

FIRSTENERGY CORP
Form 10-Q
November 05, 2013

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, 2013

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 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 NOVEMBER 4, 2013
FirstEnergy Corp., \$0.10 par value	418,229,541
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 an additional channel 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.

Actual results may differ materially due to:

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

- 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.

- 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.

- 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 availability and their impact on retail 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 possible GHG emission, water discharge, water intake and coal combustion residual regulations, the potential impacts of CSAPR, CAIR, and/or any laws, rules or regulations that ultimately replace CAIR, 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, proposed capital raising and debt reduction initiatives, and the proposed sale of non-core hydro assets.

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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.

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

Changing market conditions that could affect the measurement of 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 plan, 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.

• 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
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary of AE
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply
Allegheny	Allegheny Energy, Inc., together with its consolidated subsidiaries
Allegheny Utilities	MP, PE and WP
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
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, a subsidiary of AE, 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 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 of AE
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 Allegheny 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 of AE
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	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
Shippingport	Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997
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

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 of AE

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
ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ARR	Auction Revenue Right

GLOSSARY OF TERMS, Continued

ASLB	Atomic Safety and Licensing Board
BGS	Basic Generation Service
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CBP	Competitive Bid Process
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
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DOJ	United States Department of Justice
DSP	Default Service Plan
EDC	Electric Distribution Company
EDCP	Executive Deferred Compensation Plan
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
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
ICE	IntercontinentalExchange, Inc.
ICG	International Coal Group Inc.
ILP	Integrated License Application Process
kV	Kilovolt
KWH	Kilowatt-hour
LAR	License Amendment Request
LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LOC	Letter of Credit
LSE	Load Serving Entity
MAAC	Mid-Atlantic Region of PJM
MATS	Mercury and Air Toxics Standards

MDPSC
MISO
mmBTU
Moody's

Maryland Public Service Commission
Midcontinent Independent System Operator, Inc.
One Million British Thermal Units
Moody's Investors Service, Inc.

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GLOSSARY OF TERMS, Continued

MOPR	Minimum Offer Price Rule
MTEP	MISO Regional Transmission Expansion Plan
MVP	Multi-value Project
MW	Megawatt
MWH	Megawatt-hour
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NGO	Non-Governmental Organization
NJBPU	New Jersey Board of Public Utilities
NNSR	Non-Attainment New Source Review
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
NYSEG	New York State Electric and Gas
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
PCB	Polychlorinated Biphenyl
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection LLC
PM	Particulate Matter
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
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
ROP	Reactor Oversight Process
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
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act

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GLOSSARY OF TERMS, Continued

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
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
(Unaudited)

(In millions, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
REVENUES:				
Electric utilities	\$2,530	\$2,670	\$7,139	\$7,533
Unregulated businesses	1,506	1,382	4,131	4,247
Total revenues*	4,036	4,052	11,270	11,780
OPERATING EXPENSES:				
Fuel	657	636	1,915	1,833
Purchased power	1,120	1,063	2,932	3,367
Other operating expenses	877	861	2,645	2,597
Provision for depreciation	316	272	909	834
Amortization of regulatory assets, net	312	61	443	198
General taxes	242	257	747	760
Impairment of long-lived assets	—	—	473	—
Total operating expenses	3,524	3,150	10,064	9,589
OPERATING INCOME	512	902	1,206	2,191
OTHER INCOME (EXPENSE):				
Gain (loss) on debt redemptions	9	—	(132)) —
Investment income	5	39	8	63
Interest expense	(257)	) (230)	) (771)	) (750)
Capitalized interest	17	18	51	54
Total other expense	(226)	) (173)	) (844)	) (633)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	286	729	362	1,558
INCOME TAXES	77	307	129	650
NET INCOME FROM CONTINUING OPERATIONS	209	422	233	908
Discontinued operations (net of income taxes of \$3, \$2, \$9 and \$8, respectively) (Note 16)	9	3	17	11
NET INCOME	218	425	250	919
Income attributable to noncontrolling interest	—	—	—	1

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EARNINGS AVAILABLE TO FIRSTENERGY CORP.	\$218	\$425	\$250	\$918
EARNINGS PER SHARE OF COMMON STOCK:				
Basic - Continuing Operations	\$0.50	\$1.01	\$0.56	\$2.17
Basic - Discontinued Operations (Note 16)	0.02	0.01	0.04	0.03
Basic - Earnings Available to FirstEnergy Corp.	\$0.52	\$1.02	\$0.60	\$2.20
Diluted - Continuing Operations	\$0.50	\$1.00	\$0.56	\$2.16
Diluted - Discontinued Operations (Note 16)	0.02	0.01	0.04	0.03
Diluted - Earnings Available to FirstEnergy Corp.	\$0.52	\$1.01	\$0.60	\$2.19
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	418	417	418	418
Diluted	419	419	419	419
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$1.10	\$1.10	\$1.65	\$1.65

