

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

**WEST PENN 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
<b><u>STATEMENTS OF INCOME</u></b>				
<b>REVENUES:</b>				
Electric sales	\$ 227	\$ 215	\$ 490	\$ 472
Excise tax collections	13	12	28	27
Total revenues	240	227	518	499
<b>OPERATING EXPENSES:</b>				
Purchased power from non-affiliates	75	68	181	152
Purchased power from affiliates	10	14	23	41
Other operating expenses	103	65	173	132
Provision for depreciation	20	17	39	34
Amortization (deferral) of regulatory assets, net	(30)	—	(39)	2
General taxes	15	14	33	31
Total operating expenses	193	178	410	392
<b>OPERATING INCOME</b>	47	49	108	107
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	4	3	9	5
Interest expense	(9)	(8)	(17)	(15)
Total other expense	(5)	(5)	(8)	(10)
<b>INCOME BEFORE INCOME TAXES</b>	42	44	100	97
<b>INCOME TAXES</b>	11	18	25	40
<b>NET INCOME</b>	\$ 31	\$ 26	\$ 75	\$ 57
<b><u>STATEMENTS OF COMPREHENSIVE INCOME</u></b>				
<b>NET INCOME</b>	\$ 31	\$ 26	\$ 75	\$ 57
<b>OTHER COMPREHENSIVE LOSS:</b>				
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)	(2)	(1)
Other comprehensive loss, net of tax	(1)	—	—	(1)
<b>COMPREHENSIVE INCOME</b>	\$ 30	\$ 26	\$ 75	\$ 56

**WEST PENN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In millions, except share amounts)</i>	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$7 in 2018 and \$6 in 2017	\$ 152	\$ 155
Affiliated companies	45	37
Other, net of allowance for uncollectible accounts	5	6
Note receivables from affiliated companies	—	26
Prepaid taxes and other	29	4
	<u>231</u>	<u>228</u>
<b>UTILITY PLANT:</b>		
In service	2,167	2,074
Less — Accumulated provision for depreciation	303	280
	<u>1,864</u>	<u>1,794</u>
Construction work in progress	64	46
	<u>1,928</u>	<u>1,840</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>	10	10
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Regulatory assets	44	3
Other	27	25
	<u>71</u>	<u>28</u>
	<u>\$ 2,240</u>	<u>\$ 2,106</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 2	\$ 2
Short-term borrowings - affiliated companies	128	—
Accounts payable-		
Affiliated companies	37	20
Other	54	67
Accrued interest	5	4
Accrued taxes	2	8
Customer deposits	25	24
Other	14	13
	<u>267</u>	<u>138</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, no par value, 32,000,000 shares authorized - 24,361,586 shares outstanding	550	548
Accumulated other comprehensive income	11	11
Retained earnings	226	254
Total common stockholder's equity	787	813
Long-term debt and other long-term obligations	723	723
	<u>1,510</u>	<u>1,536</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	355	332
Retirement benefits	34	51
Asset retirement obligations	20	19
Other	54	30
	<u>463</u>	<u>432</u>
	<u>\$ 2,240</u>	<u>\$ 2,106</u>

**WEST PENN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 75	\$ 57
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	38	36
Deferred income taxes and investment tax credits, net	19	27
Retirement benefits, net of payments	(9)	(2)
Pension trust contribution	(14)	—
Changes in current assets and liabilities-		
Receivables	(4)	4
Prepaid taxes and other	(25)	(28)
Accounts payable	4	6
Accrued taxes	(5)	(20)
Customer deposits	(1)	(7)
Other current liabilities	1	(5)
Other	(3)	9
Net cash provided from operating activities	76	77
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	128	16
Common stock dividend payment	(100)	—
Other	(1)	(1)
Net cash provided from financing activities	27	15
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(121)	(86)
Loans to affiliated companies, net	26	—
Asset removal costs	(8)	(6)
Net cash used for investing activities	(103)	(92)
Net change in cash, cash equivalents and restricted cash	—	—
Cash, cash equivalents and restricted cash at beginning of period	—	—
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ —