and does not expect any corresponding service disruptions or any material impact on its capital investment plan. However, the situation remains fluid, and a prolonged continuation or further increase in demand, or the continuation of uncertain or adverse macroeconomic conditions, including inflationary pressures and new or increased existing tariffs, could lead to an increase in supply chain disruptions that could, in turn, have an adverse effect on PE's results of operations, cash flow and financial condition.

The U.S. presidential administration has imposed widespread and substantial tariffs on imports, with additional tariffs to potentially be adopted in the future. The imposition of these or any other new or increased tariffs or resultant trade wars, and uncertainties associated with the same, could have an adverse effect on PE's results of operations, cash flow and financial condition.

**ACCOUNTING FOR THE EFFECTS OF REGULATION**

PE is subject to regulation that sets the prices (rates) that it is permitted to charge customers based on costs that the regulatory agencies determine are permitted to be recovered. At times, regulatory agencies permit the future recovery of costs that would be currently charged to expense by an unregulated company. The ratemaking process results in the recording of regulatory assets and liabilities based on anticipated future cash inflows and outflows.

PE reviews the probability of recovery of regulatory assets, and settlement of regulatory liabilities, at each balance sheet date and whenever new events occur. Factors that may affect probability include changes in the regulatory environment, issuance of a regulatory commission order, or passage of new legislation. Upon material changes to these factors, where applicable, PE will record new regulatory assets or liabilities and will assess whether it is probable that currently recorded regulatory assets and liabilities will be recovered or settled in future rates. If recovery of a regulatory asset is no longer probable, PE will write off that regulatory asset as a charge against earnings. PE considers the entire regulatory asset balance as the unit of account for the purposes of balance sheet classification rather than the next years recovery and as such net regulatory assets and liabilities are presented in the noncurrent section on PE's Consolidated Balance Sheets. See Note 11., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

PE has regulatory assets of \$183 million and \$242 million, and regulatory liabilities of \$195 million and \$176 million as of December 31, 2025 and 2024, respectively. The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2025 and 2024, and the changes during the year ended December 31, 2025:

Net Regulatory Assets (Liabilities) by Source	As of December 31,		Change
	2025	2024	
	<i>(In millions)</i>		
Asset removal costs	\$ (266)	\$ (258)	\$ (8)
Customer payables for future income taxes	(134)	(142)	8
Deferred transmission costs	(16)	(11)	(5)
Deferred generation costs	296	338	(42)
Storm-related costs	6	6	—
Reclassified corporate support costs	7	7	—
Vegetation management costs	21	17	4
Energy efficiency program costs	81	105	(24)
Other	(7)	4	(11)
Net Regulatory Assets (Liabilities) included on the Consolidated Balance Sheets	<u>\$ (12)</u>	<u>\$ 66</u>	<u>\$ (78)</u>

The following is a description of the regulatory assets and liabilities described above:

**Asset removal costs** - Reflects amounts to be recovered or refunded through future rates to pay for the cost of activities to remove assets, including obligations for which an ARO has been recognized, that are expected to be incurred at the time of retirement.

**Customer payables for future income taxes** - Reflects amounts to be recovered or refunded through future rates to pay income taxes that become payable when rate revenue is provided to recover items such as AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to federal and state tax rate changes such as the TCJA. These amounts are being amortized over the period in which the related deferred tax assets reverse, which is generally over the expected life of the underlying asset.

**Deferred transmission costs** - Reflects differences between revenues earned based on actual costs for PE's formula transmission rate and the amounts billed, which amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

**Deferred generation costs** - Primarily relates to the ENEC at PE and the Warrior Run purchase power agreement termination fee, which is amortized through 2029. PE recovers net power supply costs, including purchased power costs and related expenses, net of related market sales revenue through the ENEC. Generally, the ENEC rate is updated annually.

**Storm-related costs** - Relates to the recovery of storm costs, of which, \$5 million and \$7 million is currently being recovered through rates as of December 31, 2025 and 2024.

**Reclassified corporate support costs** - Relates to certain corporate overhead costs that were reclassified from capital accounts and are currently being recovered through rates as a regulatory asset due to the FERC audit described below.

**Vegetation management costs** - Relates to regulatory assets associated with the recovery of certain distribution vegetation management costs in West Virginia as well as certain transmission vegetation management costs (amortized through 2036).

**Energy efficiency program costs** - Relates to the recovery or refund of costs associated with energy efficiency programs including PE's EmPOWER Maryland Surcharge.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2025 and 2024, of which approximately \$290 million and \$322 million, respectively, are currently being recovered through rates over varying periods depending on the nature of the deferral and the jurisdiction:

<b>Regulatory Assets by Source Not Earning a Current Return</b>	<b>As of December 31,</b>		<b>Change</b>
	<b>2025</b>	<b>2024</b>	
	<i>(In millions)</i>		
Storm-related costs	\$ 7	\$ 8	\$ (1)
Deferred generation costs	278	310	(32)
Reclassified corporate support costs	7	7	—
Other	6	7	(1)
Regulatory Assets Not Earning a Current Return	<u>\$ 298</u>	<u>\$ 332</u>	<u>\$ (34)</u>

**INVESTMENTS**

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets, at cost, which approximates their fair market value.

**PREPAID PURCHASE POWER**

In April 2007 and December 2009, MP Environmental Funding LLC, an indirect subsidiary of MP, and PE Environmental Funding LLC, an indirect subsidiary of PE, issued environmental control bonds. These bonds securitize the right to collect an environmental control surcharge that MP and PE impose on their retail customers in West Virginia. PE contributed its net bond proceeds from its issuances of these bonds to MP as a prepayment for power, with MP recording the receipt of the proceeds as unearned revenue. The carrying amount of this power prepayment is designated as "Prepaid purchased power" on PE's Consolidated Balance Sheets. This power expense is recognized to the same extent that PE depreciates the portion of the scrubber fixed assets financed by PE's bonds.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment reflects original cost (net of any impairments recognized), including payroll and related costs such as taxes, employee benefits, administrative and general costs, and financing costs incurred to place the assets in service. The costs of normal maintenance, repairs and minor replacements are expensed as incurred. Liabilities for planned major maintenance projects are recognized as they are incurred.

PE provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. Depreciation expense was approximately 2.3% of average depreciable property in both 2025 and 2024.

For the year ended December 31, 2025, capitalized financing costs on PE's Consolidated Statements of Income include \$7 million of allowance for equity funds used during construction and \$5 million of capitalized interest. For the year ended December 31, 2024, capitalized financing costs on PE's Consolidated Statements of Income include \$3 million of allowance for equity funds used during construction and \$4 million of capitalized interest.

Long-lived assets classified as held and used are evaluated for impairment when events or changes in circumstances indicate that the carrying value of the long-lived assets may not be recoverable. First, the estimated undiscounted future cash flows attributable to the assets is compared with the carrying value of the assets. If the carrying value is greater than the undiscounted future cash flows, an impairment charge is recognized equal to the amount the carrying value of the assets exceeds its estimated fair value.

**NEW ACCOUNTING PRONOUNCEMENTS**

**Recently Adopted Pronouncements** - ASU 2023-09, "Income taxes (Topic 280): Improvements to Income Tax Disclosures" (Issued in December 2023): ASU 2023-09 enhances disclosures primarily related to existing rate reconciliation and income taxes paid information to help investors better assess how a company's operations and related tax risks and tax planning and operational opportunities affect the tax rate and prospects for future cash flows. Disclosure requirements include a tabular reconciliation using both percentages and amounts, separated out into specific categories with certain reconciling items at or above 5% of the statutory tax as well as by nature and/or jurisdiction. In addition, entities will be required to disclose income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes are paid to such jurisdiction. ASU 2023-09 was adopted as of December

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

31, 2025, see Note 4., "Taxes," of the Notes to Consolidated Financial Statements for the applicable disclosures, which are provided for all periods presented.

**Recently Issued Pronouncements** - The following new authoritative accounting guidance issued by the FASB has not yet been adopted. Unless otherwise indicated, such guidance is currently being assessed for the impact it may have on the financial statements and disclosures, as well as the potential to early adopt where applicable. Management has assessed other FASB issuances of new standards not described below based upon the current expectation that such new standards will not significantly impact the financial statements.

ASU 2025-06, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*" (Issued in September 2025): ASU 2025-06 amends the existing standard that refers to various stages of a software development project to align better with current software development methods, such as agile programming. Under the new standard, entities will start capitalizing eligible costs when (1) management has authorized and committed to funding the software project, and (2) it is probable that the project will be completed and the software will be used to perform the function intended. In evaluating whether it is probable the project will be completed; an entity is required to consider whether there is significant uncertainty associated with the development activities of the software. ASU 2025-06 is effective beginning with the financials for the first quarter of 2028. The guidance is permitted to be applied using a prospective, retrospective or modified transition approach. Early adoption is permitted.

ASU 2025-10, "*Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*" (Issued in December 2025): ASU 2025-10 establishes authoritative guidance for the recognition, measurement, presentation, and disclosure of government grants received by business entities. ASU 2025-10 requires that a government grant be recognized when it is probable that the entity will comply with the conditions of the grant and that the grant will be received and permits two approaches for asset related grants: (1) the cost reduction method (reduce the carrying amount of the asset) and (2) deferred income method (recognize income over the useful life of the asset). Income-related grants are recognized systematically in income as the related costs are incurred. ASU 2025-10 is effective beginning with financials for the first quarter of 2029, with early adoption permitted. The guidance is permitted to be applied using a modified prospective, modified retrospective or full retrospective approach.

## **2. REVENUE**

PE accounts for revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers. Revenue from leases, financial instruments, other contractual rights or obligations and other revenues that are not from contracts with customers are outside the scope of the standard and accounted for under other existing GAAP. PE has elected to exclude sales taxes and other similar taxes collected on behalf of third parties from revenue as prescribed in the new standard. As a result, tax collections and remittances within the scope of this election are excluded from recognition in the income statement and instead recorded through the balance sheet. Gross receipts taxes that are assessed on PE are not subject to the election and are included in revenue. PE has elected the optional invoice practical expedient for most of its revenues and utilizes the optional short-term contract exemption for transmission revenues due to the annual establishment of revenue requirements, which eliminates the need to provide certain revenue disclosures regarding unsatisfied performance obligations.

PE's principal business is providing electric service to customers in West Virginia and Maryland. PE's distribution customers are metered on a cycle basis. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts and prices in effect for each class of customer. In each accounting period, PE accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Customer payments are generally due within 30 days. Retail generation sales relate to generation sales in West Virginia and Maryland that are regulated by the WVPSC and MDPSC, respectively.

PE earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. PE is obligated under the regulated construct to deliver power to customers reliably, as it is needed, which creates an implied monthly contract with the end-use customer. See Note 11., "Regulatory Matters," for additional information on rate recovery mechanisms. Distribution and electric revenues are recognized over time as electricity is distributed and delivered to the customer and the customers consume the electricity immediately as delivery occurs.

Retail generation sales relate to generation sales in West Virginia that are regulated by the WVPSC. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

Wholesale sales primarily consist of generation and capacity sales into the PJM market. PE may also purchase power from PJM to supply power to its customers. Generally, these power sales from generation and purchases to serve load are netted hourly and reported gross as either revenues or purchased power on the statements of income based on whether the entity was a net seller or buyer each hour. Capacity revenues are recognized ratably over the PJM planning year at prices cleared in the annual BRA and incremental auctions. Capacity purchases and sales through PJM capacity auctions are reported within revenues on the Income Statement. Certain capacity income (bonuses) and charges (penalties) related to the availability of units that have cleared in the auctions are unknown and not recorded in revenue until, and unless, they occur.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

PE provides transmission infrastructure owned and operated by PE to transmit electricity from generation sources to distribution facilities. PE's revenues are derived from forward-looking formula rates. Revenue requirements under forward-looking formula rates are updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on rate base and actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2025 and 2024, by type of service:

<b>Revenues by Type of Service</b>	<b>For the Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In millions)</i>	
Distribution services and retail generation		
Residential	\$ 764	\$ 665
Commercial	249	210
Industrial	122	108
Street lighting	7	6
Wholesale sales	3	3
Transmission	69	55
Other	5	4
Total revenues from contracts with customers	\$ 1,219	\$ 1,051
Other revenue unrelated to contracts with customers	3	3
Total revenues	\$ 1,222	\$ 1,054

**RECEIVABLES**

PE's principal business is providing electric service to customers in Maryland and West Virginia. PE's retail customers are metered on a cycle basis. Electric revenues are recorded based on energy delivered through the end of the calendar month. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts, customer shopping activity and prices in effect for each class of customer. In each accounting period, PE accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Unbilled customer receivables were \$105 million and \$90 million as of December 31, 2025 and 2024, respectively. Receivables from customers include distribution and retail electric sales to residential, commercial and industrial customers. Other receivables include PJM receivables resulting from transmission sales. Management believes PE's uncollectible risk on PJM receivables is minimal due to the nature of PJM's settlement process whereby members of PJM legally agree to share the cost of defaults and as a result there is no allowance for doubtful accounts.

The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible customer receivables should be further adjusted in accordance with the accounting guidance for credit losses.

The allowance for uncollectible customer receivables is reviewed utilizing a quantitative and qualitative assessment. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, amount of receivable balances that are past-due, payment options and programs available to customers, and the methods that are able to be utilized to ensure payment.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Activity associated with the allowance for uncollectible customer receivables is as follows for the years ended December 31, 2025 and 2024:

<i>(In millions)</i>	<b>2025</b>	<b>2024</b>
<b>Customer Receivables:</b>		
<b>Beginning of year balance</b>	\$ 2	\$ 3
Charged to income	3	2
Charged to other accounts <sup>(1)</sup>	2	2
Write-offs	(5)	(5)
<b>End of year balance</b>	<u>\$ 2</u>	<u>\$ 2</u>

<sup>(1)</sup> Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

### 3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides qualified benefit plans (the FirstEnergy Master Pension Plan and the FirstEnergy Welfare Plan) that cover substantially all employees and non-qualified defined benefit plans that cover certain employees, including employees of PE. FirstEnergy's pension and OPEB plans are neither multiemployer nor multiple-employer plans.

The pension plans provide defined benefits based on years of service and compensation levels. Under the cash-balance portion of the pension plan (for employees hired on or after January 1, 2014), FirstEnergy credits amounts to eligible employee notional cash-balance accounts based on a pay credit and an interest credit.

In addition, FirstEnergy provides a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance to a closed group of retired employees. Health care benefits, which include certain employee contributions, deductibles and co-payments, are also available upon retirement to certain employees, their dependents and, under certain circumstances, their survivors. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

PE recognizes its allocated portion of the expected cost of providing pension and OPEB to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. PE also recognizes its allocated portion of obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

PE's net periodic benefit costs (credits) for pension and OPEB were as follows:

<b>For the years ended</b>	<b>Pension</b>		<b>OPEB</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
PE's share of FirstEnergy funded status <sup>(1)</sup>	\$ 43	\$ 28	\$ 38	\$ 31
PE's share of net periodic benefit costs (credits) <sup>(2)</sup>	\$ (15)	\$ 3	\$ (6)	\$ (8)
Allocated net periodic benefit costs from affiliates <sup>(3)</sup>	\$ —	\$ 2	\$ 1	\$ —

<sup>(1)</sup> Excludes \$39 million and \$43 million as of December 31, 2025 and 2024, respectively, of affiliated noncurrent liabilities included within "Other" noncurrent liabilities on PE's Balance Sheets related to pension and OPEB mark-to-market costs allocated to PE and amounts associated with a reallocation of OPEB assets among certain FirstEnergy companies in 2022

<sup>(2)</sup> Includes pension and OPEB mark-to-market adjustments and amounts capitalized. PE's pension and OPEB mark-to-market adjustment gain (loss) for the years ended December 31, 2025 and 2024, were \$15 million and immaterial amounts, respectively.

<sup>(3)</sup> Includes amounts capitalized. Included in these net periodic benefit costs/(credits) from affiliates are \$4 million and \$1 million of mark-to-market adjustment gains, for the years ended December 31, 2025 and 2024, respectively.

Pension and OPEB costs are affected by employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plans and earnings on plan assets. Pension and OPEB costs may also be affected by changes in key assumptions, including anticipated rates of return on plan assets, the discount rates and health care trend rates used in determining the projected benefit obligations for pension and OPEB costs. FirstEnergy uses a December 31 measurement date for its pension and OPEB plans or whenever a plan is determined to qualify for a remeasurement. The fair value of the plan assets represents the actual market value as of the measurement date.

