JERSEY CENTRAL POWER & LIGHT CO
Form 10-Q
August 07, 2012

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

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

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
1-2578	OHIO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0437786
1-3141	JERSEY CENTRAL POWER & LIGHT COMPANY (A New Jersey Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	21-0485010

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 þ No o	FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company

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 þ No o	FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company

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 þ	FirstEnergy Corp.
Accelerated Filer o	N/A
Non-accelerated Filer (Do not check if a smaller reporting company) þ	FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company
Smaller Reporting Company o	N/A

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

Yes o No þ	FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company

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 AUGUST 6, 2012
FirstEnergy Corp., $.10 par value	418,216,437
FirstEnergy Solutions Corp., no par value	7
Ohio Edison Company, no par value	60
Jersey Central Power & Light Company, $10 par value	13,628,447

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company. 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 any other registrant, except that information relating to any of the FirstEnergy subsidiary registrants is also attributed to FirstEnergy Corp.

FirstEnergy Web Site

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 FirstEnergy’s Internet web site at www.firstenergycorp.com.

These reports are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post important information on 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. Information contained on FirstEnergy’s Internet web site shall not be deemed incorporated into, or to be part of, this report.

OMISSION OF CERTAIN INFORMATION

FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are 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,” “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.
- 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.
- The status of the PATH project in light of PJM's direction to suspend work on the project pending review of its planning process, its re-evaluation of the need for the project and the uncertainty of the timing and amounts of any related capital expenditures.
- 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.
- Changes in markets for energy services.
- Changing energy and commodity market prices and availability.
- Financial derivative reforms that could increase our liquidity needs and collateral costs.
- The continued ability of our regulated utilities to collect transition and other costs.
- Operation and maintenance costs being higher than anticipated.
- Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water intake and coal combustion residual regulations, the potential impacts of any laws, rules or regulations that ultimately replace CAIR, including CSAPR which was stayed by the courts on December 30, 2011, and the effects of the EPA's MATS rules.
- 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 shut down or idle certain generating units).
- The uncertainties associated with our plan to deactivate our older unscrubbed regulated and competitive fossil units, including the impact on vendor commitments, and the timing of those deactivations as they relate to, among other things, the RMR arrangements and the reliability of the transmission grid.
- Issues that could result from the NRC's review of the indications of cracking in the Davis Besse Plant shield building.
- 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).
- Adverse legal decisions and outcomes related to ME's and PN's ability to recover certain transmission costs through their transmission service charge riders.
- The continuing availability of generating units, changes in their operational status and any related impacts on vendor commitments.
- Replacement power costs being higher than anticipated or inadequately hedged.
- The ability to comply with applicable state and federal reliability standards and energy efficiency mandates.
- Changes in customers' demand for power, including but not limited to, changes resulting from the implementation of state and federal energy efficiency mandates.
- The ability to accomplish or realize anticipated benefits from strategic goals.
- 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 distribution business.
-

- 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 financing plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.
- Changes in general economic conditions affecting us and our subsidiaries.
- Interest rates and any actions taken by credit rating agencies that could negatively affect us and our subsidiaries' access to financing, increased costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.
- The state of the national and regional economy and its impact on our major industrial and commercial customers.
- Issues concerning the soundness 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 annual period may in the aggregate vary from the indicated amount 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.

TABLE OF CONTENTS

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
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
FGCO	FirstEnergy Generation Corp., 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 Gunvor Group, Ltd. that owns Global Rail and Signal Peak
Global Rail	A joint venture between FEV, WMB Marketing Ventures, LLC and Gunvor Group, Ltd. 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
NGC	FirstEnergy Nuclear Generation Corp., 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
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary of AE
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP
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	A joint venture between FEV, WMB Marketing Ventures, LLC and Gunvor Group, Ltd. 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:

ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income
AEP	American Electric Power Company, Inc.
AREPA	Alternative and Renewable Energy Portfolio Act
ARR	Auction Revenue Right
ASLB	Atomic Safety and Licensing Board

GLOSSARY OF TERMS, Continued

BGS	Basic Generation Service
BMP	Bruce Mansfield Plant
BTU	British Thermal Units
CAA	Clean Air Act
CAL	Confirmatory Action Letter
CAIR	Clean Air Interstate Rule
CBP	Competitive Bid Process
CCB	Coal Combustion By-products
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CO_2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
DCPD	Deferred Compensation Plan for Outside Directors
DCR	Delivery Capital Recovery Rider
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
EHB	Environmental Hearing Board
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
ICG	International Coal Group Inc.
ILP	Integrated License Application Process
IRS	Internal Revenue Service
IT	Information Technology
kV	Kilovolt
KWH	Kilowatt-hour
LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LITE	Local Infrastructure and Transmission Enhancement
LOC	Letter of Credit
LSE	Load Serving Entity

LTIP	Long-Term Incentive Plan
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midwest Independent Transmission System Operator, Inc.

GLOSSARY OF TERMS, Continued

Moody’s	Moody’s Investors Service, Inc.
MTEP	MISO Regional Transmission Expansion Plan
MVP	Multi-value Project
MW	Megawatt
MWH	Megawatt-hour
NCEA	NERC Compliance Enforcement Authority
NDT	Nuclear Decommissioning Trust
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
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
OCI	Other Comprehensive Income
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 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
REC	Renewable Energy Credit
RFC	ReliabilityFirst
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
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

SMIP	Smart Meter Implementation Plan
SO_2	Sulfur Dioxide
SOS	Standard Offer Service
SREC	Solar Renewable Energy Credit

GLOSSARY OF TERMS, Continued

TDS	Total Dissolved Solid
TMDL	Total Maximum Daily Load
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
REVENUES:				
Electric utilities	$2,279	$2,590	$4,790	$4,925
Unregulated businesses	1,590	1,470	3,157	2,711
Total revenues*	3,869	4,060	7,947	7,636
OPERATING EXPENSES:				
Fuel	656	635	1,197	1,088
Purchased power	1,156	1,220	2,503	2,406
Other operating expenses	914	1,065	1,726	2,058
Provision for depreciation	292	287	577	512
Amortization of regulatory assets, net	62	90	137	222
General taxes	232	242	504	479
Total operating expenses	3,312	3,539	6,644	6,765
OPERATING INCOME	557	521	1,303	871
OTHER INCOME (EXPENSE):				
Investment income	13	31	24	52
Interest expense	(274)	(265)	(520)	(496)
Capitalized interest	19	20	36	38
Total other expense	(242)	(214)	(460)	(406)
INCOME BEFORE INCOME TAXES	315	307	843	465
INCOME TAXES	127	114	349	225
NET INCOME	188	193	494	240
Income (loss) attributable to noncontrolling interest	1	(10)	1	(15)
EARNINGS AVAILABLE TO FIRSTENERGY CORP.	$187	$203	$493	$255
EARNINGS PER SHARE OF COMMON STOCK:				
Basic	$0.45	$0.48	$1.18	$0.67
Diluted	$0.45	$0.48	$1.18	$0.67
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	417	418	418	380
Diluted	419	420	419	382
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$—	$—	$0.55	$0.55

* Includes excise tax collections of $107 million and $116 million in the three months ended June 30, 2012 and 2011, respectively, and $228 million and $235 million in the six months ended June 30, 2012 and 2011, respectively.

