

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31,	
	2018	2017
STATEMENTS OF INCOME		
REVENUES:		
Electric sales	\$ 440	\$ 418
Excise tax collections	2	2
Total revenues	442	420
OPERATING EXPENSES:		
Fuel	139	141
Purchased power from non-affiliates	78	55
Purchased power from affiliates	5	6
Other operating expenses	102	80
Provision for depreciation	34	32
Amortization of regulatory asset, net	5	34
General taxes	15	12
Total operating expenses	378	360
OPERATING INCOME	64	60
OTHER INCOME (EXPENSE):		
Miscellaneous income	57	3
Interest expense	(20)	(19)
Total other income (expense)	37	(16)
INCOME BEFORE INCOME TAXES	101	44
INCOME TAXES	26	17
NET INCOME	\$ 75	\$ 27
STATEMENTS OF COMPREHENSIVE INCOME		
NET INCOME	\$ 75	\$ 27
OTHER COMPREHENSIVE LOSS:		
Pension and OPEB prior service costs	(1)	(1)
Other comprehensive loss	(1)	(1)
Income tax benefits on other comprehensive loss	(1)	—
Other comprehensive loss, net of tax	—	(1)
COMPREHENSIVE INCOME	\$ 75	\$ 26

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1	\$ 76
Restricted cash	11	18
Receivables-		
Customers, net of allowance for uncollectible accounts of \$4 in 2018 and 2017	125	128
Affiliated companies	35	32
Other, net of allowance for uncollectible accounts	6	6
Notes receivable from affiliates	48	23
Materials and supplies, at average cost	81	86
Prepaid taxes and other	32	29
	<u>339</u>	<u>398</u>
UTILITY PLANT:		
In service	4,167	4,139
Less — Accumulated provision for depreciation	503	491
	<u>3,664</u>	<u>3,648</u>
Construction work in progress	94	84
	<u>3,758</u>	<u>3,732</u>
INVESTMENTS:		
Investment in AGC	63	61
Other	2	2
	<u>65</u>	<u>63</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Intangible assets	101	103
Other	25	25
	<u>126</u>	<u>128</u>
	<u>\$ 4,288</u>	<u>\$ 4,321</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 19	\$ 19
Accounts payable-		
Affiliated companies	22	18
Other	73	77
Accrued taxes	61	55
Accrued interest	24	13
Other	38	35
	<u>237</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	876	876
Accumulated other comprehensive income	4	4
Retained earnings	177	103
Total common stockholder's equity	<u>1,352</u>	<u>1,278</u>
Long-term debt and other long-term obligations	1,571	1,580
	<u>2,923</u>	<u>2,858</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	423	402
Regulatory liabilities	499	491
Retirement benefits	19	107
Asset retirement obligations	43	42
Purchased power liability	88	90
Other	56	114
	<u>1,128</u>	<u>1,246</u>
	<u>\$ 4,288</u>	<u>\$ 4,321</u>

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 75	\$ 27
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	44	66
Deferred income taxes and investment tax credits, net	21	13
Pension trust contribution	(87)	—
Changes in current assets and liabilities-		
Receivables	—	(13)
Materials and supplies	5	19
Prepaid taxes and other	(3)	(5)
Accounts payable	—	8
Accrued interest	11	5
Accrued taxes	6	4
Other	(65)	(6)
Net cash provided from operating activities	7	118
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	—	102
Redemptions and Repayments-		
Long-term debt	(8)	(157)
Common stock dividend payment	—	(25)
Other	(1)	(1)
Net cash used for financing activities	(9)	(81)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(51)	(39)
Loans to affiliated companies, net	(25)	—
Asset removal costs	(4)	(5)
Net cash used for investing activities	(80)	(44)
Net change in cash and cash equivalents and restricted cash	(82)	(7)
Cash and cash equivalents and restricted cash at beginning of period	94	19
Cash and cash equivalents and restricted cash at end of period	\$ 12	\$ 12