**Net Periodic Benefit Costs (Credits)** - In addition to service costs, interest on obligations, expected return on plan assets, and prior service costs, FirstEnergy recognizes in net periodic benefit costs a pension and OPEB mark-to-market adjustment for the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. Service costs, net of capitalization, are reported within Other operating expenses. Non-service costs, other than the pension and OPEB mark-to-market adjustment, which is separately shown, are reported within Miscellaneous income, net, within Other Income (Expense).

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Discount Rate** - In selecting an assumed discount rate, FirstEnergy considers currently available rates of return on high-quality fixed income investments expected to be available during the period to maturity of the pension and OPEB obligations. The assumed rates of return on plan assets consider historical market returns and economic forecasts for the types of investments held by FirstEnergy's pension trusts. The long-term rate of return is developed considering the portfolio's asset allocation strategy. FirstEnergy utilizes a spot rate approach in the estimation of the components of benefit cost by applying specific spot rates along the full yield curve to the relevant projected cash flows. The discount rate for pension obligations was 5.59% and 5.72% as of December 31, 2025 and 2024, respectively. The discount rate for OPEB obligations was 5.37% and 5.60% as of December 31, 2025 and 2024, respectively.

**Expected Return on Plan Assets** - The expected return on pension and OPEB assets is based on input from investment consultants, including the trusts' asset allocation targets, the historical performance of risk-based and fixed income securities and other factors. The gains or losses generated as a result of the difference between expected and actual returns on plan assets is recognized as a pension and OPEB mark-to-market adjustment in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. The expected return on pension plan assets was 8.50% and 8.00% for 2025 and 2024, respectively. The expected return on OPEB assets was 7.00% in 2025 and 2024.

**4. TAXES**

PE records income taxes in accordance with the liability method of accounting. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for tax purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. Deferred income tax liabilities related to temporary tax and accounting basis differences and tax credit carryforward items are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. Deferred tax assets are recognized based on income tax rates expected to be in effect when they are settled.

PE's consolidated financial statements include its allocated amount of current and deferred tax expense for all years presented. For federal income tax purposes, PE files as a member of the FirstEnergy consolidated group. PE is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities.

On July 4, 2025, President Trump signed into law the OBBBA, which, among other things, makes permanent certain corporate tax incentives that were set to expire in the TCJA, and terminates tax credits for most wind and solar projects placed in service after 2027. Because many of the provisions of the TCJA will be continued under the OBBBA, and as PE is not materially impacted by tax incentives associated with wind and solar projects, PE does not expect to be materially impacted by the OBBBA.

While FirstEnergy continues to believe, more likely than not, it will be subject to corporate AMT, additional IRS guidance issued on February 18, 2026, provides certain tax repair deductions in calculating corporate AMT, which may reduce or otherwise significantly change FirstEnergy's AMT estimates or its conclusions as to whether it is an AMT payer. PE is party to an intercompany income tax allocation agreement with FirstEnergy and, accordingly, may be allocated a share of any corporate AMT paid by the FirstEnergy consolidated tax group. FirstEnergy continues to evaluate this most recent AMT guidance, as well as prior guidance issued by the U.S. Treasury and/or IRS. Any adverse developments concerning corporate AMT liability, including guidance from the U.S. Treasury and/or the IRS or unfavorable regulatory treatment by FERC and/or applicable state regulatory authorities, could negatively impact PE's cash flows, results of operations and financial condition.

The following table provides the composite of income taxes for the years ended 2025 and 2024:

<b>INCOME TAXES:</b>	<b>For the Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In millions)</i>	
Currently payable -		
Federal	\$ 5	\$ 1
State	—	1
	5	2
Deferred, net -		
Federal	22	11
State	11	5
	33	16
Total income taxes	\$ 38	\$ 18

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

PE's tax rates are affected by permanent items, such as AFUDC equity and other flow-through items, as well as discrete items that may occur in any given period, but are not consistent from period to period. The following table provides a reconciliation of federal income tax expense at the federal statutory rate to the total income taxes for the years ended December 31, 2025 and 2024:

<i>(In millions)</i>	<b>For the Years Ended December 31,</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Income before income taxes	\$ 157		\$ 87	
Federal statutory income tax	\$ 33	21.0 %	\$ 18	21.0 %
Federal:				
Tax credits	—	— %	(1)	(1.1)%
Nontaxable and Nondeductible -				
AFUDC equity income	(1)	(0.6)%	(1)	(1.1)%
Other -				
Excess deferred tax amortization	(3)	(1.9)%	(3)	(3.4)%
State income taxes, net of federal effect <sup>(1)</sup>	9	5.7 %	5	5.7 %
<b>Total income taxes <sup>(2)</sup></b>	<b>\$ 38</b>	<b>24.2 %</b>	<b>\$ 18</b>	<b>20.7 %</b>

<sup>(1)</sup> Maryland makes up the majority of PE's respective domestic state income taxes, net of federal effect.

<sup>(2)</sup> There were no amounts for the years ended December 31, 2025 or 2024 at PE related to changes in valuation allowances, cross-border tax laws, changes in laws or rates, foreign tax effects, or changes in unrecognized tax benefits.

Accumulated deferred income taxes as of December 31, 2025 and 2024 were as follows:

<i>(In millions)</i>	<b>As of December 31,</b>	
	<b>2025</b>	<b>2024</b>
Property basis differences	\$ 322	\$ 287
Regulatory asset/liability	101	122
NUG contract buyout	(60)	(75)
Pension and OPEB	11	4
Loss and credit carryforwards	(10)	(9)
Other	8	5
<b>Accumulated deferred income tax liabilities, net</b>	<b>\$ 372</b>	<b>\$ 334</b>

PE records as deferred income tax assets the effect of NOLs and tax credits that will more likely than not be realized through future operations and through the reversal of existing temporary differences. As of December 31, 2025, PE's loss carryforwards consisted of \$10 million (\$2 million, net of tax) of federal NOL carryforwards, none of which have an expiration, but are subject to usage limitations in any single taxable year, and approximately \$74 million (\$5 million, net of tax) of state NOL carryforwards, all of which is expected to be utilized based on current estimates and assumptions prior to expiration, which will begin in 2034.

PE accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attribute are utilized for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. As of December 31, 2025 and 2024, PE's total unrecognized income tax benefits were immaterial.

PE recognizes interest expense or income and penalties related to uncertain tax positions by applying the applicable statutory interest rate to the difference between the tax position recognized and the amount previously taken or expected to be taken on the income tax return. PE includes interest expense or income and penalties in the provision for income taxes. During 2025, PE recognized an immaterial amount of interest associated with its unrecognized tax benefits, and its cumulative net interest payable balance as of December 31, 2025 was also not material.

PE is party to the FirstEnergy consolidated group for federal income taxes, and as a result, is included in FirstEnergy's consolidated federal income tax returns, which for years 2022 and forward remain open to potential IRS examination. PE's state income tax returns remain open to potential examinations from 2022 and forward.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Income taxes paid, net of refunds, for the years ended December 31, 2025 and 2024, are as follows:

<i>(In millions)</i>	<b>For the Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Federal payments -		
Internal Revenue Service <sup>(1)</sup>	\$ 10	\$ (6)
Total Federal	10	(6)
<b>Total Income Taxes Paid (net of Refunds)</b>	<b>\$ 10</b>	<b>\$ (6)</b>

<sup>(1)</sup> PE is party to the FirstEnergy consolidated group for federal income taxes and a related intercompany income tax allocation agreement. As a result, federal income tax payments and refunds are made to, or received from, FirstEnergy affiliates.

*General Taxes*

Details of general taxes for the years ended 2025 and 2024 are shown below:

<i>(In millions)</i>	<b>2025</b>	<b>2024</b>
Kilowatt-hour excise	\$ 15	\$ 15
Gross receipts	9	7
Real and personal property	23	22
Business and occupation	5	5
Social security and unemployment	5	4
<b>Total general taxes</b>	<b>\$ 57</b>	<b>\$ 53</b>

**5. LEASES**

PE primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancelable and noncancelable leases.