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

1

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(In millions)	2012	2011	2012	2011
NET INCOME	$188	$193	$494	$240
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(48)	48	(101)	4
Amortized losses on derivative hedges	3	17	1	11
Change in unrealized gain on available-for-sale securities	2	10	12	19
Other comprehensive income (loss)	(43)	75	(88)	34
Income taxes (benefits) on other comprehensive income (loss)	(27)	33	(51)	14
Other comprehensive income (loss), net of tax	(16)	42	(37)	20
COMPREHENSIVE INCOME	172	235	457	260
Comprehensive income (loss) attributable to noncontrolling interest	1	(10)	1	(15)
COMPREHENSIVE INCOME AVAILABLE TO FIRSTENERGY CORP.	$171	$245	$456	$275

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, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$94	$202
Receivables-		
Customers, net of allowance for uncollectible accounts of $36 in 2012 and $37 in 2011	1,635	1,525
Other, net of allowance for uncollectible accounts of $2 in 2012 and $3 in 2011	263	269
Materials and supplies	921	811
Prepaid taxes	248	191
Derivatives	276	235
Other	171	122
	3,608	3,355
PROPERTY, PLANT AND EQUIPMENT:		
In service	41,167	40,122
Less — Accumulated provision for depreciation	12,336	11,839
	28,831	28,283
Construction work in progress	1,937	2,054
	30,768	30,337
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,153	2,112
Investments in lease obligation bonds	326	402
Other	1,039	1,008
	3,518	3,522
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,444	6,441
Regulatory assets	2,122	2,030
Other	1,588	1,641
	10,154	10,112
	$48,048	$47,326
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$1,577	$1,621
Short-term borrowings	1,890	—
Accounts payable	1,052	1,174
Accrued taxes	436	558
Accrued compensation and benefits	288	384
Derivatives	222	218
Other	617	900
	6,082	4,855
CAPITALIZATION:		
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	9,756	9,765

Accumulated other comprehensive income	389	426
Retained earnings	3,310	3,047
Total common stockholders’ equity	13,497	13,280
Noncontrolling interest	15	19
Total equity	13,512	13,299
Long-term debt and other long-term obligations	15,159	15,716
	28,671	29,015
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	6,042	5,670
Retirement benefits	2,257	2,823
Asset retirement obligations	1,548	1,497
Deferred gain on sale and leaseback transaction	909	925
Adverse power contract liability	559	469
Other	1,980	2,072
	13,295	13,456
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)		
	$48,048	$47,326

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
(In millions)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$494	$240
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	577	512
Amortization of regulatory assets, net	137	222
Nuclear fuel and lease amortization	106	92
Deferred purchased power and other costs	(149)	(168)
Deferred income taxes and investment tax credits, net	423	598
Deferred rents and lease market valuation liability	(106)	(61)
Stock based compensation	(18)	(4)
Accrued compensation and retirement benefits	(160)	(31)
Commodity derivative transactions, net	(86)	(21)
Pension trust contributions	(600)	(262)
Asset impairments	7	41
Cash collateral, net	22	(31)
Decrease (increase) in operating assets-		
Receivables	(105)	199
Materials and supplies	(109)	24
Prepayments and other current assets	(117)	(268)
Decrease in operating liabilities-		
Accounts payable	(122)	(28)
Accrued taxes	(192)	(66)
Accrued interest	(5)	(4)
Other	65	47
Net cash provided from operating activities	62	1,031
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	182	503
Short-term borrowings, net	1,890	—
Redemptions and Repayments-		
Long-term debt	(746)	(1,002)
Short-term borrowings, net	—	(44)
Common stock dividend payments	(460)	(420)
Other	(35)	(76)
Net cash provided from (used for) financing activities	831	(1,039)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,001)	(1,018)
Sales of investment securities held in trusts	382	1,703
Purchases of investment securities held in trusts	(420)	(1,807)
Cash investments	87	50
Cash received in Allegheny merger	—	590

Other	(49)	(53)
Net cash used for investing activities	(1,001)	(535)
Net change in cash and cash equivalents	(108)	(543)
Cash and cash equivalents at beginning of period	202	1,019
Cash and cash equivalents at end of period	$94	$476
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: merger with Allegheny, common stock issued	$—	$4,354

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

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

(In millions)	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales to non-affiliates	$1,293	$1,052	$2,625	$2,097
Electric sales to affiliates	109	170	230	431
Other	54	70	117	156
Total revenues	1,456	1,292	2,972	2,684
OPERATING EXPENSES:				
Fuel	380	316	675	659
Purchased power from affiliates	133	65	250	134
Purchased power from non-affiliates	434	329	921	626
Other operating expenses	393	413	688	878
Provision for depreciation	69	69	132	138
General taxes	32	30	69	60
Impairment of long-lived assets	—	7	—	20
Total operating expenses	1,441	1,229	2,735	2,515
OPERATING INCOME	15	63	237	169
OTHER INCOME (EXPENSE):				
Investment income	6	16	12	22
Miscellaneous income	20	4	24	8
Interest expense — affiliates	(2)	(2)	(4)	(3)
Interest expense — other	(48)	(52)	(89)	(105)
Capitalized interest	9	10	18	20
Total other expense	(15)	(24)	(39)	(58)
INCOME BEFORE INCOME TAXES	—	39	198	111
INCOME TAXES	1	10	77	37
NET INCOME (LOSS)	$(1)	$29	$121	$74
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME (LOSS)	$(1)	$29	$121	$74
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	8	(5)	3	(9)
Amortized gain (loss) on derivative hedges	1	14	(4)	5
Change in unrealized gain on available-for-sale securities	3	8	13	15
Other comprehensive income	12	17	12	11
Income taxes on other comprehensive income	2	8	4	4

Other comprehensive income, net of tax	10	9	8	7
COMPREHENSIVE INCOME	$9	$38	$129	$81

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

5

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$7	$7
Receivables-		
Customers, net of allowance for uncollectible accounts of $16 in 2012 and 2011	457	424
Affiliated companies	537	600
Other, net of allowance for uncollectible accounts of $2 in 2012 and $3 in 2011	96	61
Notes receivable from affiliated companies	228	383
Materials and supplies	548	492
Derivatives	265	219
Prepayments and other	19	38
	2,157	2,224
PROPERTY, PLANT AND EQUIPMENT:		
In service	11,375	10,983
Less — Accumulated provision for depreciation	4,314	4,110
	7,061	6,873
Construction work in progress	919	1,014
	7,980	7,887
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,250	1,223
Other	7	7
	1,257	1,230
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	118	123
Goodwill	24	24
Property taxes	43	43
Unamortized sale and leaseback costs	118	80
Derivatives	110	79
Other	137	129
	550	478
	$11,944	$11,819
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$1,144	$905
Accounts payable-		
Affiliated companies	608	436
Other	306	220
Accrued taxes	62	227
Derivatives	219	189
Other	242	261
	2,581	2,238
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares- 7 shares outstanding	1,568	1,570

Accumulated other comprehensive income	84	76
Retained earnings	2,052	1,931
Total common stockholder's equity	3,704	3,577
Long-term debt and other long-term obligations	2,500	2,799
	6,204	6,376
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	909	925
Accumulated deferred income taxes	436	286
Asset retirement obligations	934	904
Retirement benefits	179	356
Lease market valuation liability	148	171
Other	553	563
	3,159	3,205
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)		
	$11,944	$11,819

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 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$121	$74
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	132	138
Nuclear fuel and lease amortization	103	92
Deferred rents and lease market valuation liability	(103)	(58)
Deferred income taxes and investment tax credits, net	162	138
Asset impairments	6	28
Gain on asset sales	(17)	—
Accrued compensation and retirement benefits	14	(24)
Pension trust contribution	(209)	—
Commodity derivative transactions, net	(53)	(60)
Cash collateral, net	17	(40)
Decrease (increase) in operating assets-		
Receivables	—	(36)
Materials and supplies	(56)	50
Prepayments and other current assets	19	12
Increase (decrease) in operating liabilities-		
Accounts payable	243	(124)
Accrued taxes	(167)	(29)
Other	7	21
Net cash provided from operating activities	219	182
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	82	247
Short-term borrowings, net	—	530
Redemptions and repayments-		
Long-term debt	(140)	(472)
Other	(6)	(11)
Net cash provided from (used for) financing activities	(64)	294
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(303)	(334)
Proceeds from assets sale	17	—
Sales of investment securities held in trusts	109	513
Purchases of investment securities held in trusts	(127)	(545)
Loans to affiliated companies, net	155	(93)
Other	(6)	(20)
Net cash used for investing activities	(155)	(479)
Net change in cash and cash equivalents	—	(3)

Cash and cash equivalents at beginning of period	7	9
Cash and cash equivalents at end of period	$7	$6

