

FIRSTENERGY CORP
Form 10-Q
November 04, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
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333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
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000-53742	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer FirstEnergy Corp.

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Accelerated Filer N/A

Non-accelerated Filer (Do not check if a smaller reporting company) FirstEnergy Solutions Corp.

Smaller Reporting Company N/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AS OF OCTOBER 31, 2014
FirstEnergy Corp., \$0.10 par value	420,792,515
FirstEnergy Solutions Corp., no par value	7

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp. common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp. and FirstEnergy Solutions Corp. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to FirstEnergy Solutions Corp. is also attributed to FirstEnergy Corp.

FirstEnergy Web Site and Other Social Media Sites and Applications

Each of the registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also made available free of charge on or through the "Investors" page of FirstEnergy's Internet web site at www.firstenergycorp.com.

These SEC filings are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post additional important information including press releases, investor presentations and notices of upcoming events, under the "Investors" section of FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Investors may be notified of postings to the web site by signing up for email alerts and RSS feeds on the "Investors" page of FirstEnergy's Internet web site or through push alerts from FirstEnergy Investor Relations apps for Apple Inc.'s iPad® and iPhone® devices, which can be installed for free at the Apple® online store. FirstEnergy also uses Twitter® and Facebook® as additional channels of distribution to reach public investors and as a supplemental means of disclosing material non-public information for complying with its disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site or its Twitter® or Facebook® site, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.

OMISSION OF CERTAIN INFORMATION

FirstEnergy Solutions Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

Forward-Looking Statements: This Form 10-Q includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "forecast," "will," "intend," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following:

• The speed and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular.

• The ability to experience growth in the Regulated Distribution and Regulated Transmission segments and to successfully implement our revised sales strategy in the Competitive Energy Services segment.

• The accomplishment of our regulatory and operational goals in connection with our transmission plan and pending distribution rate cases and the effectiveness of our repositioning strategy.

• The impact of the regulatory process on pending matters in the various states in which we do business including, but not limited to, matters related to rates and pending rate cases, and the ESP IV in Ohio.

• The impact of the federal regulatory process on FERC-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM markets and also FERC-jurisdictional wholesale transactions, FERC regulation of cost-of-service rates, including FERC Opinion No. 531's revised ROE methodology for FERC-jurisdictional wholesale generation and transmission utility service, and FERC's compliance and enforcement activity, including compliance and enforcement activity related to NERC's mandatory reliability standards.

• The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.

• Economic or weather conditions affecting future sales and margins such as a polar vortex or other significant weather events, and all associated regulatory events or actions.

• Regulatory outcomes associated with storm restoration costs, including but not limited to, Hurricane Sandy, Hurricane Irene and the October snowstorm of 2011.

• Changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil, and their availability and impact on margins.

• The continued ability of our regulated utilities to recover their costs.

• Costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices.

• Other legislative and regulatory changes, and revised environmental requirements, including, but not limited to, possible GHG emission, water discharge, and CCR regulations, the potential impacts of CSAPR, and the effects of the EPA's MATS rules including our estimated costs of compliance.

• The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation, or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to deactivate or idle certain generating units).

• The uncertainties associated with the deactivation of certain older regulated and competitive fossil units, including the impact on vendor commitments, and the timing thereof as they relate to, among other things, RMR arrangements and the reliability of the transmission grid.

• The impact of other future changes to the operational status or availability of our generating units.

• Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).

• Issues arising from the indications of cracking in the shield building at Davis-Besse.

• The risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments.

Replacement power costs being higher than anticipated or not fully hedged.

The ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates.

Changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates.

The ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and successfully execute our announced financial plans designed to improve our credit metrics and strengthen our balance sheet through, among other actions, our previously-implemented dividend reduction and our other proposed capital raising initiatives.

Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.

Changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.

The impact of changes to material accounting policies.

The ability to access the public securities and other capital and credit markets in accordance with our announced financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.

- Actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries' access to financing, increase the costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.
- Changes in national and regional economic conditions affecting us, our subsidiaries and/or our major industrial and commercial customers and other counterparties with which we do business, including fuel suppliers.
- The impact of any changes in tax laws or regulations or adverse tax audit results or rulings.
- Issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business.
- The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

Dividends declared from time to time on FE's common stock during any period may in the aggregate vary from prior periods due to circumstances considered by FE's Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. The registrants expressly disclaim any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.

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GLOSSARY OF TERMS

The following abbreviations and acronyms are used in this report to identify FirstEnergy Corp. and its current and former subsidiaries:

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011. As of January 1, 2014, AE merged with and into FirstEnergy Corp.
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply and equity method investee of MP.
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities.
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FE	FirstEnergy Corp., a public utility holding company
FELHC	FirstEnergy License Holding Company, Inc.
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC which is the parent of ATSI and TrAIL and has a joint venture in PATH.
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	FirstEnergy Generation, LLC, a wholly-owned subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	A subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	FirstEnergy Nuclear Generation, LLC, a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary
Penn Pennsylvania Companies	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE ME, PN, Penn and WP
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Signal Peak	An indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary

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TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

The following abbreviations and acronyms are used to identify frequently used terms in this report:

AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income
Apple®	Apple®, iPad® and iPhone® are registered trademarks of Apple Inc.
ARO	Asset Retirement Obligation
ARR	Auction Revenue Right

GLOSSARY OF TERMS, Continued

ASLB	Atomic Safety and Licensing Board
ASU	Accounting Standards Update
BGS	Basic Generation Service
BRA	PJM RPM Base Residual Auction
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CBA	Collective Bargaining Agreement
CCB	Coal Combustion By-products
CCR	Coal Combustion Residuals
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO ₂	Carbon Dioxide
CSA	Coal Sales Agreement
CSAPR	Cross-State Air Pollution Rule
CTA	Consolidated Tax Adjustment
CWA	Clean Water Act
CWIP	Construction Work in Progress
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DOL	United States Department of Labor
DR	Demand Response
DSP	Default Service Plan
EDC	Electric Distribution Company
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
ELPC	Environmental Law & Policy Center
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
Facebook®	Facebook is a registered trademark of Facebook, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
GWH	Gigawatt-hour
HCL	Hydrochloric Acid
IBEW	International Brotherhood of Electrical Workers
ICE	IntercontinentalExchange, Inc.
ICG	International Coal Group Inc.
IRS	Internal Revenue Service
kV	Kilovolt

KWH	Kilowatt-hour
LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LMP	Locational Marginal Price

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GLOSSARY OF TERMS, Continued

LOC	Letter of Credit
LSE	Load Serving Entity
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
MISO LTTR	MISO Long Term Financial Transmission Right
mmBTU	One Million British Thermal Units
Moody's	Moody's Investors Service, Inc.
MOPR	Minimum Offer Price Rule
MVP	Multi-Value Project
MW	Megawatt
MWH	Megawatt-hour
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NITS	Network Integration Transmission Service
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NNSR	Non-Attainment New Source Review
NOL	Net Operating Loss
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
NSR	New Source Review
NUG	Non-Utility Generation
NYISO	New York Independent System Operator, Inc.
NYPSC	New York State Public Service Commission
OATT	Open Access Transmission Tariff
OCC	Ohio Consumers' Counsel
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection, L.L.C.
PM	Particulate Matter
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PTC	Price-to-Compare
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RCRA	Resource Conservation and Recovery Act
REC	Renewable Energy Credit
REIT	Real Estate Investment Trust

RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run

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GLOSSARY OF TERMS, Continued