PE accounts for leases under, "Leases (Topic 842)". Leases with an initial term of 12 months or less are recognized as lease expense on a straight-line basis over the lease term and not recorded on the balance sheet. Most leases include one or more, options to renew, with renewal terms that can extend the lease term from 1 to 40 years, and certain leases include options to terminate. The exercise of lease renewal options is at PE's sole discretion. Renewal options are included within the lease liability if they are reasonably certain based on various factors relative to the contract. Certain leases also include options to purchase the leased property. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. PE has elected a policy to not separate lease components from non-lease components for all asset classes.

For vehicles leased under certain master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, PE is committed to pay the difference in the actual fair value and the residual value guarantee. PE does not believe it is probable that it will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

PE also has an affiliated full requirements agreement with MP in which MP provides power to PE for its default service requirements. Expense is based upon cost and, as such, is variable in nature. Since the lease is variable, no asset or liability was recognized upon adoption of ASC 842 on January 1, 2019. Expense related to this agreement was \$239 million and \$210 million for the years ended December 31, 2025 and 2024, respectively.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Finance leases for assets used in regulated operations are recognized in PE's Consolidated Statement of Income such that amortization of the right-of-use asset and interest on lease liabilities equals the expense recorded for ratemaking purposes. All operating lease expenses are recognized in Other operating expense. The components of lease expense were as follows:

<i>(In millions)</i>	<b>For the Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Operating lease costs <sup>(1)</sup>	\$ 6	\$ 6
Finance lease costs:		
Amortization of right-of-use assets	—	—
Total finance lease cost	—	—
<b>Total lease cost</b>	<b>\$ 6</b>	<b>\$ 6</b>

<sup>(1)</sup> Includes \$1 million of short-term lease costs for the years December 31, 2025 and 2024.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	<b>Financial Statement Line Item</b>	<b>As of December 31,</b>	
		<b>2025</b>	<b>2024</b>
<b>Assets</b>			
Operating lease assets <sup>(1)</sup>	Deferred charges and other assets	\$ 21	\$ 20
Finance lease assets <sup>(2)</sup>	Property, plant and equipment	2	2
<b>Total leased assets</b>		<b>\$ 23</b>	<b>\$ 22</b>
<b>Liabilities</b>			
<i>Current:</i>			
Operating	Other current liabilities	\$ 5	\$ 4
<i>Noncurrent:</i>			
Operating	Other noncurrent liabilities	15	14
<b>Total leased liabilities</b>		<b>\$ 20</b>	<b>\$ 18</b>

<sup>(1)</sup> Operating lease assets are recorded net of accumulated amortization of \$17 million and \$14 million as of December 31, 2025 and 2024, respectively.

<sup>(2)</sup> Finance lease assets are recorded net of accumulated amortization of an immaterial amount as of December 31, 2025 and 2024.

Lease terms and discount rates were as follows:

	<b>As of December 31, 2025</b>	<b>As of December 31, 2024</b>
<i>Weighted-average remaining lease terms (years)</i>		
Operating leases	5.3	5.3
Finance leases	16.5	17.8
<i>Weighted-average discount rate<sup>(1)</sup></i>		
Operating leases	4.51 %	4.35 %
Finance leases	25.39 %	13.79 %

<sup>(1)</sup> When an implicit rate is not readily determinable, an incremental borrowing rate is utilized, determining the present value of lease payments. The rate is determined based on expected term and information available at the commencement date.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
<i>Cash paid for amounts included in the measurement of lease liabilities</i>		
Operating cash flows from operating leases	\$ 5	\$ 4
Operating cash flows from finance leases	—	—
Finance cash flows from finance leases	—	—
<i>Right-of-use assets obtained in exchange for lease obligations:</i>		
Operating leases	\$ 6	\$ 8
Finance leases	—	—

Maturities of lease liabilities as of December 31, 2025, were as follows:

<i>(In millions)</i>	Operating Leases
2026	\$ 5
2027	5
2028	4
2029	3
2030	2
Thereafter	4
<i>Total lease payments</i>	23
Less imputed interest	3
<i>Total net present value</i>	<u>\$ 20</u>

As of December 31, 2025, additional operating leases agreements, primarily for vehicles, that have not yet commenced are \$1 million in estimated right-of-use obligation. These leases are expected to commence in the next 18 months with lease terms of 5 to 10 years.

## 6. VARIABLE INTEREST ENTITY

PE performs qualitative analyses based on control and economics to determine whether a variable interest classifies PE as the primary beneficiary (a controlling financial interest) of a VIE. An enterprise has a controlling financial interest if it has both power and economic control, such that an entity has (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and (ii) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. PE consolidates a VIE when it is determined that it is the primary beneficiary.

### Consolidated VIEs

VIEs in which PE is the primary beneficiary consist of the following (included in PE's consolidated financial statements):

- *PE Environmental Funding Companies* - The consolidated financial statements of PE include environmental control bonds issued by a bankruptcy remote, special purpose limited liability company that is an indirect subsidiary of PE. Proceeds from the bonds were used to construct environmental control facilities. The special purpose limited liability company owns the irrevocable right to collect non-bypassable environmental control charges from all customers who receive electric delivery service in PE's West Virginia service territory. Principal and interest owed on the environmental control bonds is secured by, and payable solely from, the proceeds of the environmental control charges. Creditors of PE, other than the special purpose limited liability company, have no recourse to any assets or revenues of the special purpose limited liability company. The cash collected from PE customers is used to service debt of the funding company and is reflected as restricted cash on the Consolidated Balance sheets. As of December 31, 2025 and 2024, \$39 million and \$47 million of environmental control bonds were outstanding, respectively.

## 7. FAIR VALUE MEASUREMENTS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, PE believes that their costs approximate their fair market value. The following table provides the approximate fair value and

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

related carrying amounts of long-term debt, which excludes finance lease obligations, net unamortized debt issuance costs and unamortized fair value adjustments:

<i>(In millions)</i>	December 31, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 1,064	\$ 929	\$ 872	\$ 722

The fair value of long-term debt reflects the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of PE. PE classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2025 and 2024.

## 8. ASSET RETIREMENT OBLIGATIONS

PE has recognized applicable legal obligations for AROs. PE recognizes an ARO for its legal obligation to perform asset retirement activities associated with its long-lived assets. The ARO liability represents an estimate of the fair value of PE's current obligation such that the ARO is accreted monthly to reflect the time value of money.

A fair value measurement inherently involves uncertainty in the amount and timing of settlement of the liability. PE uses an expected cash flow approach to measure the fair value of the remediation AROs, taking into account the expected timing of settlement of the ARO based on the expected economic useful life of associated asset and/or regulatory requirements. The fair value of an ARO is recognized in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying value of the long-lived asset and are depreciated over the life of the related asset. For instances where asset retirement costs relate to assets that have no future cash flows, the costs are recorded as an operating expense.

Conditional retirement obligations associated with tangible long-lived assets are recognized at fair value in the period in which they are incurred if a reasonable estimate can be made, even though there may be uncertainty about timing or method of settlement. When settlement is conditional on a future event occurring, it is reflected in the measurement of the liability, not the timing of the liability recognition.

The following table summarizes the changes to PE's ARO balances during 2025 and 2024:

ARO Reconciliation	<i>(In millions)</i>
<b>Balance, January 1, 2024</b>	\$ —
Liabilities incurred	17
<b>Balance, December 31, 2024</b>	\$ 17
Accretion	1
Changes in timing and amount of estimated cash flows	(17)
<b>Balance, December 31, 2025</b>	<u>\$ 1</u>

As further discussed below, on May 8, 2024, the EPA finalized changes to the CCR rule addressing certain legacy CCR disposal sites which were not included in previous CCR rules. As a result, during 2024, FirstEnergy, including PE, performed a preliminary assessment of former CCR disposal sites and calculated an initial estimate applying historical experience in remediating comparable sites. As a result, PE recorded a \$17 million increase to its ARO in 2024, all of which is included in "Other operating expenses" on the Income Statement and was not capitalized as an asset retirement cost since the associated electric generation facilities are closed.

The ARO increase related to certain legacy CCR disposal sites represents the discounted cash flows for estimated closure costs based upon the potential closure requirements as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors include the method and time frame of closure at the individual sites, which will be determined based on the groundwater monitoring and, if applicable, EPA approval of closure plans. In determining the estimated closure costs for each site, PE has assumed the anticipated applicable closure method, however, alternative closure methods may be required, resulting in greater or lesser cost. As a result, the ARO liability may be adjusted as additional information is gained through the evaluation and closure process, including further inspection of the sites, results of groundwater monitoring and changes in interpretation of the CCR regulations which may change management assumptions, and could result in a material change to the ARO liability balance and PE's results of operations.

