

FIRSTENERGY CORP
Form 10-Q
May 07, 2009

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2009

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 |
| 333-145140-01 | 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 |

| | | |
|--------|--|------------|
| 1-2323 | THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 34-0150020 |
| 1-3583 | THE TOLEDO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 34-4375005 |
| 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 |
| 1-446 | METROPOLITAN EDISON COMPANY (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 23-0870160 |
| 1-3522 | PENNSYLVANIA ELECTRIC COMPANY (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 25-0718085 |

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 (X) No () FirstEnergy Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company
 Yes () No (X) FirstEnergy Solutions Corp.

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

Yes () No () FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric 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 (X) FirstEnergy Corp.

Accelerated Filer () N/A

Non-accelerated Filer (Do not check if a smaller reporting company) (X) FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

Smaller Reporting Company () N/A

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

Yes () No (X) FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

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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 May 7, 2009 |
|---|-------------------------------------|
| FirstEnergy Corp., \$0.10 par value | 304,835,407 |
| FirstEnergy Solutions Corp., no par value | 7 |
| Ohio Edison Company, no par value | 60 |
| The Cleveland Electric Illuminating Company, no par value | 67,930,743 |
| The Toledo Edison Company, \$5 par value | 29,402,054 |
| Jersey Central Power & Light Company, \$10 par value | 13,628,447 |
| Metropolitan Edison Company, no par value | 859,500 |
| Pennsylvania Electric Company, \$20 par value | 4,427,577 |

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric 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.

OMISSION OF CERTAIN INFORMATION

FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric 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 and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Ohio and Pennsylvania,
- the impact of the PUCO's regulatory process on the Ohio Companies associated with the distribution rate case or implementing the recently-approved ESP, including the outcome of any competitive generation procurement process in Ohio,
 - economic or weather conditions affecting future sales and margins,
 - changes in markets for energy services,
 - changing energy and commodity market prices and availability,
 - replacement power costs being higher than anticipated or inadequately hedged,
- the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs,
 - maintenance costs being higher than anticipated,
- other legislative and regulatory changes, revised environmental requirements, including possible GHG emission regulations,
- the potential impact of the U.S. Court of Appeals' July 11, 2008 decision requiring revisions to the CAIR rules and the scope of any laws, rules or regulations that may ultimately take their place,
- the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated or that certain generating units may need to be shut down) or levels of emission reductions related to the Consent Decree resolving the NSR litigation or other potential regulatory initiatives,
- adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight) by the NRC (including, but not limited to, the Demand for Information issued to FENOC on May 14, 2007),
 - Met-Ed's and Penelec's transmission service charge filings with the PPUC,
 - the continuing availability of generating units and their ability to operate at or near full capacity,
 - the ability to comply with applicable state and federal reliability standards,
- the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives),
 - the ability to improve electric commodity margins and to experience growth in the distribution business,
- the changing market conditions that could affect the value of assets held in the registrants' nuclear decommissioning trusts, pension trusts and other trust funds, and cause FirstEnergy to make additional contributions sooner, or in an amount that is larger than currently anticipated,
- the ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan and the cost of such capital,
 - changes in general economic conditions affecting the registrants,
 - the state of the capital and credit markets affecting the registrants,
- interest rates and any actions taken by credit rating agencies that could negatively affect the registrants' access to financing or its costs and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees,

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- the continuing decline of the national and regional economy and its impact on the registrants' major industrial and commercial customers,
- issues concerning the soundness of financial institutions and counterparties with which the registrants do business, and
- the risks and other factors discussed from time to time in the registrants' SEC filings, and other similar factors.

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 the registrants' 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 any forward-looking statements contained herein as a result of new information, future events or otherwise.