ROE	Return on Equity
RPM	Reliability Pricing Model
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Service
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SB221	Amended Substitute Senate Bill No. 221
SB310	Substitute Senate Bill No. 310
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SERTP	Southeastern Regional Transmission Planning
SIP	State Implementation Plan(s) Under the Clean Air Act
SO ₂	Sulfur Dioxide
SOS	Standard Offer Service
SPE	Special Purpose Entity
SREC	Solar Renewable Energy Credit
SSO	Standard Service Offer
TDS	Total Dissolved Solid
TMDL	Total Maximum Daily Load
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
Twitter®	Twitter is a registered trademark of Twitter, Inc.
U.S. Court of Appeals for the D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
UWUA	Utility Workers Union of America
VIE	Variable Interest Entity
VRR	Variable Resource Requirement
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
REVENUES:				
Electric utilities	\$2,554	\$2,526	\$7,542	\$7,128
Unregulated businesses	1,334	1,506	4,024	4,131
Total revenues*	3,888	4,032	11,566	11,259
OPERATING EXPENSES:				
Fuel	544	657	1,711	1,915
Purchased power	1,188	1,120	3,726	2,932
Other operating expenses	858	877	3,061	2,645
Provision for depreciation	308	316	904	909
Amortization of regulatory assets, net	35	312	27	443
General taxes	239	242	738	747
Impairment of long-lived assets	—	—	—	473
Total operating expenses	3,172	3,524	10,167	10,064
OPERATING INCOME	716	508	1,399	1,195
OTHER INCOME (EXPENSE):				
Gain (loss) on debt redemptions (Note 8)	—	9	(8	) (132
Investment income	16	5	67	8
Interest expense	(275	) (257	) (802	) (771
Capitalized financing costs	28	21	89	62
Total other expense	(231	) (222	) (654	) (833
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	485	286	745	362
INCOME TAXES	152	77	226	129
INCOME FROM CONTINUING OPERATIONS	333	209	519	233
Discontinued operations (net of income taxes of \$0, \$3, \$69 and \$9, respectively) (Note 14)	—	9	86	17
NET INCOME	\$333	\$218	\$605	\$250
EARNINGS PER SHARE OF COMMON STOCK:				

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Basic - Continuing Operations	\$0.79	\$0.50	\$1.24	\$0.56
Basic - Discontinued Operations (Note 14)	—	0.02	0.20	0.04
Basic - Net Earnings per Basic Share	\$0.79	\$0.52	\$1.44	\$0.60
Diluted - Continuing Operations	\$0.79	\$0.50	\$1.24	\$0.56
Diluted - Discontinued Operations (Note 14)	—	0.02	0.20	0.04
Diluted - Net Earnings per Diluted Share	\$0.79	\$0.52	\$1.44	\$0.60

WEIGHTED AVERAGE NUMBER OF SHARES

OUTSTANDING:

Basic	420	418	419	418
Diluted	421	419	420	419

DIVIDENDS DECLARED PER SHARE OF COMMON STOCK** \$0.72 \$1.10 \$1.44 \$1.65

Includes excise tax collections of \$105 million and \$117 million in the three months ended September 30, 2014 and *2013, respectively, and \$321 million and \$346 million in the nine months ended September 30, 2014 and 2013, respectively.

** The nine months ended September 30, 2014 includes a dividend declared of \$0.36 per share on each of January 21, 2014; March 18, 2014; July 15, 2014; and September 16, 2014 paid or payable on March 1, 2014; June 1 2014; September 1, 2014; and December 1, 2014, respectively. The nine months ended September 30, 2013 includes a dividend declared of \$0.55 per share on each of March 19, 2013; July 16, 2013; and September 17, 2013 paid on June 1, 2013; September 1, 2013; and December 1, 2013, respectively.