During the fourth quarter of 2025, PE completed engineering studies and field analysis for certain of its legacy CCR disposal sites and determined that certain of those sites did not meet criteria to be applicable to the CCR rules. As a result, during the fourth quarter of 2025, PE recorded a \$17 million decrease to its ARO, all of which is included in "Other operating expenses" on the Consolidated Statements of Income and was not capitalized as an asset retirement cost since the associated electric

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generation facilities are closed.

**9. CAPITALIZATION**

**COMMON STOCK**

PE is authorized to issue 26,000,000 shares of common stock, \$0.01 par value, as of December 31, 2025. As of December 31, 2025 and 2024, there were 22,385,000 common shares outstanding.

**PREFERRED STOCK**

PE is authorized to issue 10,000,000 shares of preferred stock, \$0.01 par value, as of December 31, 2025. As of December 31, 2025 and 2024, there were no preferred shares outstanding.

**LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

The following table presents outstanding long-term debt and finance lease obligations for PE as of December 31, 2025 and 2024:

	As of December 31, 2025		As of December 31,	
	Maturity Date	Interest Rate	2025	2024
			<i>(In millions)</i>	
FMBs	2028 - 2051	2.670% - 5.730%	\$ 1,025	\$ 825
Secured notes - fixed rate	2026 - 2031	5.127% - 5.523%	39	47
Unamortized fair value adjustments			—	1
Unamortized debt issuance costs			(5)	(5)
Currently payable long-term debt			(9)	(8)
<b>Total long-term debt and other long-term obligations</b>			<b>\$ 1,050</b>	<b>\$ 860</b>

PE had the following issuance during the twelve months ended December 31, 2025.

Company	Type	Issuance Date	Interest Rate	Maturity	Amount (in Millions)	Description
<b>Issuances</b>						
PE	FMBs	June, 2025	5.00%	2030	\$200	Proceeds were used to refinance existing debt, to finance capital expenditures, for working capital, and for other general corporate purposes.

The following table presents scheduled debt repayments for outstanding long-term debt, excluding finance leases, fair value purchase accounting adjustments and unamortized debt discounts and premiums, for the next five years as of December 31, 2025.

<i>(In millions)</i>	2026	2027	2028	2029	2030
Scheduled debt repayments	\$8	\$9	\$109	\$10	\$253

*Environmental Control Bonds*

The consolidated financial statements of PE include environmental control bonds issued by a bankruptcy remote, special purpose limited liability company that is an indirect subsidiary of PE. Proceeds from the bonds were used to construct environmental control facilities. Principal and interest owed on the environmental control bonds is secured by, and payable solely from, the proceeds of the environmental control charges. As of December 31, 2025 and 2024, \$39 million and \$47 million of environmental control bonds were outstanding, respectively.

See Note 6., "Variable Interest Entity" for additional information on securitized bonds.

*FMBs*

PE has a first mortgage indenture under which it can issue FMBs secured by a direct first mortgage lien on substantially all of its property and franchises, other than specifically excepted property.

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*Debt Covenant Default Provisions*

PE has various debt covenants under certain financing arrangements, including its credit facility and term loans. The most restrictive of the debt covenants relate to the nonpayment of interest and/or principal on such debt and the maintenance of certain financial ratios. The failure by PE to comply with the covenants contained in its financing arrangements could result in an event of default, which may have an adverse effect on PE's financial condition.

Additionally, there are cross-default provisions in certain financing arrangements of FE and its subsidiaries, including PE. These provisions generally trigger a default in the applicable financing arrangement of an entity if it or any of its significant subsidiaries default under another financing arrangement in excess of a certain principal amount, typically \$100 million. Although such defaults by PE would cross-default FE financing arrangements containing these provisions, defaults by FE would generally not cross-default applicable PE financing arrangements.

As of December 31, 2025, PE was in compliance with all debt covenant default provisions.

**10. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT**

PE had no outstanding short-term borrowings as of December 31, 2025 and \$91 million of outstanding short-term borrowings as of December 31, and 2024.

***Short-Term Borrowings / Revolving Credit Facility***

On October 27, 2025, MP and PE entered into amendments to their \$400 million credit facility to, among other things: (i) remove the 10 basis point credit spread adjustment from the interest rate calculation; (ii) permit a one-week interest period for any Term Benchmark Advance (as defined under each of the Amended Credit Facilities) based upon daily simple SOFR; and (iii) extend the maturity date for an additional one-year period, from October 18, 2028 to October 18, 2029.

Borrowings under the MP and PE credit facility may be used for working capital and other general corporate purposes. Generally, borrowings under their credit facility are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. The credit facility contains financial covenants requiring each borrower to maintain a consolidated debt-to-total-capitalization ratio (as defined under their credit facility) of no more than 65% measured at the end of each fiscal quarter.

Subject to each borrower's sublimit, certain amounts are available for the issuance of LOCs (subject to borrowings drawn under their credit facility) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under their credit facility and against the applicable borrower's borrowing sublimit. As of December 31, 2025, PE had \$37 million in outstanding LOCs, none of which are issued under its credit facility.

Under its credit facility, PE may borrow up to \$150 million, all of which was available to PE as of December 31, 2025. This short-term debt limitation is subject to the regulatory short-term debt authorization of \$450 million, which also includes amounts that may be borrowed under the regulated companies' money pool.

The MP and PE credit facility does not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in "pricing grids," whereby the cost of funds borrowed under their credit facility are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under their credit facility are subject to the usual and customary provisions for acceleration upon the occurrence of events of default, including a cross-default for other indebtedness in excess of \$100 million.

As of December 31, 2025, PE had a debt-to-total-capitalization ratio of 48.9% which was in compliance with the applicable covenants under its credit facility.

***FirstEnergy Money Pool***

As a regulated money pool participant, PE has the ability to borrow from regulated affiliates and FE to meet its short-term working capital requirements. FESC administers these money pools and tracks surplus funds of FE and the respective regulated and unregulated subsidiaries, as the case may be, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. The average interest rates for borrowings in 2025 and 2024 were 4.51% and 5.74% per annum, respectively.

## **11. REGULATORY MATTERS**

### **STATE REGULATION**

PE's retail rates, conditions of service, issuance of securities and other matters are subject to regulation in Maryland by the MDPSC and in West Virginia by the WVPSC. The transmission operations of PE in Virginia are subject to certain regulations of the VSCC. The key terms of PE's current rate orders for distribution customer billings, which have been effective since March 2024 and October 2023 for West Virginia and Maryland, respectively. In West Virginia, PE's allowed ROE is 9.8% and the WVPSC did not disclose allowed debt/equity ratio. In Maryland, PE's allowed ROE is 9.5% and debt/equity ratio of 47%/53%.

#### **MARYLAND**

PE operates under MDPSC-approved distribution base rates that were effective as of October 19, 2023, and that were subsequently modified by an MDPSC order dated January 3, 2024, which became effective as of March 1, 2024. PE also provides SOS pursuant to a combination of settlement agreements, MDPSC orders and regulations, and statutory provisions. SOS supply is competitively procured in the form of rolling contracts of varying lengths through periodic auctions that are overseen by the MDPSC and a third-party monitor. Although settlements with respect to SOS supply for PE customers have expired, service continues in the same manner until changed by order of the MDPSC. PE recovers its costs plus a return for providing SOS.

