WARRIOR RUN TERMINATION AGREEMENT

On March 23, 2023, the Potomac Edison Company ("PE") and AES WR Limited Partnership ("AES") entered into an agreement to terminate a power purchase agreement related to the Warrior Run coal-fired power plant ("Warrior Run"), subject to approval by the Maryland Public Service Commission ("Commission"). On June 21, 2023, the Commission approved the Termination Agreement between PE and AES.

Key provisions of the Termination Agreement include:

- PE will pay AES approximately $4.577 million per month for 78 months, or a total of $357 million to terminate PE's obligation to buy power from Warrior Run.
- PE will have no further obligation to purchase power from Warrior Run at any time after June 30, 2023.
- Warrior Run will continue to provide "capacity" (an electricity commodity different from energy) to PE for PJM's capacity market for the 2023/2024 planning year which runs June 1, 2023 through May 31, 2024.
- PE will receive the capacity market revenues for this period at no additional cost to PE.
- AES will be responsible for any capacity market penalties associated with Warrior Run's performance.

Cost Recovery

Pursuant to the September 23, 1999 Settlement Agreement approved by the Commission in Order No. 75851 in Case No. 8797, and affirmed in Supplemental Order No. 76009 in that case, the Company established the CoGeneration PURPA Project Surcharge ('PURPA Surcharge"). The PURPA Surcharge is contained in the Company's retail Maryland

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Tariff, Electric P.S.C. Md. No. 54. The PURPA Surcharge was set equal to the Warrior Run contract payments less revenues received from the sale of the Warrior Run generation output, including, but not limited to, all energy, capacity and any ancillary services.

On June 22, 2023, with an amendment on July 3, 2023, PE updated the PURPA Surcharge to now be known as the CoGeneration PURPA Project Termination Agreement Surcharge and updated the rate calculation for the period August 1 through December 31, 2023. This update, and all future updates, will be based upon the Commission-approved Termination Agreement. The Termination Agreement payments will be reduced by the amount of revenue forecasted from capacity market revenues which will continue until May 31, 2024. Expenses in 2023 include one-time additional costs.

The cost remaining, net of the capacity market revenue and one-time additional costs, will be combined with the projected over/under-collection, including accrued interest, in the deferred surcharge account. Maryland State Gross Receipts Tax and the Maryland PSC Assessment Factor will then be applied to the balance to produce a total revenue requirement.

Although the Termination Agreement expenses are neither capacity-related nor energy-related, the Company is using the historical ratio of capacity-related and energy-related expenses used for Warrior Run during the past 10 years to allocate expenses to the various Company rate schedules. This cost allocation method results in the Termination Agreement payments being treated as 65.30% capacity-related and 34.70% energy-related.

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