

FIRSTENERGY CORP
Form 10-Q
August 05, 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 June 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.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
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

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 JULY 31, 2014
FirstEnergy Corp., \$0.10 par value	420,344,546
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," "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 planned distribution rate cases and the effectiveness of our repositioning strategy.

- The impact of the regulatory process on the pending matters before FERC and 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.

- 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 the polar vortex or other significant weather events, and all associated regulatory events or actions.

- Regulatory outcomes associated with storm restoration, 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.

- 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 impact of future changes to the operational status or availability of our generating units.

- 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 reduce costs and to successfully complete our announced financial plans designed to improve our credit metrics and strengthen our balance sheet, including but not limited to, our announced dividend reduction and our 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 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 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 our major industrial and commercial customers, and other counterparties including fuel suppliers, with which we do business.

• 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
CTA	Consolidated Tax Adjustment
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
CWIP	Construction Work in Progress
Dayton	The Dayton Power and Light Company
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DR	Demand Response
DSP	Default Service Plan
Duke	Duke Energy Ohio, a subsidiary of Duke Energy Corporation
EDC	Electric Distribution Company
EDU	Electric Distribution Utility
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
ELPC	Environmental Law & Policy Center
EMAAC	Eastern Mid-Atlantic Area Council
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

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GLOSSARY OF TERMS, Continued

LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LMP	Locational Marginal Price
LOC	Letter of Credit
LSE	Load Serving Entity
MAAC	Mid-Atlantic Region of PJM
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
M/kWh	Mill per Kilowatt-Hour
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
OCA	Office of Consumer Advocate
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
Pennsylvania Industrials	ME Industrial Users Group and PN Industrial Customer Alliance
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

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GLOSSARY OF TERMS, Continued

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
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 221
SB310	Senate Bill 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
SMIP	Smart Meter Implementation Plan
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
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 (LOSS)
(Unaudited)

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30 2014	2013	June 30 2014	2013
REVENUES:				
Electric utilities	\$2,256	\$2,217	\$4,988	\$4,602
Unregulated businesses	1,240	1,290	2,690	2,625
Total revenues*	3,496	3,507	7,678	7,227
OPERATING EXPENSES:				
Fuel	550	628	1,167	1,258
Purchased power	1,083	866	2,538	1,812
Other operating expenses	1,021	886	2,203	1,768
Provision for depreciation	302	300	596	593
Amortization (deferral) of regulatory assets, net	20	72	(8	) 131
General taxes	228	240	499	505
Impairment of long-lived assets	—	473	—	473
Total operating expenses	3,204	3,465	6,995	6,540
OPERATING INCOME	292	42	683	687
OTHER INCOME (EXPENSE):				
Loss on debt redemptions (Note 7)	(1	) (24	) (8	) (141
Investment income (loss)	29	(15	) 51	3
Interest expense	(262	) (256	) (527	) (514
Capitalized financing costs	32	23	61	41
Total other expense	(202	) (272	) (423	) (611
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES (BENEFITS)	90	(230	) 260	76
INCOME TAXES (BENEFITS)	26	(62	) 74	52
INCOME (LOSS) FROM CONTINUING OPERATIONS	64	(168	) 186	24
Discontinued operations (net of income taxes of \$0, \$4, \$69 and \$6, respectively) (Note 13)	—	4	86	8
NET INCOME (LOSS)	\$64	\$(164) \$272	\$32

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EARNINGS (LOSSES) PER SHARE OF COMMON STOCK:

Basic - Continuing Operations	\$0.16	\$(0.40)) \$0.45	\$0.06
Basic - Discontinued Operations (Note 13)	—	0.01	0.20	0.02
Basic - Net Earnings (Loss) per Basic Share	\$0.16	\$(0.39)	) \$0.65	\$0.08
Diluted - Continuing Operations	\$0.15	\$(0.40)	) \$0.45	\$0.06
Diluted - Discontinued Operations (Note 13)	—	0.01	0.20	0.02
Diluted - Net Earnings (Loss) per Diluted Share	\$0.15	\$(0.39)	) \$0.65	\$0.08

WEIGHTED AVERAGE NUMBER OF SHARES

OUTSTANDING:

Basic	420	418	419	418
Diluted	421	418	420	419

DIVIDENDS DECLARED PER SHARE OF COMMON STOCK** \$— \$— \$0.72 \$0.55

* Includes excise tax collections of \$99 million and \$107 million in the three months ended June 30, 2014 and 2013, respectively, and \$216 million and \$229 million in the six months ended June 30, 2014 and 2013, respectively.

** The six months ended June 30, 2014 includes a dividend declared of \$0.36 per share on January 21, 2014, paid on March 1, 2014 and a dividend declared of \$0.36 per share on March 18, 2014, paid on June 1, 2014. The six months ended June 30, 2013 includes a dividend declared of \$0.55 per share on March 19, 2013, paid on June 1, 2013.