The EmPOWER Maryland program, following passage of the Climate Solutions Now Act of 2022, required annual incremental energy efficiency targets of 2% per year from 2022 through 2024, 2.25% per year in 2025 and 2026, and 2.5% per year in 2027 and thereafter. On August 1, 2023, PE filed its proposed plan for the 2024-2026 cycle as required by the MDPSC. Additionally, at the direction of the MDPSC, PE together with other Maryland utilities were required to address GHG reductions in addition to energy efficiency. In compliance with the MDPSC directive, PE submitted three scenarios with projected costs over a three-year cycle of \$311 million, \$354 million, and \$510 million, respectively. On December 29, 2023, the MDPSC issued an order approving the \$311 million scenario for most programs, with some modifications. On August 15, 2024, PE filed a revised plan for the remainder of the 2024-2026 cycle to comply with refined GHG reduction targets with a total budget of \$314 million, which the MDPSC approved on December 27, 2024. PE recovers EmPOWER Maryland program costs with carrying costs on unamortized balances through an annually reconciled surcharge, with certain costs subject to recovery over a five-year amortization period. Lost distribution revenue attributable to energy efficiency or demand reduction is recovered only through base rates. Consistent with an MDPSC order dated December 29, 2022, phasing out the unamortized balances of EmPOWER Maryland investments, PE is required to expense 67% of its EmPOWER Maryland program costs in 2025, and 100% in 2026 and beyond. All previously unamortized costs for prior cycles are to be collected by the end of 2030, consistent with the 2024-2026 order issued on December 29, 2023. Legislation which took effect on July 1, 2024 is expected to reduce the carrying costs on the EmPOWER Maryland unamortized balances for PE by a total of \$25 to \$30 million over the period of 2024-2030. On July 31, 2024, the MDPSC issued an order implementing revised EmPOWER Maryland surcharge rates for PE in accordance with the new law, denying PE's request for a hearing that sought to challenge certain portions of the law. On August 30, 2024, PE filed a petition seeking judicial review of its challenge to the law in the Circuit Court for Washington County, Maryland. On August 6, 2025, the Circuit Court for Washington County, Maryland issued an order granting PE's petition, finding that the legislature may not change terms to apply retroactively to monies already expended. MDPSC and the Maryland Office of People's Counsel have each appealed the decision. On November 14, 2025, the Appellate Court of Maryland issued an order denying the unopposed motion of the Attorney General of Maryland to Intervene without prejudice to the ability to file an amicus curiae brief, which the Attorney General filed on December 30, 2025. PE's response brief was filed on January 21, 2026.

#### **WEST VIRGINIA**

MP and PE provide electric service to all customers through traditional cost-based, regulated utility ratemaking and operate under WVPSC-approved rates that became effective March 27, 2024. MP and PE recover net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. MP's and PE's ENEC rate is typically updated annually and MP and PE filed their ENEC filing on August 29, 2025, for rates effective January 1, 2026.

On April 21, 2022, the WVPSC issued an order approving, effective May 1, 2022, a tariff to offer solar power on a voluntary basis to West Virginia customers and requiring MP and PE to subscribe at least 85% of the planned 50 MWs of solar generation before seeking approval for surcharge cost recovery. MP and PE must seek separate approval from the WVPSC to recover any solar generation costs in excess of the approved solar power tariff. On April 24, 2023, MP and PE sought approval for surcharge cost recovery from the WVPSC for three of the five solar sites, representing 30 MWs of generation. On August 23, 2023, the WVPSC approved the customer surcharge and granted approval to construct three of the five solar sites. The surcharge went into effect January 1, 2024. Two of the five solar generation sites went into service in 2024, with the third in April 2025. On December 4, 2024, MP and PE submitted for approval a settlement agreement to increase its solar surcharge rate. The WVPSC approved the settlement without modification on December 27, 2024, and new rates went into effect on January 1, 2025. In November 2025, MP and PE submitted a settlement agreement to the WVPSC seeking approval to adjust the solar surcharge rate, which was approved without modification on January 15, 2026. Pursuant to the settlement agreement, a modest decrease in the solar surcharge rate became effective January 15, 2026.

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On August 29, 2025, MP and PE filed with the WVPSC their annual ENEC case requesting an increase in ENEC rates by approximately \$14 million, proposed to be effective January 1, 2026, which represents a 0.8% increase of total revenues. The proposed increase is driven primarily by an under-recovery balance as of June 30, 2025, and higher costs for fuel and reagents. On December 12, 2025, the parties filed a settlement agreement with the WVPSC, which was approved in full without modification on December 23, 2025.

On August 29, 2025, MP and PE filed with the WVPSC their biennial review of their vegetation management program and surcharge. MP and PE have proposed an approximate \$3.2 million decrease in the surcharge rates due to an over-recovery balance as of June 30, 2025, and higher costs for fuel and reagents. The WVPSC held a hearing regarding rate matters on December 15, 2025. The WVPSC issued an order on March 26, 2026, approving the MP and PE vegetation management program and granting rate recovery for its costs.

On October 1, 2025, MP and PE filed their integrated resource plan with the WVPSC. To ensure that MP and PE can meet their PJM adequacy requirements, the plan proposes, among other things, near-term market capacity purchases, and the addition of 70 MWs of solar generation by 2028 and 1,200 MWs of natural gas combined cycle generation by 2031. On November 26, 2025, the WVPSC issued a procedural order setting a hearing in May 2026.

On February 13, 2026, MP and PE filed a CPCN to construct and operate a 1,200 MW combined cycle gas turbine plant and 70 MWs of solar generation capacity for an estimated capital investment totaling approximately \$2.7 billion as of the date of the filing. The request also includes a surcharge designed to recover financing costs during development and construction of the projects, as well as to transition to recovery in base rates once the projects are placed in-service and approved through a base rate case. Hearings have been scheduled for July 16-17, 2026. A final order is expected from the WVPSC in the second half of 2026.

### **FERC REGULATORY MATTERS**

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters. With respect to its wholesale services and rates, PE is subject to regulation by FERC. FERC regulations require PE to provide open access transmission service at FERC-approved rates, terms and conditions. Transmission facilities of PE are subject to functional control by PJM and transmission service using PE's transmission facilities is provided by PJM under the PJM Tariff. The key terms of PE's rate orders in effect for transmission customer billings, which have been effective since January 1, 2021, include a lower of actual (13 month average) or 56% equity capital structure and an allowed 10.45% ROE.

FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. PE has been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although major wholesale purchases remain subject to review and regulation by the relevant state commissions.

Federally-enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on PE. NERC is the ERO designated by FERC to establish and enforce these reliability standards, although NERC has delegated day-to-day implementation and enforcement of these reliability standards to six regional entities, including RFC. All of the facilities that FirstEnergy operates, including those of PE, are located within RFC. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies, including PE, in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy, including PE, believes that it is in material compliance with all currently-effective and enforceable reliability standards. Nevertheless, in the course of operating its extensive electric utility systems and facilities, FirstEnergy, including PE, occasionally learns of isolated facts or circumstances that could be interpreted as excursions from the reliability standards. If and when such occurrences are found, FirstEnergy, including PE, develops information about the occurrence and develops a remedial response to the specific circumstances, including in appropriate cases "self-reporting" an occurrence to RFC. Moreover, it is clear that NERC, RFC and FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. Any inability on FirstEnergy's, including PE's, part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, or obligations to upgrade or build transmission facilities, that could have a material adverse effect on PE's financial condition, results of operations and cash flows.

#### *FERC Audit*

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations that FirstEnergy has accepted. The audit report included a finding and related

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recommendation on FirstEnergy's methodology for allocation of certain corporate support costs to regulatory capital accounts under certain FERC regulations and reporting. Effective in the first quarter of 2022 and in response to the finding, FirstEnergy implemented a new methodology for the allocation of these corporate support costs to regulatory capital accounts for its regulated distribution and transmission companies on a prospective basis. With the assistance of an independent outside firm, FirstEnergy completed an analysis during the third quarter of 2022 of these costs and how it impacted certain FERC-jurisdictional wholesale transmission customer rates for the audit period of 2015 through 2021. As a result of this analysis, PE recorded less than \$1 million in expected customer refunds, plus interest, due to its wholesale transmission customers and reclassified approximately \$5 million of certain transmission capital assets to operating expenses for the audit period.

On December 8, 2023, FERC audit staff issued a letter advising that two unresolved audit matters, related to FirstEnergy's plan to recover the reclassified operating expenses in formula transmission rates, were being referred to other offices within FERC for further review. On July 5, 2024, and September 26, 2024, the FERC Office of Enforcement issued additional data requests related to the 2022 reclassification of operating expenses, to which FirstEnergy replied. On September 10, 2024 and January 13, 2025, the FERC Office of Enforcement issued further data requests related to a matter unrelated to PE, to which FirstEnergy responded. The FERC Office of Enforcement took no action with respect to the referred matters, and on December 23, 2025, FERC staff notified FirstEnergy that the audit is concluded.

