

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

<i>(In millions)</i>	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2018	2017	2018	2017
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 400	\$ 379	\$ 840	\$ 797
Excise tax collections	2	2	4	4
Total revenues	402	381	844	801
OPERATING EXPENSES:				
Fuel	128	121	267	262
Purchased power from non-affiliates	67	59	145	114
Purchased power from affiliates	3	5	8	11
Other operating expenses	104	82	206	162
Provision for depreciation	36	32	70	64
Amortization (deferral) of regulatory assets, net	(1)	24	4	58
General taxes	15	14	30	26
Total operating expenses	352	337	730	697
OPERATING INCOME	50	44	114	104
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	8	5	65	7
Interest expense	(20)	(20)	(40)	(39)
Total other income (expense)	(12)	(15)	25	(32)
INCOME BEFORE INCOME TAXES	38	29	139	72
INCOME TAXES	12	10	38	27
NET INCOME	\$ 26	\$ 19	\$ 101	\$ 45
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 26	\$ 19	\$ 101	\$ 45
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(1)	(1)	(2)	(2)
Other comprehensive loss	(1)	(1)	(2)	(2)
Income tax benefits on other comprehensive loss	(1)	(1)	(2)	(1)
Other comprehensive loss, net of tax	—	—	—	(1)
COMPREHENSIVE INCOME	\$ 26	\$ 19	\$ 101	\$ 44

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	June 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1	\$ 76
Restricted cash	18	18
Receivables-		
Customers, net of allowance for uncollectible accounts of \$4 in 2018 and 2017	132	128
Affiliated companies	46	32
Other, net of allowance for uncollectible accounts	6	6
Notes receivable from affiliates	—	23
Materials and supplies, at average cost	82	86
Prepaid taxes and other	29	29
	<u>314</u>	<u>398</u>
UTILITY PLANT:		
In service	4,442	4,139
Less — Accumulated provision for depreciation	567	491
	<u>3,875</u>	<u>3,648</u>
Construction work in progress	109	84
	<u>3,984</u>	<u>3,732</u>
INVESTMENTS:		
Investment in AGC	—	61
Other	2	2
	<u>2</u>	<u>63</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Intangible assets	99	103
Other	23	25
	<u>122</u>	<u>128</u>
	<u>\$ 4,422</u>	<u>\$ 4,321</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 19	\$ 19
Short-term borrowings	74	—
Short-term borrowings - affiliated companies	37	—
Accounts payable-		
Affiliated companies	36	18
Other	64	77
Accrued taxes	35	55
Accrued interest	13	13
Other	41	35
	<u>319</u>	<u>217</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, \$50 par value, 7,000,000 shares authorized and 5,891,000 shares outstanding	295	295
Other paid-in capital	877	876
Accumulated other comprehensive income	4	4
Retained earnings	154	103
Total common stockholder's equity	<u>1,330</u>	<u>1,278</u>
Long-term debt and other long-term obligations	1,497	1,580
	<u>2,827</u>	<u>2,858</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	494	402
Regulatory liabilities	540	491
Retirement benefits	19	107
Asset retirement obligations	44	42
Purchased power liability	86	90
Other	93	114
	<u>1,276</u>	<u>1,246</u>
	<u>\$ 4,422</u>	<u>\$ 4,321</u>

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Six Months
Ended June 30,

<i>(In millions)</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 101	\$ 45
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	97	122
Deferred income taxes and investment tax credits, net	22	20
Pension trust contribution	(87)	—
Retirement benefits, net of payments	(56)	(1)
Changes in current assets and liabilities-		
Receivables	(18)	—
Materials and supplies	4	16
Accounts payable	69	4
Accrued taxes	(20)	—
Other current liabilities	(2)	(4)
Other	11	(5)
Net cash provided from operating activities	<u>121</u>	<u>197</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	—	250
Redemptions and Repayments-		
Short-term borrowings, net	37	(141)
Long-term debt	(82)	(158)
Common stock dividend payment	(50)	(25)
Other	—	(2)
Net cash used for financing activities	<u>(95)</u>	<u>(76)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(117)	(112)
Loans to affiliated companies, net	23	—
Asset removal costs	(7)	(9)
Net cash used for investing activities	<u>(101)</u>	<u>(121)</u>
Net change in cash, cash equivalents and restricted cash	(75)	—
Cash, cash equivalents and restricted cash at beginning of period	94	19
Cash, cash equivalents and restricted cash at end of period	<u>\$ 19</u>	<u>\$ 19</u>