Includes excise tax collections of \$117 million and \$123 million in the three months ended September 30, 2013 and *2012, respectively, and \$346 million and \$351 million in the nine months ended September 30, 2013 and 2012, 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	
	2013	2012	2013	2012
NET INCOME	\$218	\$425	\$250	\$919
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(47	) (47	) (148	) (148
Amortized losses on derivative hedges	2	—	4	1
Change in unrealized gain on available-for-sale securities	6	1	3	13
Other comprehensive loss	(39	) (46	) (141	) (134
Income tax benefits on other comprehensive loss	(15	) (24	) (55	) (75
Other comprehensive loss, net of tax	(24	) (22	) (86	) (59
COMPREHENSIVE INCOME	194	403	164	860
Comprehensive income attributable to noncontrolling interest	—	—	—	1
COMPREHENSIVE INCOME AVAILABLE TO FIRSTENERGY CORP.	\$194	\$403	\$164	\$859

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, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$222	\$172
Receivables-		
Customers, net of allowance for uncollectible accounts of \$41 in 2013 and \$40 in 2012	1,579	1,614
Other, net of allowance for uncollectible accounts of \$3 in 2013 and \$4 in 2012	231	315
Materials and supplies, at average cost	731	861
Prepaid taxes	104	119
Derivatives	140	160
Accumulated deferred income taxes	290	319
Other	262	208
	3,559	3,768
PROPERTY, PLANT AND EQUIPMENT:		
In service	44,089	43,210
Less — Accumulated provision for depreciation	13,167	12,600
	30,922	30,610
Construction work in progress	2,301	2,293
	33,223	32,903
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,183	2,204
Investments in lease obligation bonds	46	54
Other	876	936
	3,105	3,194
ASSETS HELD FOR SALE (NOTE 16)	234	—
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,418	6,447
Regulatory assets	2,146	2,375
Other	1,698	1,719
	10,262	10,541
	\$50,383	\$50,406
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$1,889	\$1,999
Short-term borrowings	3,404	1,969
Accounts payable	995	1,599
Accrued taxes	401	543
Accrued compensation and benefits	289	331
Derivatives	105	126
Other	872	1,038
	7,955	7,605
CAPITALIZATION:		

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Common stockholders' equity-		
Common stock, \$0.10 par value, authorized 490,000,000 shares - 418,216,437 shares outstanding	42	42
Other paid-in capital	9,755	9,769
Accumulated other comprehensive income	299	385
Retained earnings	2,448	2,888
Total common stockholders' equity	12,544	13,084
Noncontrolling interest	3	9
Total equity	12,547	13,093
Long-term debt and other long-term obligations	15,291	15,179
	27,838	28,272
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	6,603	6,616
Retirement benefits	3,104	3,080
Asset retirement obligations	1,834	1,599
Deferred gain on sale and leaseback transaction	866	892
Adverse power contract liability	467	506
Other	1,716	1,836
	14,590	14,529
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 13)		
	\$50,383	\$50,406

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	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$250	\$919
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	909	834
Amortization of regulatory assets, net	443	198
Nuclear fuel amortization	156	156
Deferred purchased power and other costs	(61)	(214)
Deferred income taxes and investment tax credits, net	114	712
Impairments of long-lived assets	473	—
Investment impairments	74	10
Deferred rents and lease market valuation liability	(22)	(62)
Retirement benefits	(133)	(97)
Gain on asset sales	(21)	(17)
Commodity derivative transactions, net (Note 10)	24	(80)
Pension trust contributions	—	(600)
Cash collateral, net	(67)	(3)
Loss on debt redemptions	132	—
Make-whole premiums paid on debt redemptions	(181)	—
Income from discontinued operations (Note 16)	(17)	(11)
Decrease (increase) in operating assets-		
Receivables	(7)	(41)
Materials and supplies	117	(63)
Prepayments and other current assets	(59)	(151)
Increase (decrease) in operating liabilities-		
Accounts payable	(279)	(227)
Accrued taxes	(146)	(58)
Accrued interest	29	50
Accrued compensation and benefits	(43)	(71)
Other	(14)	92
Net cash provided from operating activities	1,671	1,276
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	2,745	660
Short-term borrowings, net	1,435	1,604
Redemptions and Repayments-		
Long-term debt	(2,662)	(870)
Tender premiums paid on debt redemptions	(110)	—
Common stock dividend payments	(690)	(690)
Other	(64)	(42)
Net cash provided from financing activities	654	662

CASH FLOWS FROM INVESTING ACTIVITIES:

Property additions	(1,960	) (1,686)
Nuclear fuel	(159	) (207)
Sales of investment securities held in trusts	1,545	2,133	
Purchases of investment securities held in trusts	(1,567	) (2,188)
Cash investments	(12	) 100	
Asset removal costs	(125	) (119)
Other	3	(23)
Net cash used for investing activities	(2,275	) (1,990)
Net change in cash and cash equivalents	50	(52)
Cash and cash equivalents at beginning of period	172	202	
Cash and cash equivalents at end of period	\$222	\$150	