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

OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(In millions)	2012	2011	2012	2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	$364	$360	$723	$724
Excise and gross receipts tax collections	24	25	51	53
Total revenues	388	385	774	777
OPERATING EXPENSES:				
Purchased power from affiliates	38	69	90	163
Purchased power from non-affiliates	66	63	136	123
Other operating expenses	119	106	240	202
Provision for depreciation	25	23	49	46
Amortization of regulatory assets, net	15	2	15	3
General taxes	46	46	96	95
Total operating expenses	309	309	626	632
OPERATING INCOME	79	76	148	145
OTHER INCOME (EXPENSE):				
Investment income	5	4	9	9
Interest expense	(23)	(22)	(45)	(44)
Capitalized interest	1	1	2	1
Total other expense	(17)	(17)	(34)	(34)
INCOME BEFORE INCOME TAXES	62	59	114	111
INCOME TAXES	21	18	42	38
NET INCOME	$41	$41	$72	$73
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	$41	$41	$72	$73
OTHER COMPREHENSIVE LOSS:				
Pensions and OPEB prior service costs	(7)	(7)	(17)	(15)
Change in unrealized gain on available-for-sale securities	—	2	—	2
Other comprehensive loss	(7)	(5)	(17)	(13)
Income tax benefits on other comprehensive loss	(4)	(3)	(9)	(7)
Other comprehensive loss, net of tax	(3)	(2)	(8)	(6)
COMPREHENSIVE INCOME	$38	$39	$64	$67

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

OHIO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$—	$26
Receivables-		
Customers, net of allowance for uncollectible accounts of $4 in 2012 and 2011	173	163
Affiliated companies	51	86
Other	15	41
Notes receivable from affiliated companies	245	181
Prepayments and other	14	17
	498	514
UTILITY PLANT:		
In service	3,443	3,358
Less — Accumulated provision for depreciation	1,294	1,267
	2,149	2,091
Construction work in progress	87	91
	2,236	2,182
OTHER PROPERTY AND INVESTMENTS:		
Investment in lease obligation bonds	148	163
Nuclear plant decommissioning trusts	141	137
Other	91	90
	380	390
DEFERRED CHARGES AND OTHER ASSETS:		
Regulatory assets	340	363
Property taxes	80	81
Unamortized sale and leaseback costs	23	25
Other	23	19
	466	488
	$3,580	$3,574
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$3	$2
Accounts payable-		
Affiliated companies	90	119
Other	37	35
Accrued taxes	76	88
Accrued interest	28	25
Other	69	79
	303	348
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 175,000,000 shares – 60 shares outstanding	721	747
Accumulated other comprehensive income	46	54
Accumulated deficit	(12)	(84)

Total common stockholder's equity	755	717
Noncontrolling interest	5	5
Total equity	760	722
Long-term debt and other long-term obligations	1,157	1,155
	1,917	1,877
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	799	787
Retirement benefits	211	213
Asset retirement obligations	74	71
Other	276	278
	1,360	1,349
COMMITMENTS AND CONTINGENCIES (Note 9)		
	$3,580	$3,574

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

OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Six Months Ended June 30 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$72	$73
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	49	46
Amortization of regulatory assets, net	15	3
Amortization of lease costs	(5)	(5)
Deferred income taxes and investment tax credits, net	22	66
Accrued compensation and retirement benefits	(26)	(18)
Pension trust contribution	—	(27)
Decrease (increase) in operating assets-		
Receivables	54	81
Prepayments and other current assets	3	(29)
Decrease in operating liabilities-		
Accounts payable	(27)	(22)
Accrued taxes	(12)	(9)
Accrued interest	3	—
Other	(2)	(9)
Net cash provided from operating activities	146	150
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Long-term debt	(1)	(1)
Short-term borrowings, net	—	(142)
Common stock dividend payments	(25)	(268)
Other	(1)	(2)
Net cash used for financing activities	(27)	(413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(86)	(79)
Sales of investment securities held in trusts	57	20
Purchases of investment securities held in trusts	(62)	(25)
Loans to affiliated companies, net	(63)	(79)
Cash investments	13	12
Other	(4)	(6)
Net cash used for investing activities	(145)	(157)
Net change in cash and cash equivalents	(26)	(420)
Cash and cash equivalents at beginning of period	26	420
Cash and cash equivalents at end of period	$—	$—

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

10

JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	$476	$577	$954	$1,211
Excise tax collections	8	11	18	24
Total revenues	484	588	972	1,235
OPERATING EXPENSES:				
Purchased power	254	328	518	698
Other operating expenses	81	73	162	153
Provision for depreciation	32	28	62	54
Amortization of regulatory assets, net	8	40	28	122
General taxes	12	15	27	33
Total operating expenses	387	484	797	1,060
OPERATING INCOME	97	104	175	175
OTHER INCOME (EXPENSE):				
Miscellaneous income	1	3	2	5
Interest expense	(30)	(31)	(61)	(61)
Capitalized interest	1	1	1	1
Total other expense	(28)	(27)	(58)	(55)
INCOME BEFORE INCOME TAXES	69	77	117	120
INCOME TAXES	30	32	52	52
NET INCOME	$39	$45	$65	$68
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	$39	$45	$65	$68
OTHER COMPREHENSIVE LOSS:				
Pensions and OPEB prior service costs	(6)	(6)	(12)	(12)
Other comprehensive loss	(6)	(6)	(12)	(12)
Income tax benefits on other comprehensive loss	(3)	(3)	(7)	(5)
Other comprehensive loss, net of tax	(3)	(3)	(5)	(7)
COMPREHENSIVE INCOME	$36	$42	$60	$61

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

11

JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of $3 in 2012 and 2011	$227	$235
Affiliated companies	12	—
Other	23	17
Prepaid taxes	108	33
Other	22	19
	392	304
UTILITY PLANT:		
In service	5,067	4,872
Less — Accumulated provision for depreciation	1,779	1,743
	3,288	3,129
Construction work in progress	125	227
	3,413	3,356
OTHER PROPERTY AND INVESTMENTS:		
Nuclear fuel disposal trust	227	219
Nuclear plant decommissioning trusts	196	193
Other	2	2
	425	414
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,811	1,811
Regulatory assets	523	408
Other	33	32
	2,367	2,251
	$6,597	$6,325
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$35	$34
Short-term borrowings-		
Affiliated companies	338	259
Other	80	—
Accounts payable-		
Affiliated companies	16	19
Other	101	101
Accrued compensation and benefits	33	41
Customer deposits	24	24
Accrued interest	18	18
Other	21	36
	666	532
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, $10 par value, authorized 16,000,000 shares, 13,628,447 shares outstanding	136	136

Other paid-in capital	2,011	2,011
Accumulated other comprehensive income	34	39
Retained earnings	136	121
Total common stockholder's equity	2,317	2,307
Long-term debt and other long-term obligations	1,720	1,736
	4,037	4,043
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	917	859
Power purchase contract liability	270	147
Nuclear fuel disposal costs	197	197
Retirement benefits	163	170
Asset retirement obligations	119	115
Other	228	262
	1,894	1,750
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)		
	$6,597	$6,325

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

JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Six Months Ended June 30 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$65	$68
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	62	54
Amortization of regulatory assets, net	28	122
Deferred purchased power and other costs	(75)	(71)
Deferred income taxes and investment tax credits, net	64	55
Accrued compensation and retirement benefits	(27)	(11)
Pension trust contribution	—	(105)
Decrease (increase) in operating assets-		
Receivables	(10)	58
Prepaid taxes	(75)	(125)
Increase (decrease) in operating liabilities-		
Accounts payable	(2)	14
Accrued taxes	(14)	(1)
Other	7	—
Net cash provided from operating activities	23	58
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	159	411
Redemptions and Repayments-		
Long-term debt	(16)	(15)
Common stock dividend payments	(50)	(500)
Other	—	(1)
Net cash provided from (used for) financing activities	93	(105)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(102)	(98)
Loans to affiliated companies, net	—	161
Sales of investment securities held in trusts	165	376
Purchases of investment securities held in trusts	(172)	(386)
Other	(7)	(6)
Net cash provided from (used for) investing activities	(116)	47
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$—	$—

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

13

FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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.

FE is a diversified energy holding company that holds, directly or indirectly, all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FENOC, AE and its principal subsidiaries (AE Supply, AGC, MP, PE, WP and FET), FES and its principal subsidiaries (FGCO and NGC), and FESC. AE merged with a subsidiary of FirstEnergy on February 25, 2011, with AE continuing as the surviving corporation and becoming a wholly owned subsidiary of FirstEnergy. Accordingly, consolidated results of operations for the six months ended June 30, 2011, include just four months of Allegheny results.

The consolidated financial statements of FE, FES, OE and JCP&L include the accounts of entities in which a controlling financial interest is held, after the elimination of intercompany transactions. A controlling financial interest is evidenced by either a voting interest greater than 50% or the result of an analysis that identifies FE or one of its subsidiaries as the primary beneficiary of a VIE. Investments in which a controlling financial interest is not held are accounted for under the equity or cost method of accounting.