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

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

(In millions)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
NET INCOME (LOSS)	\$64	\$(164)	) \$272	\$32
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(42	) (55	) (84	) (101
Amortized gains (losses) on derivative hedges	(1	) 1	(1	) 2
Change in unrealized gain on available-for-sale securities	30	(8	) 51	(3
Other comprehensive loss	(13	) (62	) (34	) (102
Income tax benefits on other comprehensive loss	(6	) (24	) (14	) (40
Other comprehensive loss, net of tax	(7	) (38	) (20	) (62
COMPREHENSIVE INCOME (LOSS)	\$57	\$(202)	) \$252	\$(30)

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)	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$76	\$218
Receivables-		
Customers, net of allowance for uncollectible accounts of \$59 in 2014 and \$52 in 2013	1,731	1,720
Other, net of allowance for uncollectible accounts of \$3 in 2014 and \$3 in 2013	231	198
Materials and supplies, at average cost	802	752
Prepaid taxes	246	226
Derivatives	249	166
Accumulated deferred income taxes	377	366
Collateral	266	155
Other	205	212
	4,183	4,013
PROPERTY, PLANT AND EQUIPMENT:		
In service	46,133	44,228
Less — Accumulated provision for depreciation	13,797	13,280
	32,336	30,948
Construction work in progress	2,180	2,304
	34,516	33,252
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,364	2,201
Other	896	903
	3,260	3,104
ASSETS HELD FOR SALE	—	235
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,418	6,418
Regulatory assets	1,732	1,854
Other	1,279	1,548
	9,429	9,820
	\$51,388	\$50,424
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$1,016	\$1,415
Short-term borrowings	2,323	3,404
Accounts payable	1,341	1,250
Accrued taxes	397	485
Accrued compensation and benefits	283	351
Derivatives	201	111
Other	612	621
	6,173	7,637
CAPITALIZATION:		

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Common stockholders' equity-		
Common stock, \$0.10 par value, authorized 490,000,000 shares - 420,271,254 and 418,628,559 shares outstanding as of June 30, 2014 and December 31, 2013, respectively	42	42
Other paid-in capital	9,817	9,776
Accumulated other comprehensive income	264	284
Retained earnings	2,560	2,590
Total common stockholders' equity	12,683	12,692
Noncontrolling interest	2	3
Total equity	12,685	12,695
Long-term debt and other long-term obligations	18,415	15,831
	31,100	28,526
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	7,081	6,968
Retirement benefits	2,732	2,689
Asset retirement obligations	1,730	1,678
Deferred gain on sale and leaseback transaction	841	858
Adverse power contract liability	237	290
Other	1,494	1,778
	14,115	14,261
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	\$51,388	\$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)	Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$272	\$32
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	596	593
Amortization (deferral) of regulatory assets, net	(8	) 131
Nuclear fuel amortization	98	98
Deferred purchased power and other costs	(47	) (39
Deferred income taxes and investment tax credits, net	159	119
Impairments of long-lived assets	—	473
Investment impairments	3	53
Deferred rents and lease market valuation liability	(79	) (75
Retirement benefits	(42	) (104
Commodity derivative transactions, net (Note 8)	40	17
Loss on debt redemptions (Note 7)	8	141
Make-whole premiums paid on debt redemptions	—	(61
Income from discontinued operations (Note 13)	(86	) (8
Changes in current assets and liabilities-		
Receivables	(44	) (125
Materials and supplies	(50	) 42
Prepayments and other current assets	(20	) (185
Accounts payable	103	(312
Accrued taxes	(159	) (205
Accrued compensation and benefits	(70	) (34
Cash collateral, net	(127	) (38
Other	75	(20
Net cash provided from operating activities	622	493
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	3,137	2,245
Short-term borrowings, net	—	1,285
Redemptions and Repayments-		
Long-term debt	(925	) (1,968
Short-term borrowings, net	(1,081) —
Tender premiums paid on debt redemptions	—	(110
Common stock dividend payments	(302	) (460
Other	(24	) (16
Net cash provided from financing activities	805	976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,809) (1,412
Nuclear fuel	(58) (50
Proceeds from asset sales	394	—

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Sales of investment securities held in trusts	1,164	1,177	
Purchases of investment securities held in trusts	(1,221) (1,173)
Asset removal costs	(47	) (111)
Other	8	(1)
Net cash used for investing activities	(1,569	) (1,570)
Net change in cash and cash equivalents	(142	) (101)
Cash and cash equivalents at beginning of period	218	172	
Cash and cash equivalents at end of period	\$76	\$71	