*Transmission Planning Supplemental Projects*

On September 27, 2023, the OCC filed a complaint against ATSI, PJM and other transmission utilities in Ohio alleging that the PJM Tariff and operating agreement are unjust, unreasonable, and unduly discriminatory because they include no provisions to ensure PJM's review and approval for the planning, need, prudence and cost-effectiveness of the PJM Tariff Attachment M-3 "Supplemental Projects." Supplemental Projects are projects that are planned and constructed to address local needs on the transmission system. The OCC demands that FERC: (i) require PJM to review supplemental projects for need, prudence and cost-effectiveness; (ii) appoint an independent transmission monitor to assist PJM in such review; and (iii) require that Supplemental Projects go into rate base only through a "stated rate" procedure whereby prior FERC approval would be needed for projects with costs that exceed an established threshold. Subsequently, intervenors expanded the scope of this proceeding to all of the transmission utilities in PJM. ATSI and the other transmission utilities in Ohio and PJM filed comments.

*Local Transmission Planning Complaint*

On December 19, 2024, the Industrial Energy Consumers of America, a group representing large industrial customers, and state consumer advocates filed a complaint at FERC that asserts that transmission owners are overbuilding "local transmission facilities" with corresponding unjustified increases in transmission rates. The complaint demands that FERC: (i) prohibit transmission owners from planning "local transmission facilities" that are rated at 100 kV or higher; (ii) appoint "independent transmission monitors" to conduct such planning; and (iii) condition construction of local transmission facilities on the facility having been planned by the "independent transmission monitor." FirstEnergy is participating in this matter through a consortium of PJM transmission owners and through certain trade groups, including EEI. FirstEnergy, together with the PJM transmission owners, filed a motion to dismiss the complaint on March 20, 2025, which is pending before FERC. FirstEnergy is unable to predict the outcome or estimate the impact that this complaint may have on its Transmission Companies, however, whether this lawsuit moves forward could have a material impact on FirstEnergy and its transmission capital investment strategy.

*Ghiorzi v. PJM*

In December 2023, PJM assigned certain baseline RTEP projects to NextEra Energy Transmission, which subsequently informed PJM that it would not construct the projects. On April 3, 2025, following the reassignment by PJM of certain baseline RTEP projects in Maryland and Virginia to PE, two individuals filed a complaint at FERC challenging this outcome, which FERC denied on February 2, 2026. The complainants asserted that PJM erred in reassigning the work to PE because such reassignment projects: (i) did not reflect the cost estimates or cost caps included in NextEra Energy Transmission's bid; and (ii) would be constructed with different routing than as originally proposed. On February 2, 2026, FERC denied the complaint. On March 4, 2026, complainants requested rehearing at FERC, to which PE and PJM replied on March 20, 2026 and March 23, 2026, respectively. FERC's deadline to act is April 3, 2026. FirstEnergy and PE are unable to predict the outcome or estimate the impact that this complaint may have.

*Transmission ROE Methodology*

A proposed rulemaking proceeding concerning transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act was initiated in March of 2020 and remains pending before FERC. Among other things, the rulemaking explored whether utilities should collect an "RTO membership" ROE incentive adder for more than three years. FirstEnergy is a member of PJM, and its transmission subsidiaries could be affected by the proposed rulemaking. FirstEnergy participated in comments on the supplemental rulemaking that were submitted by a group of PJM transmission owners and by various industry trade groups. If there were to be any changes to FirstEnergy's transmission incentive ROE, such changes will be applied on a prospective basis; provided however, due to the Sixth Circuit's ruling in the Transmission ROE Incentive matter described above, ATSI is collecting the ROE incentive adder subject to refund.

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*Large Load Interconnection Rulemaking*

On October 23, 2025, the U.S. Secretary of Energy directed FERC to conduct a rulemaking procedure to develop regulations that would speed interconnection to the transmission system of large loads, including “Artificial Intelligence” data centers and “hybrid” data center/electric generation facilities. The Energy Secretary advanced 14 principles to guide this outcome, including that such large loads should be responsible for paying the costs of any network transmission system upgrades required for interconnection of such large loads, and that these large loads should have the option for building such network transmission upgrades. The Energy Secretary requested that FERC take final action by April 30, 2026. On October 27, 2025, FERC noticed the Energy Secretary’s directive for comment, and subsequently established November 21, 2025 as the deadline for initial comments and December 5, 2025 as the deadline for reply comments. FET and its transmission affiliates, as well as over 150 other parties, filed comments on the established deadlines. FirstEnergy is unable to predict the outcome of this rulemaking procedure. To the extent the new regulations do not permit transmission utilities to fully recover costs associated with transmission network upgrades required to serve new large loads, our strategy of investing in transmission could be adversely affected.

*Abandonment Transmission Rate Incentive*

On February 26, 2025, PJM completed its 2024 RTEP Open Window 1 process and, among other actions, designated each of ATSI and PE to construct certain transmission projects. On July 11, 2025, ATSI and PE filed a joint application for the abandonment incentive with FERC, which, was approved on September 9, 2025. Effective September 10, 2025, ATSI and PE each became eligible to recover 50% of the project costs incurred prior to September 10, 2025, and 100% of the project costs incurred thereafter for any projects subsequently cancelled for reasons beyond the control of utility management.

**12. COMMITMENTS, GUARANTEES AND CONTINGENCIES**

**GUARANTEES AND OTHER ASSURANCES**

PE has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include stand-by LOCs and surety bonds. PE enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments PE could be required to make under these guarantees as of December 31, 2025 was \$50 million, respectively, as summarized below:

<b>Guarantees and Other Assurances</b>	<b>Maximum Exposure</b>	
	<i>(In millions)</i>	
Surety Bonds <sup>(1)</sup>	\$	13
LOCs		37
<b>Total Guarantees and Other Assurances</b>	<b>\$</b>	<b>50</b>

<sup>(1)</sup> Surety bonds are not tied to a credit rating, and their impact assumes maximum contractual obligations, which is 100% of the face amount of the surety bond, and typical obligations require 30 days to cure.

***Collateral and Contingent-Related Features***

In the normal course of business, PE may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require PE to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PE’s credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. PE has posted \$37 million of collateral in the form of LOCs as of December 31, 2025. PE is holding \$1 million of net cash collateral as of December 31, 2025 from certain generation suppliers, and such amount is included in "Other current liabilities" on PE’s Consolidated Balance Sheets.

**ENVIRONMENTAL MATTERS**

Various federal, state and local authorities regulate PE with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While PE’s environmental policies and procedures are designed to achieve compliance with applicable environmental laws and regulations, such laws and regulations are subject to periodic review and potential revision by the implementing agencies. PE cannot predict the timing or ultimate outcome of any of these reviews or how any future actions taken as a result thereof may materially impact its business, results of operations, cash flows and financial condition.

On March 12, 2025, the EPA announced its intent to reevaluate or reconsider numerous environmental regulations, many of which apply to PE. The specific timing or outcome of this initiative remains unknown, but regular required rulemaking processes and procedures still apply, and litigation is also anticipated to occur. The disclosures herein do not attempt to discern potential impacts of these deregulatory actions until and unless formal rulemaking or other regulatory actions are announced and the

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potential impacts to operations can be discerned.

*Regulation of Waste Disposal*

Federal and state hazardous waste regulations have been promulgated as a result of the Resource Conservation and Recovery Act, as amended, and the Toxic Substances Control Act. Certain CCRs, such as coal ash, were exempted from hazardous waste disposal requirements pending the EPA's evaluation of the need for future regulation.

In April 2015, the EPA finalized regulations for the disposal of CCRs (non-hazardous), establishing national standards for landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to assure the safe disposal of CCRs from electric generation facilities. On September 13, 2017, the EPA announced that it would reconsider certain provisions of the final regulations. On July 29, 2020, the EPA published a final rule again revising the date that certain CCR impoundments must cease accepting waste and initiate closure to April 11, 2021. The final rule allowed for an extension of the closure deadline based on meeting identified site-specific criteria.

On May 8, 2024, the EPA finalized changes to the CCR regulations addressing inactive surface impoundments at inactive electric utilities, known as legacy CCR surface impoundments. The rule extends 2015 CCR Rule requirements for groundwater monitoring and protection, operational and reporting procedures as well as closure requirements to impoundments and landfills that were not originally included for coverage by the 2015 CCR Rule. Furthermore, the EPA's interpretations of the EPA CCR regulations continue to evolve through enforcement and other regulatory actions. FirstEnergy, including PE, is currently assessing the potential impacts of the final rule, including a review of additional sites to which the new rule might be applicable. On March 12, 2025, the EPA announced a series of planned deregulatory actions, including reconsideration of the CCR-related rules. Depending on the outcome of appeals and the ultimate implementation of the final rule, compliance with these standards could require remedial actions, including removal of coal ash. See Note 8., "Asset Retirement Obligations," above for a description of the \$17 million increase to its ARO that PE recorded during 2024 as a result of its analysis and reduced in the fourth quarter of 2025 based on the completion of engineering studies and field analysis of certain sites. During the fourth quarter of 2025, PE completed engineering studies and field analysis for certain of its legacy CCR disposal sites and determined that certain of those sites did not meet criteria to be applicable to the CCR rules. As a result, during the fourth quarter of 2025, PE recorded a \$17 million decrease to its ARO.