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, 2011.

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 presentation 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.

As described in its Annual Report on Form 10-K for the year ended December 31, 2011, FE's consolidated financial statements for the six months ended June 30, 2011, were revised to reflect a purchase accounting measurement adjustment identified during the fourth quarter of 2011 that decreased goodwill and increased income tax expense by approximately $20 million.

As described in its Annual Report on Form 10-K for the year ended December 31, 2011, during the fourth quarter of 2011, FE elected to change its method of accounting relating to its defined benefit pension and OPEB plans to recognize the change in fair value of plan assets and net actuarial gains and losses immediately, and applied this change retrospectively. Generally, these gains and losses are measured annually as of December 31, and accordingly, will be recorded during the fourth quarter.

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

New Accounting Pronouncements

New accounting pronouncements not yet effective are not expected to have a material effect on the financial statements of FE or its subsidiaries.

2. EARNINGS PER SHARE

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:

Reconciliation of Basic and Diluted Earnings per Share of Common Stock	Three Months Ended June 30 2012	2011	Six Months Ended June 30 2012	2011
	(In millions, except per share amounts)			
Weighted average number of basic shares outstanding	417	418	418	380
Assumed exercise of dilutive stock options and awards[(1)]	2	2	1	2
Weighted average number of diluted shares outstanding	419	420	419	382
Earnings Available to FirstEnergy Corp.	$187	$203	$493	$255
Basic earnings per share of common stock	$0.45	$0.48	$1.18	$0.67
Diluted earnings per share of common stock	$0.45	$0.48	$1.18	$0.67

(1) The number of potentially dilutive securities not included in the calculation of diluted shares outstanding due to their antidilutive effect were not significant for the three months and six months ended June 30, 2012 and 2011.

3. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides noncontributory qualified defined benefit pension plans that cover substantially all of its employees and non-qualified pension plans that cover certain employees. The plans provide defined benefits based on years of service and compensation levels. In addition, FirstEnergy provides a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance. Health care benefits, which include certain employee contributions, deductibles and co-payments, are also available upon retirement to certain employees, their dependents and, under certain circumstances, their survivors. FirstEnergy recognizes the expected cost of providing pensions and OPEB to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

FirstEnergy's funding policy is based on actuarial computations using the projected unit credit method. During the six months ended June 30, 2012, FirstEnergy made a voluntary $600 million pre-tax contribution to its qualified pension plan.

The components of the consolidated net periodic cost for pensions and OPEB costs (including amounts capitalized) were as follows:

Components of Net Periodic Benefit Costs (Credits) For the Three Months Ended June 30,	Pensions 2012	2011	OPEB 2012	2011
	(In millions)			
Service cost	$40	$34	$3	$3
Interest cost	97	96	12	12
Expected return on plan assets	(121)	(115)	(9)	(10)
Amortization of prior service cost	3	4	(51)	(51)
Other adjustments (settlements, curtailments, etc)	—	—	—	—
Net periodic costs (credits)	$19	$19	$(45)	$(46)

Components of Net Periodic Benefit Costs (Credits) For the Six Months Ended June 30,	Pensions 2012	2011	OPEB 2012	2011
	(In millions)			
Service cost	$80	$63	$6	$6
Interest cost	194	180	24	23
Expected return on plan assets	(242)	(217)	(18)	(20)
Amortization of prior service cost	6	8	(102)	(99)
Other adjustments (settlements, curtailments, etc)	—	7	—	—

Net periodic costs (credits)	$38	$41	$(90)	$(90)

Pension and OPEB obligations are allocated to FE's subsidiaries employing the plan participants. The net periodic pension and OPEB costs (net of amounts capitalized) recognized in earnings by FE and its subsidiaries were as follows:

Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Three Months Ended June 30,	2012	2011	2012	2011
	(In millions)			
FE Consolidated	$14	$14	$(32)	$(34)
FES	11	7	(8)	(9)
OE	(1)	(2)	(6)	(5)
JCP&L	(2)	(3)	(2)	(2)

Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Six Months Ended June 30,	2012	2011	2012	2011
	(In millions)			
FE Consolidated	$27	$34	$(62)	$(66)
FES	21	14	(16)	(16)
OE	(2)	(4)	(11)	(11)
JCP&L	(3)	(5)	(4)	(5)

4. INCOME TAXES

FirstEnergy accounts for uncertainty in income taxes recognized in its financial statements. Accounting guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. During the second quarter of 2012, FirstEnergy reached a settlement with state authorities related to state apportionment factors in Pennsylvania on an intercompany asset sale, which favorably affected FirstEnergy's effective tax rate by $3 million in the three and six months ended June 30, 2012. Earlier in the year, the federal government issued further guidance related to the tax accounting of costs to repair and maintain fixed assets. This guidance provided a safe harbor method of tax accounting for the AE companies and allowed these companies to reduce their amount of unrecognized tax benefits by $21 million, with a corresponding adjustment to accumulated deferred income taxes for this temporary tax item, with no resulting impact to FirstEnergy's effective tax rate for the first six months of 2012. In the second quarter of 2011, FirstEnergy reached a settlement with the IRS on a research and development claim and recognized approximately $30 million of income tax benefits, including $5 million that favorably affected FirstEnergy's effective tax rate in the three and six months ended June 30, 2011.

As of June 30, 2012, it is reasonably possible that approximately $42 million of unrecognized income tax benefits may be resolved within the next twelve months, of which approximately $7 million, if recognized, would affect FirstEnergy's effective tax rate. The potential decrease in the amount of unrecognized income tax benefits is primarily associated with issues related to the capitalization of certain costs and various state tax items.

FirstEnergy recognizes interest expense or income related to uncertain tax positions. That amount is computed by applying the applicable statutory interest rate to the difference between the tax position recognized and the amount previously taken or expected to be taken on the tax return. FirstEnergy includes net interest and penalties in the provision for income taxes. During the first six months of 2012 there were no material changes to the amount of accrued interest. The interest associated with the settlement of the claim in 2011 noted above favorably affected FirstEnergy's effective tax rate by $6 million in the first six months of 2011. During the first six months of 2011, there were no other material changes to the amount of accrued interest, except for a $6 million increase in accrued interest from the merger with AE in the first quarter of 2011. The net amount of interest accrued as of June 30, 2012 was $12 million, compared with $11 million as of December 31, 2011.

As a result of the non-deductible portion of merger transaction costs, FirstEnergy's effective tax rate was unfavorably impacted by $28 million in the first six months of 2011.

FirstEnergy has tax returns that are under review at the audit or appeals level by the IRS (2008-2010) and state tax authorities. FirstEnergy's tax returns for all state jurisdictions are open from 2008-2010, and additionally 2005-2007 for New Jersey. The IRS completed its audits of tax year 2008 in July 2010 and tax year 2009 in April 2011, with both tax years having one open item. Tax years 2010-2011 are under review by the IRS. Allegheny is currently under audit by the IRS for tax years 2009 and 2010. State tax returns for tax years 2008 through 2010 remain subject to review in Pennsylvania, West Virginia, Maryland and Virginia for certain subsidiaries of AE. Management believes that adequate reserves have been recognized and final settlement of these audits is not expected to have a material adverse effect on FirstEnergy's financial condition, results of operations, cash flow or liquidity.

5. VARIABLE INTEREST ENTITIES

FirstEnergy performs qualitative analyses to determine whether a variable interest gives FirstEnergy a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary.

VIEs included in FirstEnergy's consolidated financial statements for the second quarter of 2012 are: the PNBV and Shippingport capital trusts that were created to refinance debt originally issued in connection with sale and leaseback transactions; wholly owned limited liability companies of JCP&L created to sell transition bonds to securitize the recovery of JCP&L's bondable stranded costs associated with the previously divested Oyster Creek Nuclear Generating Station and JCP&L's supply of BGS, of which $262 million was outstanding as of June 30, 2012; and special purpose limited liabilities companies of MP and PE created to issue environmental control bonds that were used to construct environmental control facilities, of which $503 million was outstanding as of June 30, 2012.

The caption noncontrolling interest within the consolidated financial statements is used to reflect the portion of a VIE that FirstEnergy consolidates, but does not own. The change in noncontrolling interest within the Consolidated Balance Sheets during the six months ended June 30, 2012, was primarily due to net income attributable to noncontrolling interests of $1 million, offset by a $5 million distribution to owners.

