

**PENNSYLVANIA POWER COMPANY**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**PENNSYLVANIA POWER COMPANY**  
**STATEMENTS OF INCOME**  
**(UNAUDITED)**

| <i>(In millions)</i>                         | For the Three Months Ended<br>September 30, |       | For the Nine Months Ended<br>September 30, |        |
|--|---|-------|--|--------|
|  | 2022  | 2021  | 2022                                       | 2021   |
| <b>REVENUES:</b>                             |   |       |  |        |
| Electric sales                               | \$ 77                                       | \$ 66 | \$ 214                                     | \$ 178 |
| Gross receipts tax collections               | 5   | 4     | 13   | 13     |
| Total revenues                               | 82  | 70    | 227  | 191    |
| <b>OPERATING EXPENSES:</b>                   |   |       |  |        |
| Purchased power                              | 43  | 31    | 109  | 80     |
| Other operating expenses                     | 18  | 15    | 50   | 37     |
| Provision for depreciation                   | 7   | 6     | 20   | 19     |
| Deferral of regulatory assets, net           | (4)   | (2)   | (8)  | (4)    |
| General taxes                                | 5   | 5     | 15   | 15     |
| Total operating expenses                     | 69  | 55    | 186  | 147    |
| <b>OPERATING INCOME</b>                      | 13  | 15    | 41   | 44     |
| <b>OTHER INCOME (EXPENSE):</b>               |   |       |  |        |
| Miscellaneous income, net                    | 2   | 2     | 6  | 7      |
| Interest expense                             | (2)   | (4)   | (8)  | (10)   |
| Total other expense                          | —   | (2)   | (2)  | (3)    |
| <b>INCOME BEFORE INCOME TAXES (BENEFITS)</b> | 13  | 13    | 39   | 41     |
| <b>INCOME TAXES (BENEFITS)</b>               | (5)   | 4     | 1  | 8      |
| <b>NET INCOME</b>                            | \$ 18                                       | \$ 9  | \$ 38                                      | \$ 33  |
| <b>COMPREHENSIVE INCOME</b>                  | \$ 18                                       | \$ 9  | \$ 38                                      | \$ 33  |

**PENNSYLVANIA POWER COMPANY**  
**BALANCE SHEETS**  
**(UNAUDITED)**

| <i>(In millions, except share amounts)</i>   | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|-------------------------------|------------------------------|
| <b>ASSETS</b>  |                               |                              |
| <b>CURRENT ASSETS:</b>   |                               |                              |
| Receivables-   |                               |                              |
| Customers  | \$ 45                         | \$ 42                        |
| Less — Allowance for uncollectible customer receivables                                  | 6                             | 6                            |
|  | 39                            | 36                           |
| Affiliated companies   | 5                             | 4                            |
| Other  | 6                             | 5                            |
| Prepaid taxes and other  | 5                             | 2                            |
|  | 55                            | 47                           |
| <b>UTILITY PLANT:</b>  |                               |                              |
| In service   | 895                           | 878                          |
| Less — Accumulated provision for depreciation  | 254                           | 244                          |
|  | 641                           | 634                          |
| Construction work in progress  | 21                            | 14                           |
|  | 662                           | 648                          |
| <b>INVESTMENTS AND OTHER NONCURRENT ASSETS:</b>  |                               |                              |
| Investments in employee benefit trusts   | 11                            | 12                           |
| Other  | 9                             | 8                            |
|  | 20                            | 20                           |
|  | <u>\$ 737</u>                 | <u>\$ 715</u>                |
| <b>LIABILITIES AND CAPITALIZATION</b>  |                               |                              |
| <b>CURRENT LIABILITIES:</b>  |                               |                              |
| Currently payable long-term debt   | \$ —                          | \$ 100                       |
| Short-term borrowings - affiliated companies   | 123                           | 44                           |
| Accounts payable-  |                               |                              |
| Affiliated companies   | 1                             | 1                            |
| Other  | 19                            | 17                           |
| Accrued taxes  | 1                             | 4                            |
| Other  | 22                            | 21                           |
|  | 166                           | 187                          |
| <b>CAPITALIZATION:</b>   |                               |                              |
| Common stockholder's equity-   |                               |                              |
| Common stock, \$30 par value, authorized 6,500,000 shares - 3,110,836 shares outstanding | 93                            | 93                           |
| Other paid-in capital  | 19                            | 2                            |
| Accumulated other comprehensive loss   | (1)                           | (1)                          |
| Retained earnings  | 152                           | 114                          |
| Total common stockholder's equity  | 263                           | 208                          |
| Long-term debt and other long-term obligations   | 99                            | 99                           |
|  | 362                           | 307                          |
| <b>NONCURRENT LIABILITIES:</b>   |                               |                              |
| Accumulated deferred income taxes  | 110                           | 118                          |
| Retirement benefits  | 22                            | 27                           |
| Regulatory liabilities   | 33                            | 34                           |
| Other  | 44                            | 42                           |
|  | 209                           | 221                          |
|  | <u>\$ 737</u>                 | <u>\$ 715</u>                |

**PENNSYLVANIA POWER COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

| <i>(In millions)</i>   | For the Nine Months Ended<br>September 30, |       |
|--|--|-------|
|  | 2022                                       | 2021  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |  |       |
| Net income   | \$ 38                                      | \$ 33 |
| Adjustments to reconcile net income to net cash from operating activities- |  |       |
| Depreciation, amortization and impairments                                 | 13   | 16    |
| Deferred income taxes  | (1)  | 1     |
| Retirement benefits, net of payments                                       | (7)  | (8)   |
| Change in current assets and liabilities-                                  |  |       |
| Receivables  | (5)  | 9     |
| Prepaid taxes and other current assets                                     | (3)  | —     |
| Accounts payable   | 2  | (1)   |
| Accrued taxes  | (3)  | 1     |
| Other current liabilities  | 1  | 6     |
| Other  | 2  | 2     |
| Net cash provided from operating activities                                | 37   | 59    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                               |  |       |
| New financing-   |  |       |
| Short-term borrowings - affiliated companies, net                          | 79   | 14    |
| Redemptions and repayments-  |  |       |
| Long-term debt   | (100)                                      | —     |
| Short-term borrowings - other, net   | —  | (50)  |
| Equity contribution from parent  | 15   | —     |
| Common stock dividend payments   | —  | (37)  |
| Net cash used for financing activities                                     | (6)  | (73)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |  |       |
| Property additions   | (28)                                       | (32)  |
| Asset removal costs  | (3)  | (4)   |
| Net cash used for investing activities                                     | (31)                                       | (36)  |
| Net change in cash, cash equivalents, and restricted cash                  | —  | (50)  |
| Cash, cash equivalents, and restricted cash at beginning of period         | —  | 50    |
| Cash, cash equivalents, and restricted cash at end of period               | \$ —                                       | \$ —  |