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 Ended September 30		Nine Months Ended September 30		
	2013	2012	2013	2012	
STATEMENTS OF INCOME (LOSS)					
REVENUES:					
Electric sales to non-affiliates	\$1,455	\$1,358	\$4,066	\$4,035	
Electric sales to affiliates	186	155	482	385	
Other	38	37	107	91	
Total revenues	1,679	1,550	4,655	4,511	
OPERATING EXPENSES:					
Fuel	304	303	936	978	
Purchased power from affiliates	132	131	401	381	
Purchased power from non-affiliates	724	502	1,755	1,425	
Other operating expenses	339	342	1,105	1,028	
Provision for depreciation	80	70	231	200	
General taxes	35	35	106	104	
Total operating expenses	1,614	1,383	4,534	4,116	
OPERATING INCOME	65	167	121	395	
OTHER INCOME (EXPENSE):					
Loss on debt redemptions	—	—	(103) —	
Investment income (loss)	(3	) 38	(4	) 50
Miscellaneous income	21	1	29	25	
Interest expense — affiliates	(1) (3) (7) (7)
Interest expense — other	(35) (51) (126) (140)
Capitalized interest	9	9	28	27	
Total other expense	(9) (6) (183) (45)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	56	161	(62	) 350
INCOME TAXES (BENEFITS)	23	65	(19	) 139
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$33	\$96	\$(43	) \$211
Discontinued operations (net of income taxes of \$5, \$3, \$8 and \$6, respectively) (Note 16)	7	5	14	11	
NET INCOME (LOSS)	\$40	\$101	\$(29) \$222	
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)					

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NET INCOME (LOSS)	\$40	\$101	\$(29) \$222
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(5) (5) (16) (2
Amortized loss on derivative hedges	(1	) (2	) (3	) (6
Change in unrealized gain on available-for-sale securities	5	(2	) 2	11
Other comprehensive income (loss)	(1	) (9	) (17	) 3
Income taxes (benefits) on other comprehensive income (loss)	(1	) (3	) (7	) 1
Other comprehensive income (loss), net of tax	—	(6	) (10	) 2
COMPREHENSIVE INCOME (LOSS)	\$40	\$95	\$(39	) \$224

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, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$2	\$3
Receivables-		
Customers, net of allowance for uncollectible accounts of \$14 in 2013 and \$16 in 2012	524	483
Affiliated companies	519	379
Other, net of allowance for uncollectible accounts of \$3 in 2013 and \$2 in 2012	123	91
Notes receivable from affiliated companies	254	276
Materials and supplies	439	505
Derivatives	139	158
Prepayments and other	105	87
	2,105	1,982
PROPERTY, PLANT AND EQUIPMENT:		
In service	12,508	11,997
Less — Accumulated provision for depreciation	4,649	4,408
	7,859	7,589
Construction work in progress	1,116	1,141
	8,975	8,730
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,270	1,283
Other	11	12
	1,281	1,295
ASSETS HELD FOR SALE (NOTE 16)	121	—
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	99	110
Goodwill	23	24
Property taxes	36	36
Unamortized sale and leaseback costs	161	119
Derivatives	65	99
Other	268	253
	652	641
	\$13,134	\$12,648
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$859	\$1,102
Short-term borrowings	4	4
Accounts payable-		
Affiliated companies	776	726
Other	213	159
Accrued taxes	42	171
Derivatives	103	124

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Other	176	280
	2,173	2,566
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares- 7 shares outstanding	3,078	1,573
Accumulated other comprehensive income	62	72
Retained earnings	2,089	2,118
Total common stockholder's equity	5,229	3,763
Long-term debt and other long-term obligations	2,178	3,118
	7,407	6,881
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	866	892
Accumulated deferred income taxes	699	515
Asset retirement obligations	1,159	965
Retirement benefits	255	241
Derivatives	22	37
Other	553	551
	3,554	3,201
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 13)		
	\$13,134	\$12,648

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	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$(29	) \$222
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Provision for depreciation	231	200
Nuclear fuel amortization	156	159
Deferred rents and lease market valuation liability	(36	) (144
Deferred income taxes and investment tax credits, net	205	123
Investment impairments	66	8
Pension trust contribution	—	(209
Gain on asset sales	(20	) (17
Commodity derivative transactions, net (Note 10)	24	(67
Cash collateral, net	(35	) (4
Loss on debt redemptions	103	—
Make-whole premiums paid on debt redemptions	(31) —
Income from discontinued operations (Note 16)	(14	) (11
Decrease (increase) in operating assets-		
Receivables	(214	) 95
Materials and supplies	66	(40
Prepayments and other current assets	(22	) 5
Increase (decrease) in operating liabilities-		
Accounts payable	129	312
Accrued taxes	(131	) (150
Accrued compensation and benefits	(5	) 10
Other	(54	) 9
Net cash provided from operating activities	389	501
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	—	560
Short-term borrowings, net	—	3