In order to evaluate contracts for consolidation treatment and entities for which FirstEnergy has an interest, FirstEnergy aggregated variable interests into the following categories based on similar risk characteristics and significance.

Mining Operations

On October 18, 2011, a subsidiary of Gunvor Group, Ltd. purchased a one-third interest in the Signal Peak joint venture in which FEV held a 50% interest. FEV retained a 33-1/3% equity ownership in the joint venture. Prior to the sale, FirstEnergy consolidated this joint venture since FEV was determined to be the primary beneficiary of the VIE. As a result of the sale, FEV was no longer determined to be the primary beneficiary and its retained 33-1/3% interest is subsequently accounted for using the equity method of accounting.

PATH-WV

PATH was formed to construct, through its operating companies, the PATH Project, which is a high-voltage transmission line that was proposed to extend from West Virginia through Virginia and into Maryland, including modifications to an existing substation in Putnam County, West Virginia, and the construction of new substations in Hardy County, West Virginia and Frederick County, Maryland as directed by PJM. PATH is a series limited liability company that is comprised of multiple series, each of which has separate rights, powers and duties regarding specified property and the series profits and losses associated with such property. A subsidiary of AE owns 100% of the Allegheny Series (PATH-Allegheny) and 50% of the West Virginia Series (PATH-WV), which is a joint venture with a subsidiary of AEP. FirstEnergy is not the primary beneficiary of PATH-WV, as it does not have control over the significant activities affecting the economics of the portion of the PATH Project to be constructed by PATH-WV. Because of the nature of PATH-WV's operations and its FERC approved rate mechanism, FirstEnergy's maximum exposure to loss, through AE, consists of its equity investment in PATH-WV, which was $31 million as of June 30, 2012.

Power Purchase Agreements

FirstEnergy evaluated its power purchase agreements and determined that certain NUG entities may be VIEs to the extent that they own a plant that sells substantially all of its output to the applicable utilities if the contract price for power is correlated with the plant's variable costs of production. FirstEnergy, through its subsidiaries JCP&L, ME, PN, PE, WP and MP, maintains 21 long-term power purchase agreements with NUG entities that were entered into pursuant to PURPA. FirstEnergy was not involved in the creation of, and has no equity or debt invested in, these entities.

FirstEnergy has determined that for all but three of these NUG entities, its subsidiaries do not have variable interests in the entities or the entities do not meet the criteria to be considered a VIE. JCP&L, PE and WP may hold variable interests in the remaining three entities; however, FirstEnergy applied the scope exception that exempts enterprises unable to obtain the necessary information to evaluate entities. One of JCP&L's NUG contracts, to which the scope exception was applied, expired during 2011.

Because JCP&L, PE and WP have no equity or debt interests in the NUG entities, their maximum exposure to loss relates primarily to the above-market costs incurred for power. FirstEnergy expects any above-market costs incurred by its subsidiaries to be recovered from customers, except as described further below. Purchased power costs related to the three contracts that may contain a variable interest that were held by FirstEnergy subsidiaries during the three months ended June 30, 2012, were $14 million, $27 million and $17 million for JCP&L, PE and WP, respectively and $26 million, $59 million and $33 million for the six months ended June 30, 2012, respectively. Purchased power costs related to the four contracts that may contain a variable interest that were held by JCP&L, PE and WP, respectively, during the three months ended June 30, 2011, were $55 million, $47 million, and $21 million, respectively and $120 million, $58 million and $26 million for the six months ended June 30, 2011, respectively.

In 1998 the PPUC issued an order approving a transition plan for WP that disallowed certain costs, including an estimated amount for an adverse power purchase commitment related to the NUG entity wherein WP may hold a variable interest, for which WP has taken the scope exception. As of June 30, 2012, WP's reserve for this adverse purchase power commitment was $48 million, including a current liability of $11 million, and is being amortized over the life of the commitment.

Loss Contingencies

FirstEnergy has variable interests in certain sale and leaseback transactions. FirstEnergy is not the primary beneficiary of these interests as it does not have control over the significant activities affecting the economics of the arrangement. FES, OE and other FE subsidiaries are exposed to losses under their applicable sale and leaseback agreements upon the occurrence of certain contingent events. The maximum exposure under these provisions represents the net amount of casualty value payments due upon the occurrence of specified casualty events. Net discounted lease payments would not be payable if the casualty loss payments were made. The following table discloses each company's net exposure to loss based upon the casualty value provisions mentioned above as of June 30, 2012:

	Maximum Exposure	Discounted Lease Payments, net[1]	Net Exposure
	(In millions)		
FES	$1,318	$1,111	$207
OE	574	384	190
Other FE subsidiaries	599	333	266

[1] The net present value of FirstEnergy's consolidated sale and leaseback operating lease commitments is $1.5 billion.

6. FAIR VALUE MEASUREMENTS

RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

On January 1, 2012, FirstEnergy adopted an amendment to the authoritative accounting guidance regarding fair value measurements. The amendment was applied prospectively and expanded disclosure requirements for fair value measurements, particularly for Level 3 measurements, among other changes.

Authoritative accounting guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy and a description of the valuation techniques for Level 2 and Level 3 are as follows:

Level 1 - Quoted prices for identical instruments in active market

Level 2 - Quoted prices for similar instruments in active market
- Quoted prices for identical or similar instruments in markets that are not active
- Model-derived valuations for which all significant inputs are observable market data

Models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and current market and contractual prices for the underlying instruments, as well as other relevant economic measures.

Level 3 - Valuation inputs are unobservable and significant to the fair value measurement

FirstEnergy produces a long-term power and capacity price forecast annually with periodic updates as market conditions change. When underlying prices are not observable, prices from the long-term price forecast, which has been reviewed and approved by the Risk Policy Committee, are used to measure fair value. A more detailed description of FirstEnergy's valuation process for FTRs and NUGs are as follows.

FTRs are financial instruments that entitle the holder to a stream of revenues (or charges) based on the hourly day-ahead congestion price differences across transmission paths. FTRs are acquired by FirstEnergy in the annual, monthly and long-term RTO auctions and are initially recorded using the auction clearing price less cost. After initial recognition, FTRs' carrying values are subsequently adjusted to fair value using a mark-to-model methodology on a monthly basis, which approximates market. The primary inputs into the model, that are generally less observable from objective sources, are the most recent RTO auction clearing prices and the FTRs' remaining hours. The model calculates the fair value by multiplying the most recent auction clearing price by the remaining FTR hours less the prorated FTR cost. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement. See Note 7, Derivative Instruments, for additional information regarding FirstEnergy's FTRs.

NUG contracts represent purchased power agreements with third-party non-utility generators that are transacted to satisfy certain obligations under PURPA. NUG contract carrying values are recorded at fair value using a mark-to-model methodology on a quarterly basis, which approximates market. The primary unobservable inputs into the model are regional power prices and generation MWH. Pricing for the NUG contracts is a combination of market prices for the current year and next three years based on observable data and internal models using historical trends and market data for the remaining years under contract. The internal models use forecasted energy purchase prices as an input when prices are not defined by the contract. Forecasted market prices are based on IntercontinentalExchange quotes and management assumptions. Generation MWH reflects data provided by contractual arrangements and historical trends. The model calculates the fair value by multiplying the prices by the generation MWH. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement.

LCAPP contracts are financially settled agreements that allow eligible generators to receive payments from, or make payments to, JCP&L pursuant to an annually calculated load-ratio share of the capacity produced by the generator based upon the annual forecasted peak demand as determined by PJM. LCAPP contracts are recorded at fair value using a mark-to-model methodology on a quarterly basis, which approximates market. The primary unobservable input into the model is forecasted regional capacity prices. Quarterly pricing for the LCAPP contracts is a combination of PJM RPM capacity auction prices for the 2015/2016 delivery year and internal models using historical trends and market data for the remaining years under contract. Capacity prices beyond the 2015/2016 delivery year are developed through a simulation of future PJM RPM auctions. The capacity price forecast assumes a continuation of the current PJM RPM market design and is reflective of the regional peak demand growth and generation fleet additions and retirements that underlie FirstEnergy's long-term energy price forecast. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement.

