

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2021	2020
REVENUES:		
Electric sales	\$ 247	\$ 217
Excise and gross receipts tax collections	5	5
Total revenues	252	222
OPERATING EXPENSES:		
Purchased power from non-affiliates	84	67
Purchased power from affiliates	54	62
Other operating expenses	35	39
Provision for depreciation	17	17
Amortization of regulatory assets, net	9	4
General taxes	14	13
Total operating expenses	213	202
OPERATING INCOME	39	20
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	4	3
Pension and OPEB mark-to-market adjustment	—	(11)
Interest expense	(8)	(7)
Capitalized financing costs	1	1
Total other expense	(3)	(14)
INCOME BEFORE INCOME TAXES	36	6
INCOME TAXES	7	1
NET INCOME	\$ 29	\$ 5

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

<i>(In millions)</i>	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 100	\$ 100
Restricted cash	5	6
Receivables-		
Customers	108	121
Less — Allowance for uncollectible customer receivables	10	10
	98	111
Affiliated companies	36	22
Other, net of allowance for uncollectible accounts	9	6
Prepaid taxes and other	19	21
	267	266
UTILITY PLANT:		
In service	2,064	2,039
Less — Accumulated provision for depreciation	343	332
	1,721	1,707
Construction work in progress	76	71
	1,797	1,778
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid purchased power	61	62
Other	42	47
	103	109
	<u>\$ 2,167</u>	<u>\$ 2,153</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	6	34
Accounts payable-		
Affiliated companies	32	30
Other	24	27
Accrued taxes	18	16
Accrued interest	9	7
Customer deposits	19	20
Other	19	19
	134	160
CAPITALIZATION:		
Common stockholder's equity-		
Common Stock and other paid-in capital, \$0.01 par value, authorized 26,000,000 shares - 22,385,000 shares outstanding	358	358
Accumulated other comprehensive income	2	2
Retained earnings	306	277
Total common stockholder's equity	666	637
Long-term debt and other long-term obligations	737	741
	1,403	1,378
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	267	258
Regulatory liabilities	271	263
Retirement benefits	13	13
Adverse power purchase contracts	29	30
Other	50	51
	630	615
	<u>\$ 2,167</u>	<u>\$ 2,153</u>

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 29	\$ 5
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	25	22
Deferred income taxes, net	8	(1)
Retirement benefits	(4)	(2)
Pension and OPEB mark-to-market adjustment	—	11
Changes in current assets and liabilities-		
Receivables	(4)	2
Prepaid taxes and other current assets	2	3
Accounts payable	(1)	(56)
Accrued taxes	2	5
Accrued interest	2	1
Customer deposits	(1)	—
Other current liabilities	(3)	(2)
Other	8	(1)
Net cash provided from (used for) operating activities	63	(13)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing -		
Short-term borrowings - affiliated companies, net	—	48
Redemptions and repayments-		
Long-term debt	(3)	(3)
Short-term borrowings - affiliated companies, net	(28)	—
Net cash provided from (used for) financing activities	(31)	45
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(30)	(31)
Asset removal costs	(3)	(3)
Net cash used for investing activities	(33)	(34)
Net change in cash, cash equivalents, and restricted cash	(1)	(2)
Cash, cash equivalents, and restricted cash at beginning of period	106	6
Cash, cash equivalents, and restricted cash at end of period	\$ 105	\$ 4