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
NET INCOME	\$333	\$218	\$605	\$250
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(42	) (47	) (126	) (148
Amortized gains (losses) on derivative hedges	—	2	(1	) 4
Change in unrealized gain on available-for-sale securities	(11	) 6	40	3
Other comprehensive loss	(53	) (39	) (87	) (141
Income tax benefits on other comprehensive loss	(21	) (15	) (35	) (55
Other comprehensive loss, net of tax	(32	) (24	) (52	) (86
COMPREHENSIVE INCOME	\$301	\$194	\$553	\$164

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 109	\$ 218
Receivables-		
Customers, net of allowance for uncollectible accounts of \$63 in 2014 and \$52 in 2013	1,605	1,720
Other, net of allowance for uncollectible accounts of \$5 in 2014 and \$3 in 2013	214	198
Materials and supplies, at average cost	771	752
Prepaid taxes	185	226
Derivatives	180	166
Accumulated deferred income taxes	327	366
Collateral	221	155
Other	173	212
	3,785	4,013
PROPERTY, PLANT AND EQUIPMENT:		
In service	46,664	44,228
Less — Accumulated provision for depreciation	14,040	13,280
	32,624	30,948
Construction work in progress	2,301	2,304
	34,925	33,252
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,365	2,201
Other	894	903
	3,259	3,104
ASSETS HELD FOR SALE	—	235
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,418	6,418
Regulatory assets	1,668	1,854
Other	1,169	1,548
	9,255	9,820
	\$51,224	\$50,424
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 1,386	\$ 1,415
Short-term borrowings	1,621	3,404
Accounts payable	1,190	1,250
Accrued taxes	489	485
Accrued compensation and benefits	277	351
Derivatives	166	111
Other	850	621
	5,979	7,637
CAPITALIZATION:		

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Common stockholders' equity-		
Common stock, \$0.10 par value, authorized 490,000,000 shares - 420,729,105 and 418,628,559 shares outstanding as of September 30, 2014 and December 31, 2013, respectively	42	42
Other paid-in capital	9,836	9,776
Accumulated other comprehensive income	232	284
Retained earnings	2,592	2,590
Total common stockholders' equity	12,702	12,692
Noncontrolling interest	2	3
Total equity	12,704	12,695
Long-term debt and other long-term obligations	18,531	15,831
	31,235	28,526
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	7,188	6,968
Retirement benefits	2,754	2,689
Asset retirement obligations	1,755	1,678
Deferred gain on sale and leaseback transaction	833	858
Adverse power contract liability	222	290
Other	1,258	1,778
	14,010	14,261
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	\$51,224	\$50,424

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$605	\$250
Adjustments to reconcile net income to net cash from operating activities-		
Income from discontinued operations (Note 14)	(86	) (17
Provision for depreciation	904	909
Amortization of regulatory assets, net	27	443
Nuclear fuel amortization	160	156
Deferred purchased power and other costs	(89	) (61
Deferred income taxes and investment tax credits, net	327	114
Impairments of long-lived assets	—	473
Investment impairments	10	74
Deferred rents and lease market valuation liability	(56	) (48
Retirement benefits	(60	) (133
Gain on asset sales	—	(21
Commodity derivative transactions, net (Note 9)	60	15
Loss on debt redemptions (Note 8)	8	132
Make-whole premiums paid on debt redemptions	—	(181
Changes in current assets and liabilities-		
Receivables	90	(7
Materials and supplies	(19	) 117
Prepayments and other current assets	42	(59
Accounts payable	(47	) (279
Accrued taxes	(145	) (146
Accrued interest	66	29
Accrued compensation and benefits	(74	) (43
Cash collateral, net	(71	) (67
Other	85	21
Net cash provided from operating activities	1,737	1,671
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	3,778	2,745
Short-term borrowings, net	—	1,435
Redemptions and Repayments-		
Long-term debt	(1,062	) (2,662
Short-term borrowings, net	(1,783) —
Tender premiums paid on debt redemptions	—	(110
Common stock dividend payments	(452	) (690
Other	(37	) (64
Net cash provided from financing activities	444	654
CASH FLOWS FROM INVESTING ACTIVITIES:		

