

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 September 30,		For The Nine Months Ended September 30,	
	2018	2017	2018	2017
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 425	\$ 410	\$ 1,265	\$ 1,207
Gross receipts tax collections	2	3	6	7
Total revenues	427	413	1,271	1,214
OPERATING EXPENSES:				
Fuel	137	126	404	388
Purchased power from non-affiliates	73	70	218	184
Purchased power from affiliates	—	6	8	17
Other operating expenses	99	78	305	239
Provision for depreciation	36	32	106	96
Amortization of regulatory assets, net	10	25	14	83
General taxes	14	15	44	41
Total operating expenses	369	352	1,099	1,048
OPERATING INCOME	58	61	172	166
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	4	3	69	9
Interest expense	(19)	(20)	(59)	(59)
Total other income (expense)	(15)	(17)	10	(50)
INCOME BEFORE INCOME TAXES	43	44	182	116
INCOME TAXES	12	16	50	43
NET INCOME	\$ 31	\$ 28	\$ 132	\$ 73
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 31	\$ 28	\$ 132	\$ 73
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(1)	(1)	(3)	(3)
Other comprehensive loss	(1)	(1)	(3)	(3)
Income tax benefits on other comprehensive loss	—	—	(2)	(1)
Other comprehensive loss, net of tax	(1)	(1)	(1)	(2)
COMPREHENSIVE INCOME	\$ 30	\$ 27	\$ 131	\$ 71

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1	\$ 76
Restricted cash	10	18
Receivables-		
Customers, net of allowance for uncollectible accounts of \$3 in 2018 and \$4 in 2017	128	128
Affiliated companies	34	32
Other, net of allowance for uncollectible accounts	10	6
Notes receivable from affiliates	41	23
Materials and supplies, at average cost	72	86
Prepaid taxes and other	44	29
	<u>340</u>	<u>398</u>
UTILITY PLANT:		
In service	4,468	4,139
Less — Accumulated provision for depreciation	577	491
	<u>3,891</u>	<u>3,648</u>
Construction work in progress	133	84
	<u>4,024</u>	<u>3,732</u>
INVESTMENTS:		
Investment in AGC	—	61
Other	1	2
	<u>1</u>	<u>63</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Intangible assets	97	103
Other	32	25
	<u>129</u>	<u>128</u>
	<u>\$ 4,494</u>	<u>\$ 4,321</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 16	\$ 19
Short-term borrowings - affiliated companies	22	—
Accounts payable-		
Affiliated companies	26	18
Other	97	77
Accrued taxes	33	55
Accrued interest	24	13
Other	40	35
	<u>258</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	880	876
Accumulated other comprehensive income	3	4
Retained earnings	184	103
Total common stockholder's equity	<u>1,362</u>	<u>1,278</u>
Long-term debt and other long-term obligations	1,564	1,580
	<u>2,926</u>	<u>2,858</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	500	402
Regulatory liabilities	564	491
Retirement benefits	19	107
Asset retirement obligations	46	42
Purchased power liability	85	90
Other	96	114
	<u>1,310</u>	<u>1,246</u>
COMMITMENTS AND CONTINGENCIES		
	<u>\$ 4,494</u>	<u>\$ 4,321</u>

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

For the Nine Months
Ended September 30,

(In millions)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 132	\$ 73
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	141	179
Deferred income taxes and investment tax credits, net	30	37
Pension trust contribution	(87)	—
Retirement benefits, net of payments	(10)	(1)
Changes in current assets and liabilities-		
Receivables	(5)	32
Materials and supplies	14	36
Prepaid taxes and other current assets	(8)	(9)
Accounts payable	92	4
Accrued interest	11	9
Accrued taxes	(22)	—
Other current liabilities	2	2
Other	(38)	(4)
Net cash provided from operating activities	<u>252</u>	<u>358</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	74	250
Redemptions and Repayments-		
Short-term borrowings, net	(52)	(195)
Long-term debt	(90)	(165)
Common stock dividend payment	(50)	(25)
Other	(2)	(4)
Net cash used for financing activities	<u>(120)</u>	<u>(139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(184)	(165)
Loans to affiliated companies, net	(18)	(46)
Asset removal costs	(13)	(17)
Other	—	1
Net cash used for investing activities	<u>(215)</u>	<u>(227)</u>
Net change in cash, cash equivalents and restricted cash	(83)	(8)
Cash, cash equivalents and restricted cash at beginning of period	94	19
Cash, cash equivalents and restricted cash at end of period	<u>\$ 11</u>	<u>\$ 11</u>