

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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,	
	2020	2019	2020	2019
REVENUES:				
Electric sales	\$ 205	\$ 200	\$ 605	\$ 624
Excise and gross receipts tax collections	5	5	13	13
Total revenues	210	205	618	637
OPERATING EXPENSES:				
Purchased power from non-affiliates	66	57	208	192
Purchased power from affiliates	43	58	134	183
Other operating expenses	43	39	121	115
Provision for depreciation	17	16	52	50
Amortization (deferral) of regulatory liabilities, net	6	(2)	7	(9)
General taxes	13	13	37	37
Total operating expenses	188	181	559	568
OPERATING INCOME	22	24	59	69
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	4	3	11	8
Pension and OPEB mark-to-market adjustment	—	—	(11)	—
Interest expense	(8)	(7)	(22)	(21)
Capitalized financing costs	1	—	2	2
Total other expense	(3)	(4)	(20)	(11)
INCOME BEFORE INCOME TAXES	19	20	39	58
INCOME TAXES	3	5	7	13
NET INCOME	\$ 16	\$ 15	\$ 32	\$ 45
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 16	\$ 15	\$ 32	\$ 45
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(1)	(1)	(1)	(2)
Other comprehensive loss	(1)	(1)	(1)	(2)
Income tax benefits on other comprehensive loss	—	(1)	—	(1)
Other comprehensive loss, net of tax	(1)	—	(1)	(1)
COMPREHENSIVE INCOME	\$ 15	\$ 15	\$ 31	\$ 44

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

<i>(In millions)</i>	September 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Restricted cash	\$ 4	\$ 6
Receivables-		
Customers	91	90
Less — Allowance for uncollectible customer receivables	9	2
	<u>82</u>	<u>88</u>
Affiliated companies	23	39
Other, net of allowance for uncollectible accounts	7	4
Notes receivable from affiliates	100	—
Prepaid taxes and other	13	19
	<u>229</u>	<u>156</u>
UTILITY PLANT:		
In service	2,012	1,920
Less — Accumulated provision for depreciation	321	281
	<u>1,691</u>	<u>1,639</u>
Construction work in progress	72	66
	<u>1,763</u>	<u>1,705</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid purchased power	63	67
Other	40	40
	<u>103</u>	<u>107</u>
	<u>\$ 2,095</u>	<u>\$ 1,968</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	—	26
Accounts payable-		
Affiliated companies	25	87
Other	23	23
Accrued taxes	10	11
Accrued interest	9	7
Customer deposits	20	22
Other	20	16
	<u>114</u>	<u>199</u>
CAPITALIZATION:		
Common stockholder's equity-		
Other paid-in capital	358	356
Accumulated other comprehensive income	2	3
Retained earnings	268	236
Total common stockholder's equity	<u>628</u>	<u>595</u>
Long-term debt and other long-term obligations	741	574
	<u>1,369</u>	<u>1,169</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	256	242
Regulatory liabilities	269	268
Retirement benefits	13	12
Adverse power purchase contracts	31	33
Other	43	45
	<u>612</u>	<u>600</u>
	<u>\$ 2,095</u>	<u>\$ 1,968</u>

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 32	\$ 45
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	60	40
Deferred income taxes, net	10	11
Pension trust contributions	—	(6)
Retirement benefits	(9)	(7)
Pension and OPEB mark-to-market adjustment	11	—
Changes in current assets and liabilities-		
Receivables	19	26
Prepaid taxes and other current assets	6	(2)
Accounts payable	(62)	(24)
Accrued taxes	(1)	(3)
Accrued interest	2	—
Other current liabilities	1	(10)
Other	(9)	2
Net cash provided from operating activities	<u>60</u>	<u>72</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing -		
Long-term debt	175	—
Short-term borrowings - affiliated companies, net	—	16
Redemptions and repayments-		
Long-term debt	(6)	(6)
Short-term borrowings - affiliated companies, net	(26)	—
Common stock dividend payments	—	(15)
Other	(2)	—
Net cash provided from (used for) financing activities	<u>141</u>	<u>(5)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(94)	(90)
Loans to affiliated companies, net	(100)	19
Asset removal costs	(9)	(8)
Net cash used for investing activities	<u>(203)</u>	<u>(79)</u>
Net change in cash, cash equivalents, and restricted cash	(2)	(12)
Cash, cash equivalents, and restricted cash at beginning of period	6	15
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 4</u>	<u>\$ 3</u>