

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
<u>STATEMENTS OF INCOME</u>		
REVENUES:		
Electric sales	\$ 231	\$ 228
Gross receipts tax collections	14	13
Total revenues	245	241
OPERATING EXPENSES:		
Purchased power from affiliates	—	15
Purchased power from non-affiliates	89	73
Other operating expenses	57	52
Provision for depreciation	21	18
Deferral of regulatory assets, net	(4)	(2)
General taxes	16	16
Total operating expenses	179	172
OPERATING INCOME	66	69
OTHER INCOME (EXPENSE):		
Miscellaneous income	13	3
Interest expense	(15)	(17)
Capitalized financing costs	—	1
Total other expense	(2)	(13)
INCOME BEFORE INCOME TAXES	64	56
INCOME TAXES	13	22
NET INCOME	\$ 51	\$ 34
<u>STATEMENTS OF COMPREHENSIVE INCOME</u>		
NET INCOME	\$ 51	\$ 34
OTHER COMPREHENSIVE INCOME:		
Pension and OPEB prior service costs	(1)	(1)
Other comprehensive loss	(1)	(1)
Income tax benefits on other comprehensive loss	(2)	(1)
Other comprehensive income, net of tax	1	—
COMPREHENSIVE INCOME	\$ 52	\$ 34

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$8 in 2018 and \$7 in 2017	\$ 152	\$ 147
Affiliated companies	25	25
Other	9	9
Prepaid taxes and other	41	12
	<u>227</u>	<u>193</u>
UTILITY PLANT:		
In service	2,944	2,911
Less — Accumulated provision for depreciation	952	943
	<u>1,992</u>	<u>1,968</u>
Construction work in progress	58	62
	<u>2,050</u>	<u>2,030</u>
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	195	200
Investment in subsidiaries	456	449
Other	1	2
	<u>652</u>	<u>651</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	637	637
Other	5	11
	<u>642</u>	<u>648</u>
	<u>\$ 3,571</u>	<u>\$ 3,522</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 4	\$ 4
Short-term borrowings - affiliated companies	77	23
Accounts payable-		
Affiliated companies	1	6
Other	62	53
Accrued taxes	12	17
Accrued interest	23	14
Customer deposits	22	21
Other	23	21
	<u>224</u>	<u>159</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, \$20 par value, authorized 5,400,000 shares - 4,427,577 shares outstanding	89	89
Other paid-in capital	1,043	1,043
Accumulated other comprehensive income	7	6
Retained earnings	132	82
Total common stockholder's equity	<u>1,271</u>	<u>1,220</u>
Long-term debt and other long-term obligations	1,130	1,131
	<u>2,401</u>	<u>2,351</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	243	229
Retirement benefits	151	217
Regulatory liabilities	204	206
Asset retirement obligations	117	116
Power purchase contract liability	74	79
Other	157	165
	<u>946</u>	<u>1,012</u>
	<u>\$ 3,571</u>	<u>\$ 3,522</u>

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
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	\$ 51	\$ 34
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and deferral of regulatory assets, net	24	16
Deferred income taxes and investment tax credits, net	11	9
Undistributed earnings from subsidiary company	(7)	(2)
Pension trust contribution	(65)	—
Changes in current assets and liabilities-		
Receivables	(5)	(2)
Prepaid taxes and other	(29)	(30)
Accounts payable	4	—
Accrued taxes	(5)	5
Accrued interest	9	7
Customer deposits	1	(1)
Other current liabilities	(1)	(4)
Other	—	(4)
Net cash provided from (used for) operating activities	(12)	28
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	54	12
Other	(1)	(1)
Net cash provided from financing activities	53	11
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(37)	(35)
Sales of investment securities held in trusts	29	92
Purchases of investment securities held in trusts	(30)	(94)
Asset removal costs	(3)	(2)
Net cash used for investing activities	(41)	(39)
Net change in cash and cash equivalents and restricted cash	—	—
Cash and cash equivalents and restricted cash at beginning of period	—	—
Cash and cash equivalents and restricted cash at end of period	\$ —	\$ —
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: Transfer of net transmission assets to affiliated company in exchange for membership interest	\$ —	\$ 446