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Property additions	(2,473) (1,960)
Nuclear fuel	(98) (159)
Proceeds from asset sales	394	—	
Sales of investment securities held in trusts	1,511	1,545	
Purchases of investment securities held in trusts	(1,593	) (1,567)
Cash investments	42	(12)
Asset removal costs	(80	) (125)
Other	7	3	
Net cash used for investing activities	(2,290	) (2,275)
Net change in cash and cash equivalents	(109	) 50	
Cash and cash equivalents at beginning of period	218	172	
Cash and cash equivalents at end of period	\$ 109	\$ 222	

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months		Nine Months	
	Ended September 30 2014	2013	Ended September 30 2014	2013
STATEMENTS OF INCOME (LOSS)				
REVENUES:				
Electric sales to non-affiliates	\$1,315	\$1,455	\$3,989	\$4,066
Electric sales to affiliates	164	186	689	482
Other	42	38	124	107
Total revenues	1,521	1,679	4,802	4,655
OPERATING EXPENSES:				
Fuel	270	304	923	936
Purchased power from affiliates	64	132	203	401
Purchased power from non-affiliates	627	724	2,274	1,755
Other operating expenses	356	339	1,276	1,105
Provision for depreciation	83	80	236	231
General taxes	31	35	99	106
Total operating expenses	1,431	1,614	5,011	4,534
OPERATING INCOME (LOSS)	90	65	(209)	121
OTHER INCOME (EXPENSE):				
Loss on debt redemptions (Note 8)	(1)	—	(6)	(103)
Investment income (loss)	13	(3)	57	(4)
Miscellaneous income	1	21	5	29
Interest expense — affiliates	(1)	(1)	(5)	(7)
Interest expense — other	(37)	(35)	(110)	(126)
Capitalized interest	7	9	27	28
Total other expense	(18)	(9)	(32)	(183)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES (BENEFITS)	72	56	(241)	(62)
INCOME TAXES (BENEFITS)	28	23	(95)	(19)
INCOME (LOSS) FROM CONTINUING OPERATIONS	44	33	(146)	(43)
Discontinued operations (net of income taxes of \$0, \$5, \$70 and \$8, respectively) (Note 14)	—	7	116	14
NET INCOME (LOSS)	\$44	\$40	\$(30)	\$(29)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)				

NET INCOME (LOSS)	\$44	\$40	\$(30)	\$(29)
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(4)	(5)	(14)	(16)
Amortized gain on derivative hedges	(2)	(1)	(7)	(3)
Change in unrealized gain on available-for-sale securities	(9)	5	35	2
Other comprehensive income (loss)	(15)	(1)	14	(17)
Income taxes (benefits) on other comprehensive income (loss)	(6)	(1)	5	(7)
Other comprehensive income (loss), net of tax	(9)	—	9	(10)
COMPREHENSIVE INCOME (LOSS)	\$35	\$40	\$(21)	\$(39)

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$2	\$2
Receivables-		
Customers, net of allowance for uncollectible accounts of \$21 in 2014 and \$11 in 2013	445	539
Affiliated companies	488	1,036
Other, net of allowance for uncollectible accounts of \$3 in 2014 and 2013	114	81
Notes receivable from affiliated companies	214	—
Materials and supplies	471	448
Derivatives	168	165
Collateral	218	136
Prepayments and other	98	109
	2,218	2,516
PROPERTY, PLANT AND EQUIPMENT:		
In service	13,745	12,472
Less — Accumulated provision for depreciation	5,087	4,755
	8,658	7,717
Construction work in progress	688	1,308
	9,346	9,025
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,381	1,276
Other	11	11
	1,392	1,287
ASSETS HELD FOR SALE	—	122
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	82	95
Goodwill	23	23
Property taxes	9	41
Unamortized sale and leaseback costs	210	168
Derivatives	42	53
Other	107	172
	473	552
	\$13,429	\$13,502
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$535	\$892
Short-term borrowings-		
Affiliated companies	—	431
Other	21	4
Accounts payable-		
Affiliated companies	453	765