FirstEnergy primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, FirstEnergy maximizes the use of observable inputs and minimizes the use of unobservable inputs. There were no changes in valuation methodologies used as of June 30, 2012 from those used as of December 31, 2011. The determination of the fair value measures takes into consideration various factors, including but not limited to, nonperformance risk, counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of these forms of risk was not significant to the fair value measurements.

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the six months ended June 30, 2012. The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy.

FE CONSOLIDATED

Recurring Fair Value Measurements	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$1,636	$—	1,636	$—	$1,544	$—	$1,544
Derivative assets - commodity contracts	4	337	—	341	—	264	—	264
Derivative assets - FTRs	—	—	12	12	—	—	1	1
Derivative assets - interest rate swaps	—	3	—	3	—	—	—	—
Derivative assets - NUG contracts(1)	—	—	9	9	—	—	56	56
Equity securities(2)	280	—	—	280	259	—	—	259
Foreign government debt securities	—	—	—	—	—	3	—	3
U.S. government debt securities	—	144	—	144	—	148	—	148
U.S. state debt securities	—	308	—	308	—	314	—	314
Other(3)	63	128	—	191	49	225	—	274
Total assets	347	2,556	21	2,924	308	2,498	57	2,863
Liabilities								
Derivative liabilities - commodity contracts	(1)	(262)	—	(263)	—	(247)	—	(247)
Derivative liabilities - FTRs	—	—	(9)	(9)	—	—	(23)	(23)
Derivative liabilities - interest rate swaps	—	(23)	—	(23)	—	—	—	—
Derivative liabilities - NUG contracts(1)	—	—	(302)	(302)	—	—	(349)	(349)
Derivative liabilities - LCAPP contracts(1)	—	—	(145)	(145)	—	—	—	—
Total liabilities	(1)	(285)	(456)	(742)	—	(247)	(372)	(619)
Net assets (liabilities)(4)	$346	$2,271	$(435)	$2,182	$308	$2,251	$(315)	$2,244

(1) NUG and LCAPP contracts are generally subject to regulatory accounting treatment and do not impact earnings.

(2) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index.

(3) Primarily consists of short-term cash investments.

(4) Excludes $(7) million and $(52) million as of June 30, 2012 and December 31, 2011, respectively, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG and LCAPP contracts held by certain Utilities and FTRs held by FirstEnergy and classified as Level 3 in the fair value hierarchy for the periods ended June 30, 2012 and December 31, 2011:

	NUG Contracts(1)			LCAPP Contracts(1)			FTRs		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
January 1, 2011 Balance	$122	$(466)	$(344)	$—	$—	$—	$—	$—	$—
Realized gain (loss)	—	—	—	—	—	—	—	—	—
Unrealized gain (loss)	(58)	(144)	(202)	—	—	—	2	(27)	(25)
Purchases	—	—	—	—	—	—	13	(4)	9
Issuances	—	—	—	—	—	—	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Settlements	(7)	261	254	—	—	—	(14)	20	6
Transfers in (out) of Level 3	—	—	—	—	—	—	—	(12)	(12)
December 31, 2011 Balance	$57	$(349)	$(292)	$—	$—	$—	$1	$(23)	$(22)
Realized gain (loss)	—	—	—	—	—	—	—	—	—
Unrealized gain (loss)	(48)	(86)	(134)	—	—	—	—	(2)	(2)
Purchases	—	—	—	—	(145)	(145)	12	(9)	3
Issues	—	—	—	—	—	—	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Settlements	—	133	133	—	—	—	(1)	25	24
Transfers in (out) of Level 3	—	—	—	—	—	—	—	—	—
June 30, 2012 Balance	$9	$(302)	$(293)	$—	$(145)	$(145)	$12	$(9)	$3

(1) Changes in the fair value of NUG and LCAPP contracts are generally subject to regulatory accounting treatment and do not impact earnings.

Level 3 Quantitative Information

The following table provides quantitative information for FTRs, NUG contracts and LCAPP contracts that are classified as Level 3 in the fair value hierarchy for the period ended June 30, 2012:

	Fair Value as of June 30, 2012 (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$3	Model	RTO auction clearing prices	($3.60) to $4.90	$0.70	Dollars/MWH
NUG Contracts	$(293)	Model	Generation Electricity regional prices	500 to 6,609,000 $49.50 to $84.90	2,665,000 $63.70	MWH Dollars/MWH
LCAPP Contracts	$(145)	Model	Regional capacity prices	$94.90 to $248.40	$183.90	Dollars/MW-Day

22

FES

Recurring Fair Value Measurements	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$1,057	$—	$1,057	$—	$1,010	$—	$1,010
Derivative assets - commodity contracts	4	326	—	330	—	248	—	248
Derivative assets - FTRs	—	—	8	8	—	—	1	1
Equity securities[1]	145	—	—	145	124	—	—	124
Foreign government debt securities	—	—	—	—	—	3	—	3
U.S. government debt securities	—	6	—	6	—	7	—	7
U.S. state debt securities	—	—	—	—	—	5	—	5
Other[2]	—	48	—	48	—	132	—	132
Total assets	149	1,437	8	1,594	124	1,405	1	1,530
Liabilities								
Derivative liabilities - commodity contracts	(1)	(262)	—	(263)	—	(234)	—	(234)
Derivative liabilities - FTRs	—	—	(6)	(6)	—	—	(7)	(7)
Total liabilities	(1)	(262)	(6)	(269)	—	(234)	(7)	(241)
Net assets (liabilities)[3]	$148	$1,175	$2	$1,325	$124	$1,171	$(6)	$1,289

(1) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index.

(2) Primarily consists of short-term cash investments.

(3) Excludes $(6) million and $(58) million as of June 30, 2012 and December 31, 2011, respectively, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of FTRs held by FES and classified as Level 3 in the fair value hierarchy for the periods ended June 30, 2012 and December 31, 2011:

	Derivative Asset FTRs	Derivative Liability FTRs	Net FTRs
	(In millions)		
January 1, 2011 Balance	$—	$—	$—
Realized gain (loss)	—	—	—
Unrealized gain (loss)	4	(8)	(4)
Purchases	2	(1)	1
Issuances	—	—	—
Sales	—	—	—
Settlements	(5)	2	(3)
Transfers in (out) of Level 3	—	—	—
December 31, 2011 Balance	$1	$(7)	$(6)
Realized gain (loss)	—	—	—
Unrealized gain (loss)	—	(1)	(1)
Purchases	8	(7)	1
Issues	—	—	—
Sales	—	—	—

Settlements	(1)	9	8
Transfers in (out) of Level 3	—	—	—
June 30, 2012 Balance	$8	$(6)	$2

23

Level 3 Quantitative Information

The following table provides quantitative information for FTRs held by FES that are classified as Level 3 in the fair value hierarchy for the period ended June 30, 2012:

	Fair Value as of June 30, 2012 (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$2	Model	RTO auction clearing prices	($3.60) to $4.90	$0.50	Dollars/MWH

OE

Recurring Fair Value Measurements	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$—	$—	$—	$—	$3	$—	$3
U.S. government debt securities	—	138	—	138	—	132	—	132
Other[1]	—	3	—	3	—	2	—	2
Total assets[2]	$—	$141	$—	$141	$—	$137	$—	$137

(1) Primarily consists of short-term cash investments.

(2) Excludes $1 million as of June 30, 2012 and December 31, 2011, respectively, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

JCP&L

Recurring Fair Value Measurements	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$149	$—	$149	$—	$144	$—	$144
Derivative assets - NUG contracts[1]	—	—	4	4	—	—	4	4
Equity securities[2]	30	—	—	30	30	—	—	30
U.S. government debt securities	—	—	—	—	—	2	—	2
U.S. state debt securities	—	223	—	223	—	219	—	219
Other[3]	—	19	—	19	—	15	—	15
Total assets	30	391	4	425	30	380	4	414
Liabilities								
Derivative liabilities - NUG contracts[1]	—	—	(125)	(125)	—	—	(147)	(147)
Derivative liabilities - LCAPP contracts[1]	—	—	(145)	(145)	—	—	—	—
Total liabilities	—	—	(270)	(270)	—	—	(147)	(147)
Net assets (liabilities)[4]	$30	$391	$(266)	$155	$30	$380	$(143)	$267

(1) NUG and LCAPP contracts are subject to regulatory accounting treatment and do not impact earnings.

(2) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index.

(3) Primarily consists of short-term cash investments.

