

**WEST PENN POWER COMPANY AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 257	\$ 248	\$ 747	\$ 720
Excise tax collections	15	14	43	41
Total revenues	<u>272</u>	<u>262</u>	<u>790</u>	<u>761</u>
<b>OPERATING EXPENSES:</b>				
Purchased power from non-affiliates	104	90	285	242
Purchased power from affiliates	10	14	33	55
Other operating expenses	93	65	266	198
Provision for depreciation	20	17	59	51
Amortization (deferral) of regulatory assets, net	(23)	—	(62)	2
General taxes	17	16	50	47
Total operating expenses	<u>221</u>	<u>202</u>	<u>631</u>	<u>595</u>
<b>OPERATING INCOME</b>	<u>51</u>	<u>60</u>	<u>159</u>	<u>166</u>
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	—	3	9	9
Interest expense	(8)	(7)	(25)	(22)
Total other expense	<u>(8)</u>	<u>(4)</u>	<u>(16)</u>	<u>(13)</u>
<b>INCOME BEFORE INCOME TAXES</b>	43	56	143	153
<b>INCOME TAXES</b>	<u>9</u>	<u>24</u>	<u>34</u>	<u>64</u>
<b>NET INCOME</b>	<u>\$ 34</u>	<u>\$ 32</u>	<u>\$ 109</u>	<u>\$ 89</u>
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	<u>\$ 34</u>	<u>\$ 32</u>	<u>\$ 109</u>	<u>\$ 89</u>
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(1)	(1)	(3)	(3)
Other comprehensive loss	(1)	(1)	(3)	(3)
Income tax benefits on other comprehensive loss	(1)	—	(3)	(1)
Other comprehensive loss, net of tax	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(2)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 34</u>	<u>\$ 31</u>	<u>\$ 109</u>	<u>\$ 87</u>

**WEST PENN POWER COMPANY AND SUBSIDIARIES**  
**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 \$6 in 2017	\$ 150	\$ 155
Affiliated companies	44	37
Other, net of allowance for uncollectible accounts	5	6
Note receivables from affiliated companies	—	26
Prepaid taxes and other	20	4
	<u>219</u>	<u>228</u>
<b>UTILITY PLANT:</b>		
In service	2,228	2,074
Less — Accumulated provision for depreciation	316	280
	<u>1,912</u>	<u>1,794</u>
Construction work in progress	68	46
	<u>1,980</u>	<u>1,840</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>	10	10
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Regulatory assets	53	3
Other	27	25
	<u>80</u>	<u>28</u>
	<u>\$ 2,289</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	93	—
Accounts payable-		
Affiliated companies	32	20
Other	95	67
Accrued interest	7	4
Accrued taxes	3	8
Customer deposits	24	24
Other	14	13
	<u>270</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	261	254
Total common stockholder's equity	822	813
Long-term debt and other long-term obligations	722	723
	<u>1,544</u>	<u>1,536</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	392	332
Retirement benefits	33	51
Asset retirement obligations	8	19
Other	42	30
	<u>475</u>	<u>432</u>
	<u>\$ 2,289</u>	<u>\$ 2,106</u>

**WEST PENN POWER COMPANY AND SUBSIDIARIES**  
**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	\$ 109	\$ 89
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	22	53
Deferred income taxes and investment tax credits, net	57	51
Retirement benefits, net of payments	(13)	(4)
Pension trust contribution	(14)	—
Changes in current assets and liabilities-		
Receivables	—	9
Prepaid taxes and other	(16)	(14)
Accounts payable	40	1
Accrued taxes	(5)	(20)
Accrued interest	3	5
Other current liabilities	1	(10)
Other	1	11
Net cash provided from operating activities	185	171
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	93	—
Long-term debt	—	100
Redemptions and repayments -		
Short-term borrowing, net	—	(103)
Common stock dividend payment	(100)	—
Other	(2)	(2)
Net cash used for financing activities	(9)	(5)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(189)	(135)
Loans to affiliated companies, net	26	(20)
Asset removal costs	(13)	(11)
Net cash used for investing activities	(176)	(166)
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	\$ —	\$ —