

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

<i>(In millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
REVENUES:				
Electric sales	\$ 227	\$ 205	\$ 659	\$ 605
Excise and gross receipts tax collections	4	5	13	13
Total revenues	231	210	672	618
OPERATING EXPENSES:				
Purchased power from non-affiliates	81	66	222	208
Purchased power from affiliates	53	43	155	134
Other operating expenses	37	36	96	102
Provision for depreciation	17	17	50	52
Amortization of regulatory assets, net	11	13	38	26
General taxes	14	13	39	37
Total operating expenses	213	188	600	559
OPERATING INCOME	18	22	72	59
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	1	4	9	11
Pension and OPEB mark-to-market adjustment	—	—	—	(11)
Interest expense	(8)	(8)	(24)	(22)
Capitalized financing costs	1	1	3	2
Total other expense	(6)	(3)	(12)	(20)
INCOME BEFORE INCOME TAXES	12	19	60	39
INCOME TAXES	4	3	14	7
NET INCOME	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 46</u>	<u>\$ 32</u>
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 46</u>	<u>\$ 32</u>
OTHER COMPREHENSIVE LOSS:				
Loss relating to disability benefits	—	—	—	—
Pension and OPEB prior service costs	—	(1)	—	(1)
Other comprehensive loss	—	(1)	—	(1)
Income tax benefits on other comprehensive loss	—	—	—	—
Other comprehensive loss, net of tax	—	(1)	—	(1)
COMPREHENSIVE INCOME	<u>\$ 8</u>	<u>\$ 15</u>	<u>\$ 46</u>	<u>\$ 31</u>

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

<i>(In millions)</i>	September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ —	\$ 100
Restricted cash	39	6
Receivables-		
Customers	84	121
Less — Allowance for uncollectible customer receivables	8	10
	76	111
Affiliated companies	33	22
Other, net of allowance for uncollectible accounts	11	6
Notes receivable from affiliates	112	—
Prepaid taxes and other	19	21
	290	266
UTILITY PLANT:		
In service	2,117	2,039
Less — Accumulated provision for depreciation	362	332
	1,755	1,707
Construction work in progress	86	71
	1,841	1,778
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid purchased power	58	62
Other	44	47
	102	109
	\$ 2,233	\$ 2,153
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	—	34
Accounts payable-		
Affiliated companies	33	30
Other	25	27
Accrued taxes	21	16
Accrued interest	9	7
Customer deposits	19	20
Other	58	19
	172	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	360	358
Accumulated other comprehensive income	2	2
Retained earnings	323	277
Total common stockholder's equity	685	637
Long-term debt and other long-term obligations	734	741
	1,419	1,378
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	272	258
Regulatory liabilities	281	263
Retirement benefits	12	13
Adverse power purchase contracts	28	30
Other	49	51
	642	615
	\$ 2,233	\$ 2,153

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 46	\$ 32
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	87	79
Deferred income taxes, net	9	10
Retirement benefits, net of payments	(12)	(9)
Pension and OPEB mark-to-market adjustment	—	11
Changes in current assets and liabilities-		
Receivables	19	19
Prepaid taxes and other current assets	8	6
Accounts payable	1	(62)
Accrued taxes	5	(1)
Accrued interest	2	2
Customer deposits	(1)	(1)
Other current liabilities	1	2
Collateral, net	29	—
Other	15	(9)
Net cash provided from operating activities	209	79
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing -		
Long-term debt	—	175
Redemptions and repayments-		
Long-term debt	(6)	(6)
Short-term borrowings - affiliated companies, net	(34)	(26)
Other	(1)	(2)
Net cash provided from (used for) financing activities	(41)	141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(96)	(94)
Loans to affiliated companies, net	(112)	(100)
Asset removal costs	(8)	(9)
Energy efficiency program costs	(19)	(19)
Net cash used for investing activities	(235)	(222)
Net change in cash, cash equivalents, and restricted cash	(67)	(2)
Cash, cash equivalents, and restricted cash at beginning of period	106	6
Cash, cash equivalents, and restricted cash at end of period	\$ 39	\$ 4