

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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,	
	2019	2018	2019	2018
REVENUES:				
Electric sales	\$ 206	\$ 227	\$ 625	\$ 646
Gross receipts tax collections	13	5	37	36
Total revenues	<u>219</u>	<u>232</u>	<u>662</u>	<u>682</u>
OPERATING EXPENSES:				
Purchased power from affiliates	—	9	14	21
Purchased power from non-affiliates	75	70	213	218
Other operating expenses	48	49	152	146
Provision for depreciation	24	21	70	63
Deferral (amortization) of regulatory liabilities, net	1	15	7	18
General taxes	14	16	43	43
Total operating expenses	<u>162</u>	<u>180</u>	<u>499</u>	<u>509</u>
OPERATING INCOME	<u>57</u>	<u>52</u>	<u>163</u>	<u>173</u>
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	5	5	14	17
Equity earnings from MAIT	9	7	26	22
Interest expense	(15)	(15)	(45)	(45)
Capitalized financing costs	1	1	2	1
Total other expense	<u>—</u>	<u>(2)</u>	<u>(3)</u>	<u>(5)</u>
INCOME BEFORE INCOME TAXES	57	50	160	168
INCOME TAXES	<u>11</u>	<u>10</u>	<u>30</u>	<u>34</u>
NET INCOME	<u>\$ 46</u>	<u>\$ 40</u>	<u>\$ 130</u>	<u>\$ 134</u>
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 46	\$ 40	\$ 130	\$ 134
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(1)	(1)	(2)	(3)
Other comprehensive loss	(1)	(1)	(2)	(3)
Income tax benefits on other comprehensive loss	(1)	—	(1)	(3)
Other comprehensive loss, net of tax	<u>—</u>	<u>(1)</u>	<u>(1)</u>	<u>—</u>
COMPREHENSIVE INCOME	<u>\$ 46</u>	<u>\$ 39</u>	<u>\$ 129</u>	<u>\$ 134</u>

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$7 in 2019 and 2018	\$ 125	\$ 143
Affiliated companies	12	14
Other	14	25
Notes receivable from affiliated companies	163	—
Prepaid taxes and other	18	12
	<u>332</u>	<u>194</u>
UTILITY PLANT:		
In service	3,198	3,098
Less — Accumulated provision for depreciation	1,062	1,028
	<u>2,136</u>	<u>2,070</u>
Construction work in progress	73	68
	<u>2,209</u>	<u>2,138</u>
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	212	191
Investment in affiliate	449	451
Other	2	2
	<u>663</u>	<u>644</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	637	637
Other	27	8
	<u>664</u>	<u>645</u>
	<u>\$ 3,868</u>	<u>\$ 3,621</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 253	\$ 128
Short-term borrowings - affiliated companies	—	50
Accounts payable-		
Affiliated companies	2	7
Other	46	50
Accrued taxes	8	12
Accrued interest	22	14
Customer deposits	25	24
Other	24	21
	<u>380</u>	<u>306</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	1,049	1,046
Accumulated other comprehensive income	4	5
Retained earnings	253	173
Total common stockholder's equity	<u>1,395</u>	<u>1,313</u>
Long-term debt and other long-term obligations	1,048	1,003
	<u>2,443</u>	<u>2,316</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	291	277
Retirement benefits	144	147
Regulatory liabilities	226	192
Asset retirement obligations	174	167
Power purchase contract liability	24	44
Other	186	172
	<u>1,045</u>	<u>999</u>
	<u>\$ 3,868</u>	<u>\$ 3,621</u>

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

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 130	\$ 134
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory liabilities, net	74	87
Deferred income taxes and investment tax credits, net	3	19
Retirement benefits, net of payments	(9)	(14)
Pension trust contributions	(1)	(65)
Undistributed earnings from subsidiary company	2	(23)
Change in current assets and liabilities-		
Receivables	31	(1)
Prepaid taxes and other current assets	(6)	(9)
Accounts payable	(9)	(4)
Accrued taxes	(4)	(7)
Accrued interest	8	9
Other	9	21
Net cash provided from operating activities	228	147
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	300	—
Short-term borrowings - affiliated companies	—	37
Redemptions and repayments-		
Long-term debt	(125)	—
Short-term borrowings - affiliated companies	(50)	—
Common stock dividend payments	(50)	(35)
Other	(6)	(2)
Net cash provided from financing activities	69	—
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(119)	(131)
Loans to affiliated companies, net	(163)	—
Sales of investment securities held in trusts	70	56
Purchases of investment securities held in trusts	(75)	(61)
Asset removal costs	(10)	(11)
Net cash used for investing activities	(297)	(147)
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	\$ —	\$ —