FE or its subsidiaries, including PE, have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on PE's Consolidated Balance Sheets as of December 31, 2025, based on estimates of the total costs of cleanup, PE's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately \$4.5 million have been accrued by PE through December 31, 2025. FirstEnergy or its subsidiaries, including PE, could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

**OTHER LEGAL PROCEEDINGS**

*United States v. Larry Householder, et al.*

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In March 2023, a jury found Mr. Householder and his co-defendant, Matthew Borges, guilty and in June 2023, the two were sentenced to prison for 20 and five years, respectively. Messrs. Householder and Borges have appealed their sentences; the Sixth Circuit recently rejected their appeal upholding their convictions. Also, on July 21, 2020, and in connection with the U.S. Attorney's Office's investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the Southern District of Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. On January 17, 2025, the U.S. Attorney's Office announced that a federal grand jury charged two former FirstEnergy senior officers with one count of participating in a Racketeer Influenced and Corrupt Organizations Act conspiracy. The allegations in the indictment are largely based on the conduct described in the DPA.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves this matter as to FE. Under the DPA, FE agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA required that FirstEnergy, among other obligations: (i) continue to cooperate with the U.S. Attorney's Office in all matters relating to the conduct described in the DPA and other conduct under investigation by the U.S. government; (ii) pay a criminal monetary penalty totaling \$230 million within sixty days, consisting of (x) \$115 million paid by FE to the U.S. Treasury and (y) \$115 million paid by FE to the ODSA to fund certain assistance programs, as determined by the ODSA, for the benefit of low-income Ohio electric utility customers; (iii) publish a list of all payments made in 2021 to either 501(c)(4) entities or to entities known by FirstEnergy to be operating for the benefit of a public official, either directly or indirectly, and update the same on a quarterly basis during the term of the DPA; (iv) issue a public statement, as dictated in the DPA,

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
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regarding FE's use of 501(c)(4) entities; and (v) continue to implement and review its compliance and ethics program, internal controls, policies and procedures designed, implemented and enforced to prevent and detect violations of U.S. laws throughout its operations, and to take certain related remedial measures. The \$230 million payment will neither be recovered in rates or charged to FirstEnergy customers, nor will FirstEnergy seek any tax deduction related to such payment. The entire amount of the monetary penalty was recognized as an expense in the second quarter of 2021 and paid in the third quarter of 2021. As of July 22, 2024, FirstEnergy had successfully completed the obligations required within the three-year term of the DPA. Under the DPA, FirstEnergy has an obligation to continue: (i) publishing quarterly a list of all payments to 501(c)(4) entities and all payments to entities known by FirstEnergy operating for the benefit of a public official, either directly or indirectly; (ii) not making any statements that contradict the DPA; (iii) notifying the U.S. Attorney's Office of any changes in FirstEnergy's corporate form; and (iv) cooperating with the U.S. Attorney's Office until the conclusion of any related investigation, criminal prosecution, and civil proceeding brought by the U.S. Attorney's Office, including the aforementioned federal indictment against two former FirstEnergy senior officers. Within 30 days of those matters concluding, and FirstEnergy's successful completion of its remaining obligations, the U.S. Attorney's Office will dismiss the criminal information. On February 26, 2025, the U.S. Attorney's Office filed a status report confirming these commitments.

*Legal Proceedings Relating to U.S. v. Larry Householder, et al.*

Certain FE stockholders and FirstEnergy customers also filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The plaintiffs in each of the below cases seek, among other things, to recover an unspecified amount of damages (unless otherwise noted).

- *In re FirstEnergy Corp. Securities Litigation* (S.D. Ohio); on July 28, 2020, and August 21, 2020, purported stockholders of FE filed putative class action lawsuits alleging violations of the federal securities laws. Those actions have been consolidated and a lead plaintiff, the Los Angeles County Employees Retirement Association, has been appointed by the court. A consolidated complaint was filed on February 26, 2021. The consolidated complaint alleges, on behalf of a proposed class of persons who purchased FE securities between February 21, 2017 and July 21, 2020, that FE and certain current or former FE officers violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions concerning FE's business and results of operations. The consolidated complaint also alleges that FE, certain current or former FE officers and directors, and a group of underwriters violated Sections 11, 12(a)(2) and 15 of the Securities Act as a result of alleged misrepresentations or omissions in connection with offerings of senior notes by FE in February and June 2020. On March 30, 2023, the court granted plaintiffs' motion for class certification. On April 14, 2023, FE filed a petition in the Sixth Circuit seeking to appeal that order. On August 13, 2025, the Sixth Circuit vacated the S.D. Ohio's order granting class certification. On November 6, 2025, the S.D. Ohio held oral argument to further consider class certification in light of the Sixth Circuit's decision. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al. and Brighthouse Funds II – MFS Value Portfolio, et al. v. FirstEnergy Corp., et al.* (S.D. Ohio); on December 17, 2021 and February 21, 2022, purported stockholders of FE filed complaints against FE, certain current and former officers, and certain then-current and former officers of Energy Harbor Corp. The complaints allege that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seek the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur losses in connection with the resolution of these lawsuits. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.

The outcome of any of these lawsuits is uncertain and could have a material adverse effect on FE's or its subsidiaries' reputation, business, financial condition, results of operations, liquidity, and cash flows.

*Other Legal Matters*

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to PE's normal business operations pending against PE and its subsidiaries. The loss or range of loss in these matters is not expected to be material to PE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 11., "Regulatory Matters."

PE accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where PE determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that PE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on PE's or its subsidiaries' financial condition, results of operations and cash flows.

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
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**13. TRANSACTIONS WITH AFFILIATED COMPANIES**

PE's revenues, expenses, miscellaneous income and interest expenses include transactions with affiliated companies. These affiliated company transactions include affiliated company power sales agreements between FirstEnergy's regulated companies, support service billings, interest on affiliated company notes including the money pool, and other transactions.

The primary affiliated company transactions for PE during the years ended December 31, 2025 and 2024 are as follows:

	For the Years Ended December 31,			
	2025		2024	
	<i>(In millions)</i>			
Revenues	\$	1	\$	1
Expenses:				
Purchased power from affiliates <sup>(1)</sup>		244		216
FESC support services <sup>(2)</sup>		71		66
Other affiliate support services <sup>(2)</sup>		2		4
Interest income		2		—
Interest expense		1		3

<sup>(1)</sup> PE purchases power from MP to meet a portion of its Provider of Last Resort and default service requirements as well as provide power to certain facilities. See Note 5., "Leases," for additional information on the agreement with MP.

<sup>(2)</sup> Includes amounts capitalized.

FE does not bill directly or allocate any of its costs to any subsidiary company. FESC provides corporate support and other services, including executive administration, accounting and finance, risk management, human resources, corporate affairs, communications, information technology, legal services and other similar services at cost, in accordance with its cost allocation manual, to affiliated FirstEnergy companies under FESC agreements. Allocated costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. Intercompany transactions are generally settled under commercial terms within thirty days. PE can also receive charges from and charge affiliates other than FESC at cost.

PE recognizes an allocation of the net periodic pension and OPEB costs/credits from its affiliates, including FESC. See Note 3., "Pension and Other Postemployment Benefits" for additional information.

Under the FirstEnergy regulated money pool, PE has the ability to borrow from its regulated affiliates and FE to meet its short-term working capital requirements. Affiliated company notes receivables and payables related to the money pool are reported as Notes receivable from affiliated companies or Short-term borrowings - affiliated companies on the Consolidated Balance Sheets. Affiliate accounts receivable and accounts payable balances relate to intercompany transactions that have not yet settled through the FirstEnergy money pool (see Note 10., "Short-Term Borrowings and Bank Lines of Credit").

PE is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. See Note 4., "Taxes" for additional information.