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Other	178	290
Accrued taxes	167	66
Derivatives	166	110
Other	170	197
	1,690	2,755
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares - 7 shares outstanding as of September 30, 2014 and December 31, 2013	3,592	3,080
Accumulated other comprehensive income	63	54
Retained earnings	2,148	2,178
Total common stockholder's equity	5,803	5,312
Long-term debt and other long-term obligations	2,631	2,130
	8,434	7,442
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	833	858
Accumulated deferred income taxes	741	741
Retirement benefits	197	185
Asset retirement obligations	1,059	1,015
Derivatives	20	14
Other	455	492
	3,305	3,305
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	\$13,429	\$13,502

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30		
	2014	2013	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (30)	) \$ (29))
Adjustments to reconcile net loss to net cash from operating activities-			
Income from discontinued operations (Note 14)	(116)	) (14))
Provision for depreciation	236	) 231)
Nuclear fuel amortization	160	) 156)
Deferred rents and lease market valuation liability	(63)	) (61))
Deferred income taxes and investment tax credits, net	(15)	) 205)
Investment impairments	9	) 66)
Gain on asset sales	—	) (20))
Commodity derivative transactions, net (Note 9)	61	) 15)
Loss on debt redemptions (Note 8)	6	) 103)
Make-whole premiums paid on debt redemptions	—	) (31))
Changes in current assets and liabilities-			
Receivables	609	) (214))
Materials and supplies	(23)	) 66)
Prepayments and other current assets	26	) (22))
Accounts payable	(383)	) 129)
Accrued taxes	7	) (131))
Accrued compensation and benefits	(15)	) (5))
Cash collateral, net	(82)	) (35))
Other	41	) (20))
Net cash provided from operating activities	428	) 389)
CASH FLOWS FROM FINANCING ACTIVITIES:			
New financing-			
Long-term debt	878) —)
Equity contribution from parent	500	) 1,500)
Redemptions and repayments-			
Long-term debt	(749)	) (1,179))
Short-term borrowings, net	(414)) —)
Tender premiums paid on debt redemptions	—	) (67))
Other	(14)	) (7))
Net cash provided from financing activities	201	) 247)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	(586)	) (477))
Nuclear fuel	(98)	) (159))
Proceeds from asset sales	307	) 21)
Sales of investment securities held in trusts	890) 650)
Purchases of investment securities held in trusts	(933)) (694))

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Loans to affiliated companies, net	(214)	22	
Other	5		—	
Net cash used for investing activities	(629)	(637)
Net change in cash and cash equivalents	—		(1)
Cash and cash equivalents at beginning of period	2		3	
Cash and cash equivalents at end of period	\$2		\$2	

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

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FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Terms.

FirstEnergy Corp. was organized under the laws of the State of Ohio in 1996. FirstEnergy's principal business is the holding, directly or indirectly, of all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, FES and its principal subsidiaries (FG and NG), AE Supply, MP, PE, WP and FET and its principal subsidiaries ATSI and TrAIL. In addition, FirstEnergy holds all of the outstanding common stock of other direct subsidiaries including: FirstEnergy Properties, Inc., FEV, FENOC, FELHC, Inc., and GPU Nuclear, Inc.

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2013.

FirstEnergy follows GAAP and complies with the related regulations, orders, policies and practices prescribed by the SEC, FERC, and, as applicable, the PUCO, the PPUC, the MDPSC, the NYPSC, the WVPSC, the VSCC and the NJBPU. The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair statement of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period. FE and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

FE and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary (see Note 7, Variable Interest Entities). Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but with respect to which they are not the primary beneficiary and do not exercise control, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage share of the entity's earnings is reported in the Consolidated Statements of Income and Comprehensive Income. These Notes to the Consolidated Financial Statements are combined for FirstEnergy and FES.