(4) Excludes $2 million as of June 30, 2012 and December 31, 2011 of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

24

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG and LCAPP contracts held by JCP&L and classified as Level 3 in the fair value hierarchy for the periods ended June 30, 2012 and December 31, 2011:

	NUG Contracts[1]			LCAPP Contracts[1]		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
January 1, 2011 Balance	$6	$(233)	$(227)	$—	$—	$—
Realized gain (loss)	—	—	—	—	—	—
Unrealized gain (loss)	(2)	(11)	(13)	—	—	—
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	97	97	—	—	—
Transfers in (out) of Level 3	—	—	—	—	—	—
December 31, 2011 Balance	$4	$(147)	$(143)	$—	$—	$—
Realized gain (loss)	—	—	—	—	—	—
Unrealized gain (loss)	—	(7)	(7)	—	—	—
Purchases	—	—	—	—	(145)	(145)
Issues	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	29	29	—	—	—
Transfers in (out) of Level 3	—	—	—	—	—	—
June 30, 2012 Balance	$4	$(125)	$(121)	$—	$(145)	$(145)

(1) Changes in the fair value of NUG and LCAPP contracts are subject to regulatory accounting treatment and do not impact earnings.

Level 3 Quantitative Information

The following table provides quantitative information for NUG and LCAPP contracts held by JCP&L that are classified as Level 3 in the fair value hierarchy for the period ended June 30, 2012:

	Fair Value as of June 30, 2012 (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
NUG Contracts	$(121)	Model	Generation Electricity regional prices	63,000 to 715,000 $49.50 to $84.90	166,000 $65.80	MWH Dollars/MWH
LCAPP Contracts	$(145)	Model	Regional capacity prices	$94.90 to $248.40	$183.90	Dollars/MW-Day

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets at cost, which approximates their fair market value. Investments other than cash and cash equivalents include held-to-maturity securities and available-for-sale securities.

FE and its subsidiaries periodically evaluate their investments for other-than-temporary impairment. They first consider their intent and ability to hold an equity investment until recovery and then consider, among other factors, the duration and the extent to which the security's fair value has been less than cost and the near-term financial prospects of the security issuer when evaluating an investment for impairment. For debt securities, FE and its subsidiaries consider their intent to hold the security, the likelihood that they will be required to sell the security before recovery of their cost basis and the likelihood of recovery of the security's entire amortized cost basis.

Unrealized gains applicable to the decommissioning trusts of FES and OE are recognized in OCI because fluctuations in fair value will eventually impact earnings while unrealized losses are recorded to earnings. The decommissioning trusts of JCP&L are subject to regulatory accounting. Net unrealized gains and losses are recorded as regulatory assets or liabilities because the difference between investments held in the trust and the decommissioning liabilities will be recovered from or refunded to customers.

The investment policy for the NDT funds restricts or limits the trusts' ability to hold certain types of assets including private or direct placements, warrants, securities of FirstEnergy, investments in companies owning nuclear power plants, financial derivatives, preferred stocks, securities convertible into common stock and securities of the trust funds' custodian or managers and their parents or subsidiaries.

Available-For-Sale Securities

FES, OE and JCP&L hold debt and equity securities within their NDT, nuclear fuel disposal trusts and NUG trusts. These trust investments are considered available-for-sale securities at fair market value. FES, OE and JCP&L have no securities held for trading purposes.

The following table summarizes the amortized cost basis, unrealized gains and losses and fair values of investments held in NDT, nuclear fuel disposal trusts and NUG trusts as of June 30, 2012 and December 31, 2011:

	June 30, 2012[1]				December 31, 2011[2]			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)							
Debt securities								
FE Consolidated	$2,032	$52	$—	$2,084	$1,980	$25 25	$—	—$2,005
FES	1,034	29	—	1,063	1,012	13	—	1,025
OE	138	—	—	138	134	—	—	134
JCP&L	358	12	—	370	356	7	—	363
Equity securities								
FE Consolidated	$243	$36	$—	$279	$222	$36	$—	$258
FES	125	19	—	144	104	20	—	124
JCP&L	27	3	—	30	27	3	—	30

(1) Excludes short-term cash investments: FE Consolidated - $113 million; FES - $42 million; OE - $3 million; JCP&L - $23 million.

(2) Excludes short-term cash investments: FE Consolidated - $164 million; FES - $74 million; OE - $2 million; JCP&L - $19 million.

Proceeds from the sale of investments in available-for-sale securities, realized gains and losses on those sales and interest and dividend income for the three months and six months ended June 30, 2012 and 2011 were as follows:

Three Months Ended

June 30, 2012	Sales Proceeds	Realized Gains	Realized Losses	Interest and Dividend Income
	(In millions)			
FE Consolidated	$131	$17	$(18)	$18
FES	25	13	(14)	11
OE	20	—	—	1
JCP&L	70	1	(1)	3
June 30, 2011	**Sales Proceeds**	**Realized Gains**	**Realized Losses**	**Interest and Dividend Income**
	(In millions)			
FE Consolidated	$734	$22	$(16)	$28
FES	297	10	(7)	17
OE	12	—	—	1
JCP&L	159	4	(2)	4

Six Months Ended				
June 30, 2012	Sales Proceeds	Realized Gains	Realized Losses	Interest and Dividend Income
	(In millions)			
FE Consolidated	$382	$37	$(35)	$33
FES	109	26	(25)	18
OE	57	—	—	1
JCP&L	165	2	(2)	7
June 30, 2011	Sales Proceeds	Realized Gains	Realized Losses	Interest and Dividend Income
	(In millions)			
FE Consolidated	$1,703	$122	$(45)	$52
FES	513	22	(23)	32
OE	20	—	—	2
JCP&L	376	26	(6)	8

Held-To-Maturity Securities

The following table provides the amortized cost basis, unrealized gains and approximate fair values of investments in held-to-maturity securities as of June 30, 2012 and December 31, 2011:

	June 30, 2012			December 31, 2011		
	Cost Basis	Unrealized Gains	Fair Value	Cost Basis	Unrealized Gains	Fair Value
	(In millions)					
Debt Securities						
FE Consolidated	$326	$55	$381	$402	$50	$452
OE	148	32	180	163	21	184

Investments in emission allowances, employee benefit trusts and cost and equity method investments totaling $716 million as of June 30, 2012, and $693 million as of December 31, 2011, are excluded from the amounts reported above.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported in "Short-term borrowings" on the Consolidated Balance Sheets at cost, which approximates their fair market value. The following table provides the approximate fair value and related carrying amounts of long-term debt and other long-term obligations, excluding capital lease obligations and net unamortized premiums and discounts, as of June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
FE Consolidated	$16,571	$18,998	$17,165	$19,320
FES	3,617	3,862	3,675	3,931
OE	1,157	1,493	1,157	1,434
JCP&L	1,762	2,076	1,777	2,080

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy and its subsidiaries listed above. FirstEnergy classified short-term borrowings, long-term debt and other long-term obligations as Level 2 in the fair value hierarchy as of June 30, 2012 and December 31, 2011.

7. DERIVATIVE INSTRUMENTS

FirstEnergy is exposed to financial risks resulting from fluctuating interest rates and commodity prices, including prices for electricity, natural gas, coal and energy transmission. To manage the volatility relating to these exposures, FirstEnergy's Risk Policy Committee, comprised of senior management, provides general management oversight for risk management activities throughout FirstEnergy. The Risk Policy Committee is responsible for promoting the effective design and implementation of sound risk management programs and oversees compliance with corporate risk management policies and established risk management practice. FirstEnergy also uses a variety of derivative instruments for risk management purposes including forward contracts, options, futures contracts and swaps.

FirstEnergy accounts for derivative instruments on its Consolidated Balance Sheets at fair value unless they meet the normal purchases and normal sales criteria. Derivatives that meet those criteria are accounted for under the accrual method of accounting, and their effects are included in earnings at the time of contract performance. Changes in the fair value of derivative instruments that qualified and were designated as cash flow hedge instruments are recorded in AOCI. Changes in the fair value of derivative instruments that are not designated as cash flow hedge instruments are recorded in net income on a mark-to-market basis. FirstEnergy has these contractual derivative agreements through December 2018.

Cash Flow Hedges

FirstEnergy has used cash flow hedges for risk management purposes to manage the volatility related to exposures associated with fluctuating interest rates and commodity prices. The effective portion of gains and losses on a derivative contract are reported as a component of AOCI with subsequent reclassification to earnings in the period during which the hedged forecasted transaction affects earnings.

