

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 227	\$ 205	\$ 646	\$ 631
Gross receipts tax collections	5	12	36	36
Total revenues	232	217	682	667
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	9	2	21	25
Purchased power from non-affiliates	70	73	218	207
Other operating expenses	49	50	146	156
Provision for depreciation	21	19	63	55
Amortization (deferral) of regulatory assets, net	15	(5)	18	(11)
General taxes	16	14	43	43
Total operating expenses	180	153	509	475
<b>OPERATING INCOME</b>	52	64	173	192
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	12	3	39	11
Interest expense	(15)	(16)	(45)	(49)
Capitalized financing costs	1	—	1	2
Total other expense	(2)	(13)	(5)	(36)
<b>INCOME BEFORE INCOME TAXES</b>	50	51	168	156
<b>INCOME TAXES</b>	10	19	34	59
<b>NET INCOME</b>	\$ 40	\$ 32	\$ 134	\$ 97
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 40	\$ 32	\$ 134	\$ 97
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(1)	(1)	(3)	(2)
Other comprehensive loss	(1)	(1)	(3)	(2)
Income tax benefits on other comprehensive loss	—	—	(3)	(1)
Other comprehensive loss, net of tax	(1)	(1)	—	(1)
<b>COMPREHENSIVE INCOME</b>	\$ 39	\$ 31	\$ 134	\$ 96

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In millions, except share amounts)</i>	September 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 2017	\$ 139	\$ 147
Affiliated companies	15	25
Other	30	9
Prepaid taxes and other	22	12
	<u>206</u>	<u>193</u>
<b>UTILITY PLANT:</b>		
In service	3,010	2,911
Less — Accumulated provision for depreciation	974	943
	<u>2,036</u>	<u>1,968</u>
Construction work in progress	75	62
	<u>2,111</u>	<u>2,030</u>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	200	200
Investment in subsidiaries	472	449
Other	2	2
	<u>674</u>	<u>651</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	637	637
Other	10	11
	<u>647</u>	<u>648</u>
	<u>\$ 3,638</u>	<u>\$ 3,522</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 129	\$ 4
Short-term borrowings - affiliated companies	60	23
Accounts payable-		
Affiliated companies	6	6
Other	49	53
Accrued taxes	10	17
Accrued interest	23	14
Customer deposits	23	21
Other	20	21
	<u>320</u>	<u>159</u>
<b>CAPITALIZATION:</b>		
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	1,046	1,043
Accumulated other comprehensive income	6	6
Retained earnings	179	82
Total common stockholder's equity	<u>1,320</u>	<u>1,220</u>
Long-term debt and other long-term obligations	1,004	1,131
	<u>2,324</u>	<u>2,351</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	261	229
Retirement benefits	147	217
Regulatory liabilities	241	206
Asset retirement obligations	121	116
Power purchase contract liability	52	79
Other	172	165
	<u>994</u>	<u>1,012</u>
	<u>\$ 3,638</u>	<u>\$ 3,522</u>

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 134	\$ 97
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation		
Depreciation and amortization (deferral) of regulatory assets, net	94	44
Deferred income taxes and investment tax credits, net	19	15
Retirement benefits, net of payments	(14)	(1)
Undistributed earnings from subsidiary company	(23)	(5)
Pension trust contribution	(65)	—
Long-term PJM receivables	(7)	—
Changes in current assets and liabilities-		
Receivables	(1)	77
Prepaid taxes and other	(9)	(8)
Accounts payable	(4)	(8)
Accrued taxes	(7)	(3)
Accrued interest	9	6
Other current liabilities	(1)	(11)
Other	22	(4)
Net cash provided from operating activities	147	199
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	—	300
Short-term borrowings, net	37	—
Redemptions and repayments-		
Long-term debt	—	(300)
Short-term borrowings, net	—	(31)
Common stock dividend payments	(35)	(25)
Other	(2)	(6)
Net cash used for financing activities	—	(62)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(131)	(121)
Loans to affiliated companies, net	—	(2)
Sales of investment securities held in trusts	56	213
Purchases of investment securities held in trusts	(61)	(218)
Asset removal costs	(11)	(9)
Net cash used for investing activities	(147)	(137)
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	\$ —	\$ —
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Non-cash transaction: Transfer of net transmission assets to affiliated company in exchange for membership interest	\$ —	\$ 446