

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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

<i>(In millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 185	\$ 182	\$ 393	\$ 419
Gross receipts tax collections	11	10	23	24
Total revenues	196	192	416	443
OPERATING EXPENSES:				
Purchased power from affiliates	—	4	—	14
Purchased power from non-affiliates	59	60	137	138
Other operating expenses	48	47	99	104
Provision for depreciation	24	24	48	46
Amortization (deferral) of regulatory liabilities, net	4	(2)	6	6
General taxes	13	13	27	29
Total operating expenses	148	146	317	337
OPERATING INCOME	48	46	99	106
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	8	5	18	9
Equity earnings from MAIT	9	8	18	17
Pension and OPEB mark-to-market adjustment	—	—	(31)	—
Interest expense	(14)	(15)	(29)	(30)
Capitalized financing costs	1	—	2	1
Total other income (expense)	4	(2)	(22)	(3)
INCOME BEFORE INCOME TAXES	52	44	77	103
INCOME TAXES	10	8	13	19
NET INCOME	\$ 42	\$ 36	\$ 64	\$ 84
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 42	\$ 36	\$ 64	\$ 84
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	—	(1)	(1)	(1)
Other comprehensive loss	—	(1)	(1)	(1)
Income tax benefits on other comprehensive loss	—	—	—	—
Other comprehensive loss, net of tax	—	(1)	(1)	(1)
COMPREHENSIVE INCOME	\$ 42	\$ 35	\$ 63	\$ 83

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

<i>(In millions, except share amounts)</i>	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers	\$ 130	\$ 144
Less — Allowance for uncollectible customer receivables	12	7
	<u>118</u>	<u>137</u>
Affiliated companies	27	21
Other	11	11
Notes receivable from affiliated companies	43	85
Prepaid taxes and other	34	12
	<u>233</u>	<u>266</u>
UTILITY PLANT:		
In service	3,319	3,227
Less — Accumulated provision for depreciation	1,099	1,075
	<u>2,220</u>	<u>2,152</u>
Construction work in progress	54	78
	<u>2,274</u>	<u>2,230</u>
OTHER PROPERTY AND INVESTMENTS:		
Investment in affiliate	468	450
Other	1	1
Investment - held for sale	215	215
	<u>684</u>	<u>666</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	637	637
Other	36	28
	<u>673</u>	<u>665</u>
	<u>\$ 3,864</u>	<u>\$ 3,827</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 3	\$ 253
Accounts payable-		
Affiliated companies	1	3
Other	38	50
Accrued taxes	8	10
Accrued interest	11	13
Customer deposits	25	25
Other	26	21
	<u>112</u>	<u>375</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	1,050	1,049
Accumulated other comprehensive income	3	4
Retained earnings	190	176
Total common stockholder's equity	<u>1,332</u>	<u>1,318</u>
Long-term debt and other long-term obligations	1,296	1,047
	<u>2,628</u>	<u>2,365</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	312	301
Retirement benefits	185	165
Regulatory liabilities	237	225
Asset retirement obligations	4	4
Power purchase contract liability	—	16
Other	210	204
Noncurrent liabilities - held for sale	176	172
	<u>1,124</u>	<u>1,087</u>
	<u>\$ 3,864</u>	<u>\$ 3,827</u>

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

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 64	\$ 84
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	54	51
Deferred income taxes and investment tax credits, net	2	10
Retirement benefits, net of payments	(10)	(6)
Pension trust contributions	—	(1)
Pension and OPEB mark-to-market adjustment	31	—
Undistributed earnings from subsidiary company	(18)	(17)
Change in current assets and liabilities-		
Receivables	13	27
Prepaid taxes and other current assets	(22)	(18)
Accounts payable	(14)	(15)
Accrued taxes	(2)	(4)
Accrued interest	(2)	(1)
Other current liabilities	3	(2)
Other	(4)	7
Net cash provided from operating activities	95	115
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	250	300
Redemptions and repayments-		
Long-term debt	(250)	(125)
Short-term borrowings - affiliated companies, net	—	(50)
Common stock dividend payments	(50)	(50)
Other	(3)	(5)
Net cash provided from (used for) financing activities	(53)	70
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(75)	(77)
Loans to affiliated companies, net	42	(98)
Sales of investment securities held in trusts	2	44
Purchases of investment securities held in trusts	(3)	(47)
Asset removal costs	(8)	(7)
Net cash used for investing activities	(42)	(185)
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	\$ —	\$ —