Total net unamortized gains included in AOCI associated with de-designated cash flow hedges totaled $15 million and $19 million as of June 30, 2012 and December 31, 2011, respectively. Since the forecasted transactions remain probable of occurring, these amounts will be amortized into earnings over the life of the hedging instruments. Reclassifications from AOCI into other operating expenses were $1 million and $14 million during the three months ended June 30, 2012 and 2011, respectively, and $4 million and $19 million during the six months ended June 30, 2012 and 2011, respectively. Approximately $9 million is expected to be amortized to income during the next twelve months.

FirstEnergy has used forward starting swap agreements to hedge a portion of the consolidated interest rate risk associated with anticipated issuances of fixed-rate, long-term debt securities of its subsidiaries. These derivatives were treated as cash flow hedges, protecting against the risk of changes in future interest payments resulting from changes in benchmark U.S. Treasury rates between the date of hedge inception and the date of the debt issuance. As of June 30, 2012, no forward starting swap agreements accounted for as a cash flow hedge were outstanding. Total unamortized losses included in AOCI associated with prior interest rate cash flow hedges totaled $74 million as of June 30, 2012. Based on current estimates, approximately $9 million will be amortized to interest expense during the next twelve months. Reclassifications from AOCI into interest expense totaled $2 million and $3 million during the three months ended June 30, 2012 and 2011, respectively, and $5 million and $6 million during the six months ended June 30, 2012 and 2011, respectively.

Fair Value Hedges

FirstEnergy has used fixed-for-floating interest rate swap agreements to hedge a portion of the consolidated interest rate risk associated with the debt portfolio of its subsidiaries. These derivative instruments were treated as fair value hedges of fixed-rate, long-term debt issues, protecting against the risk of changes in the fair value of fixed-rate debt instruments due to lower interest rates. As of June 30, 2012, no fixed-for-floating interest rate swap agreements were outstanding.

Unamortized gains included in long-term debt associated with prior fixed-for-floating interest rate swap agreements totaled $91 million as of June 30, 2012. Based on current estimates, approximately $23 million will be amortized to interest expense during the next twelve months. Reclassifications from long-term debt into interest expense totaled approximately $6 million during the three months ended June 30, 2012 and 2011, and $11 million during the six months ended June 30, 2012 and 2011.

Commodity Derivatives

FirstEnergy uses both physically and financially settled derivatives to manage its exposure to volatility in commodity prices. Commodity derivatives are used for risk management purposes to hedge exposures when it makes economic sense to do so, including circumstances where the hedging relationship does not qualify for hedge accounting. Electricity forwards are used to balance expected sales with expected generation and purchased power. Natural gas futures are entered into based on expected consumption of natural gas primarily for use in FirstEnergy's peaking units. Heating oil futures are entered into based on expected consumption of oil and the financial risk in FirstEnergy's coal transportation contracts.

As of June 30, 2012, FirstEnergy's net asset position under commodity derivative contracts was $78 million, which related to FES and AE Supply positions. Under these commodity derivative contracts, FES posted $34 million of collateral. Certain commodity derivative contracts include credit risk related contingent features that would require FES to post $12 million of additional collateral

if the credit rating for its debt were to fall below investment grade.
Based on commodity derivative contracts held as of June 30, 2012, an adverse 10% change in commodity prices would decrease net income by approximately $2 million during the next twelve months.

Interest Rate Swaps

FirstEnergy uses forward starting swap agreements to hedge a portion of the consolidated interest rate risk associated with issuances of fixed-rate, long-term debt securities of its subsidiaries. These derivatives are considered economic hedges, protecting against the risk of increases in future interest payments resulting from increases in benchmark U.S. Treasury rates between the date of hedge inception and the date of the debt issuance. During the three months ended June 30, 2012, FirstEnergy executed forward starting swap agreements expiring December 31, 2013, with sixteen separate counterparties for a combined notional value of $1.6 billion in order to lock in interest rates on planned debt issuances, which includes refinancings. The total portfolio of swaps carries a weighted average 10-year fixed rate of 2.315%. Changes in the fair value of the forward starting swap agreements are recorded in net income on a mark-to-market basis.

LCAPP

The LCAPP law was enacted in New Jersey during 2011 to promote the construction of qualified electric generation facilities. JCP&L maintains two LCAPP contracts, which are financially settled agreements that allow eligible generators to receive payments from, or make payments to, JCP&L pursuant to an annually calculated load-ratio share of the capacity produced by the generator based upon the annual forecasted peak demand as determined by PJM. During the second quarter of 2012, JCP&L began to account for these contracts as derivatives as a result of the generators clearing the 2015/2016 PJM RPM capacity auction. JCP&L expects to recover from its customers payments made to the generators and give credit to customers for payments from the generators under these contracts. As a result, the projected future obligations for the LCAPP contracts are reflected on the Consolidated Balance Sheets as derivative liabilities (assets) with a corresponding regulatory asset (liability). Since the LCAPP contracts are subject to regulatory accounting, changes in their fair value do not impact earnings.

FTRs

FirstEnergy holds FTRs that generally represent an economic hedge of future congestion charges that will be incurred in connection with FirstEnergy’s load obligations. FirstEnergy acquires the majority of its FTRs in an annual auction through a self-scheduling process involving the use of ARRs allocated to members of an RTO that have load serving obligations and through the direct allocation of FTRs from the PJM RTO. The PJM RTO has a rule that allows directly allocated FTRs to be granted to LSEs in zones that have newly entered PJM. For the first two planning years, PJM permits the LSEs to request a direct allocation of FTRs in these new zones at no cost as opposed to receiving ARRs. The directly allocated FTRs differ from traditional FTRs in that the ownership of all or part of the FTRs may shift to another LSE if customers choose to shop with the other LSE.
The future obligations for the FTRs acquired at auction are reflected on the Consolidated Balance Sheets and have not been designated as cash flow hedge instruments. FirstEnergy initially records these FTRs at the auction price less the obligation due to the RTO, and subsequently adjusts the carrying value of remaining FTRs to their estimated fair value at the end of each accounting period prior to settlement. Changes in the fair value of FTRs held by FirstEnergy’s unregulated subsidiaries are included in other operating expenses as unrealized gains or losses. Unrealized gains or losses on FTRs held by FirstEnergy’s regulated subsidiaries are recorded as regulatory assets or liabilities. Directly allocated FTRs are accounted for under the accrual method of accounting, and their effects are included in earnings at the time of contract performance.

The following tables summarize the fair value of derivative instruments on FirstEnergy's Consolidated Balance Sheets:
Derivatives not designated as hedging instruments:

Derivative Assets	Fair Value June 30, 2012 (In millions)	December 31, 2011	Derivative Liabilities	Fair Value June 30, 2012 (In millions)	December 31, 2011
Power Contracts			Power Contracts		
Current Assets	$232	$185	Current Liabilities	$(213)	$(196)
Noncurrent Assets	106	79	Noncurrent Liabilities	(49)	(51)
FTRs			FTRs		
Current Assets	12	1	Current Liabilities	(8)	(22)
Noncurrent Assets	—	—	Noncurrent Liabilities	(1)	(1)
NUGs	9	56	NUGs	(302)	(349)
LCAPP	—	—	LCAPP	(145)	—
Interest Rate Swaps			Interest Rate Swaps		
Noncurrent Assets	3	—	Noncurrent Liabilities	(23)	—
Other			Other		
Current Assets	4	—	Current Liabilities	(1)	—
	$366	$321		$(742)	$(619)

The following table summarizes the volumes associated with FirstEnergy's outstanding derivative transactions as of June 30, 2012:

	Purchases (In millions)	Sales	Net	Units
Power Contracts	29	40	(11)	MWH
FTRs	82	—	82	MWH
Interest Rate Swaps	1,600	—	1,600	notional dollars
NUGs	22	—	22	MWH
LCAPP	408	—	408	MW
Natural Gas	26	—	26	Million BTUs

The effect of derivative instruments on the Consolidated Statements of Income during the three months ended June 30, 2012 and 2011, are summarized in the following tables:

	Three Months Ended June 30				
	Power Contracts	FTRs	Interest Rate Swaps	Other	Total
	(In millions)				
Derivatives in a Hedging Relationship					