For the three months ended September 30, 2014 and 2013, capitalized financing costs on FirstEnergy's Consolidated Statements of Income includes \$14 million and \$4 million, respectively, of allowance for equity funds used during construction and \$14 million and \$17 million, respectively, of capitalized interest. For the nine months ended September 30, 2014 and 2013, capitalized financing costs on FirstEnergy's Consolidated Statements of Income includes \$35 million and \$11 million, respectively, of allowance for equity funds used during construction, and \$54 million and \$51 million, respectively, of capitalized interest.

Certain prior year amounts have been reclassified to conform to the current year presentation.
New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, requiring entities to recognize revenue by applying a five-step model in accordance with the core principle to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU No. 2014-09 specifies the accounting for costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This standard is effective for fiscal years beginning after December 15, 2016, with no early adoption permitted, and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard.

2. GOODWILL

In a business combination, the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is recognized as goodwill. FirstEnergy evaluates goodwill for impairment annually on July 31 and more frequently if indicators of impairment arise.

FirstEnergy's reporting units are consistent with its reportable segments and consist of Regulated Distribution, Regulated Transmission, Competitive Energy Services and Other/Corporate. The following table presents goodwill by reporting unit (there have been no changes in goodwill for any reporting unit during 2014):

Goodwill	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Other/Corporate	Consolidated
	(In millions)				
Balance as of September 30, 2014	\$5,092	\$526	\$800	\$ —	\$6,418

FirstEnergy performed a quantitative assessment for the Regulated Distribution, Regulated Transmission and Competitive Energy Services reporting units as of July 31, 2014. The fair values for each of the reporting units were calculated using a discounted cash flow analysis and indicated no impairment of goodwill.

The fair value of the Competitive Energy Services reporting unit exceeded its carrying value by approximately 10%, impacted by near term weak economic conditions and low energy and capacity prices. Key assumptions incorporated into the Competitive Energy Services discounted cash flow analysis requiring significant management judgment included: discount rates, future energy and capacity pricing, projected operating income, capital expenditures, including the impact of pending carbon and other environmental legislation, and terminal multiples. The July 31, 2014 assessment for this reporting unit included a discount rate of 8.5% and a terminal multiple of 7.0x earnings before, interest, taxes, depreciation, and amortization. Continued weak economic conditions, lower than forecasted power and capacity prices, and revised environmental requirements could have a negative impact on future goodwill assessments.

Key assumptions incorporated in the Regulated Distribution and Regulated Transmission discounted cash flow analysis requiring significant management judgment included: discount rates, growth rates, projected operating income, changes in working capital, projected capital expenditures, projected funding of pension plans, expected results of future rate proceedings, and terminal multiples.

3. EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share of common stock are computed using the weighted average number of common shares outstanding during the relevant period as the denominator. The denominator for diluted earnings per share of common stock reflects the weighted average of common shares outstanding plus the potential additional common shares that could result if dilutive securities and other agreements to issue common stock were exercised.

The following table reconciles basic and diluted earnings per share of common stock:

(In millions, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
Reconciliation of Basic and Diluted Earnings per Share of Common Stock	2014	2013	2014	2013
Income from continuing operations	\$333	\$209	\$519	\$233
Discontinued operations (Note 14)	—	9	86	17
Net income	\$333	\$218	\$605	\$250
Weighted average number of basic shares outstanding	420	418	419	418
Assumed exercise of dilutive stock options and awards ⁽¹⁾	1	1	1	1
Weighted average number of diluted shares outstanding	421	419	420	419
Earnings per share:				
Basic earnings per share:				
Income from continuing operations	\$0.79	\$0.50	\$1.24	\$0.56
Discontinued operations (Note 14)	—	0.02	0.20	0.04
Net earnings per basic share	\$0.79	\$0.52	\$1.44	\$0.60
Diluted earnings per share:				
Income from continuing operations	\$0.79	\$0.50		