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

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

(In millions)	Three Months Ended		Six Months Ended	
	June 30	2013	June 30	2013
STATEMENTS OF OPERATIONS				
REVENUES:				
Electric sales to non-affiliates	\$1,234	\$1,277	\$2,674	\$2,611
Electric sales to affiliates	176	140	525	296
Other	42	35	82	69
Total revenues	1,452	1,452	3,281	2,976
OPERATING EXPENSES:				
Fuel	334	332	653	632
Purchased power from affiliates	75	137	139	269
Purchased power from non-affiliates	618	525	1,647	1,031
Other operating expenses	468	387	920	766
Provision for depreciation	79	76	153	151
General taxes	29	34	68	71
Total operating expenses	1,603	1,491	3,580	2,920
OPERATING INCOME (LOSS)	(151)	(39)	(299)	56)
OTHER INCOME (EXPENSE):				
Loss on debt redemptions (Note 7)	—	(32)	(5)	(103)
Investment income (loss)	24	(18)	44	(1)
Miscellaneous income	4	6	4	8
Interest expense — affiliates	(2)	(5)	(4)	(6)
Interest expense — other	(37)	(39)	(73)	(91)
Capitalized interest	8	10	20	19
Total other expense	(3)	(78)	(14)	(174)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(154)	(117)	(313)	(118)
INCOME TAX BENEFITS	(67)	(42)	(123)	(42)
LOSS FROM CONTINUING OPERATIONS	(87)	(75)	\$(190)	\$(76)
Discontinued operations (net of income taxes of \$0, \$1, \$70 and \$3, respectively) (Note 13)	—	4	116	7
NET LOSS	\$(87)	\$(71)	\$(74)	\$(69)

STATEMENTS OF COMPREHENSIVE LOSS

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NET LOSS	\$ (87)	\$ (71)	\$ (74)	\$ (69)
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(5)	(5)	(10)	(11)
Amortized gain on derivative hedges	(3)	(1)	(5)	(2)
Change in unrealized gain on available-for-sale securities	25	(8)	44	(3)
Other comprehensive income (loss)	17	(14)	29	(16)
Income taxes (benefits) on other comprehensive income (loss)	7	(5)	11	(6)
Other comprehensive income (loss), net of tax	10	(9)	18	(10)
COMPREHENSIVE LOSS	\$ (77)	\$ (80)	\$ (56)	\$ (79)

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)	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$2	\$2
Receivables-		
Customers, net of allowance for uncollectible accounts of \$14 in 2014 and \$11 in 2013	534	539
Affiliated companies	475	1,036
Other, net of allowance for uncollectible accounts of \$3 in 2014 and 2013	97	81
Notes receivable from affiliated companies	168	—
Materials and supplies	466	448
Derivatives	238	165
Collateral	256	136
Prepayments and other	125	109
	2,361	2,516
PROPERTY, PLANT AND EQUIPMENT:		
In service	13,622	12,472
Less — Accumulated provision for depreciation	4,968	4,755
	8,654	7,717
Construction work in progress	682	1,308
	9,336	9,025
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,379	1,276
Other	11	11
	1,390	1,287
ASSETS HELD FOR SALE	—	122
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	86	95
Goodwill	23	23
Property taxes	19	41
Unamortized sale and leaseback costs	215	168
Derivatives	57	53
Other	112	172
	512	552
	\$13,599	\$13,502
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$291	\$892
Short-term borrowings-		
Affiliated companies	—	431
Other	308	4
Accounts payable-		
Affiliated companies	421	765

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Other	259	290
Accrued taxes	98	66
Derivatives	200	110
Other	183	197
	1,760	2,755
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares - 7 shares outstanding as of June 30, 2014 and December 31, 2013	3,583	3,080
Accumulated other comprehensive income	72	54
Retained earnings	2,104	2,178
Total common stockholder's equity	5,759	5,312
Long-term debt and other long-term obligations	2,721	2,130
	8,480	7,442
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	841	858
Accumulated deferred income taxes	746	741
Asset retirement obligations	1,044	1,015
Retirement benefits	193	185
Derivatives	43	14
Other	492	492
	3,359	3,305
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	\$13,599	\$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)	Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(74	) \$(69
Adjustments to reconcile net loss to net cash from operating activities-		
Provision for depreciation	153	151
Nuclear fuel amortization	98	98
Deferred rents and lease market valuation liability	(76	) (72
Deferred income taxes and investment tax credits, net	(23	) 141
Investment impairments	3	45
Retirement benefits	(2	) (3
Commodity derivative transactions, net (Note 8)	40	17
Loss on debt redemptions (Note 7)	5	103
Make-whole premiums paid on debt redemptions	—	(31
Income from discontinued operations (Note 13)	(116	) (7
Changes in current assets and liabilities-		
Receivables	550	(156
Materials and supplies	(18	) 52
Prepayments and other current assets	5	(40
Accounts payable	(339	) (91
Accrued taxes	(57	) (134
Accrued compensation and benefits	(7	) 3
Cash collateral, net	(117	) 2
Other	58	(9
Net cash provided from operating activities	83	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	637	—
Equity contribution from parent	500	1,500
Redemptions and repayments-		
Long-term debt	(664	) (1,179
Short-term borrowings, net	(127) —
Tender premiums paid on debt redemptions	—	(67
Other	(10	) (5
Net cash provided from financing activities	336	249