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GLOSSARY OF TERMS

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

| | |
|-----------------------------|---|
| ATSI | American Transmission Systems, Inc., owns and operates transmission facilities |
| CEI | The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary |
| FENOC | FirstEnergy Nuclear Operating Company, operates nuclear generating facilities |
| FES | FirstEnergy Solutions Corp., provides energy-related products and services |
| FESC | FirstEnergy Service Company, provides legal, financial and other corporate support services |
| FEV | FirstEnergy Ventures Corp., invests in certain unregulated enterprises and business ventures |
| FGCO | FirstEnergy Generation Corp., owns and operates non-nuclear generating facilities |
| FirstEnergy | FirstEnergy Corp., a public utility holding company |
| GPU | GPU, Inc., former parent of JCP&L, Met-Ed and Penelec, which merged with FirstEnergy on November 7, 2001 |
| JCP&L | Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary |
| JCP&L Transition Funding | JCP&L Transition Funding LLC, a Delaware limited liability company and issuer of transition bonds |
| JCP&L Transition Funding II | JCP&L Transition Funding II LLC, a Delaware limited liability company and issuer of transition bonds |
| Met-Ed | Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary |
| NGC | FirstEnergy Nuclear Generation Corp., owns nuclear generating facilities |
| OE | Ohio Edison Company, an Ohio electric utility operating subsidiary |
| Ohio Companies | CEI, OE and TE |
| Penelec | Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary |
| Penn | Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE |
| Pennsylvania Companies | Met-Ed, Penelec and Penn |
| PNBV | PNBV Capital Trust, a special purpose entity created by OE in 1996 |
| Shelf Registrants | OE, CEI, TE, JCP&L, Met-Ed and Penelec |
| Shippingport | Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997 |
| Signal Peak | A joint venture between FirstEnergy Ventures Corp. and Boich Companies, that owns mining and coal transportation operations near Roundup, Montana |
| TE | |

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Utilities
Waverly

The Toledo Edison Company, an Ohio electric utility operating subsidiary
OE, CEI, TE, Penn, JCP&L, Met-Ed and Penelec
The Waverly Power and Light Company, a wholly owned subsidiary of Penelec

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

| | |
|---------|--|
| AEP | American Electric Power Company, Inc. |
| ALJ | Administrative Law Judge |
| AOCL | Accumulated Other Comprehensive Loss |
| AQC | Air Quality Control |
| BGS | Basic Generation Service |
| CAA | Clean Air Act |
| CAIR | Clean Air Interstate Rule |
| CAMR | Clean Air Mercury Rule |
| CBP | Competitive Bid Process |
| CO2 | Carbon Dioxide |
| CTC | Competitive Transition Charge |
| DOJ | United States Department of Justice |
| DPA | Department of the Public Advocate, Division of Rate Counsel |
| EITF | Emerging Issues Task Force |
| EMP | Energy Master Plan |
| EPA | United States Environmental Protection Agency |
| EPACT | Energy Policy Act of 2005 |
| ESP | Electric Security Plan |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FIN | FASB Interpretation |
| FIN 46R | FIN 46 (revised December 2003), "Consolidation of Variable Interest Entities" |
| FIN 48 | FIN 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" |

GLOSSARY OF TERMS Cont'd.

| | |
|------------------------------|---|
| FMB | First Mortgage Bond |
| FSP | FASB Staff Position |
| FSP FAS 107-1 and APB 28-1 | FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" |
| FSP FAS 115-1 and SFAS 124-1 | FSP FAS 115-1 and SFAS 124-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" |
| FSP FAS 115-2 and FAS 124-2 | FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" |
| FSP FAS 132(R)-1 | FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" |
| FSP FAS 157-4 | FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" |
| FTR | Financial Transmission Rights |
| GAAP | Accounting Principles Generally Accepted in the United States |
| GHG | Greenhouse Gases |
| ICE | Intercontinental Exchange |
| IRS | Internal Revenue Service |
| kV | Kilovolt |
| KWH | Kilowatt-hours |
| LED | Light-emitting Diode |
| LIBOR | London Interbank Offered Rate |
| LOC | Letter of Credit |
| MEIUG | Met-Ed Industrial Users Group |
| MISO | Midwest Independent Transmission System Operator, Inc. |
| Moody's | Moody's Investors Service, Inc. |
| MRO | Market Rate Offer |
| MW | Megawatts |
| MWH | Megawatt-hours |
| NAAQS | National Ambient Air Quality Standards |
| NERC | North American Electric Reliability Corporation |
| NJBPU | New Jersey Board of Public Utilities |
| NOV | Notice of Violation |
| NOX | Nitrogen Oxide |
| NRC | Nuclear Regulatory Commission |
| NSR | New Source Review |
| NUG | Non-Utility Generation |
| NUGC | Non-Utility Generation Charge |
| NYMEX | New York Mercantile Exchange |
| OPEB | Other Post-Employment Benefits |
| OVEC | Ohio Valley Electric Corporation |
| PCRB | Pollution Control Revenue Bond |
| PICA | Penelec Industrial Customer Alliance |
| PJM | PJM Interconnection L. L. C. |

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| | |
|-------|---|
| PLR | Provider of Last Resort; an electric utility's obligation to provide generation service to customers whose alternative supplier fails to deliver service |
| PPUC | Pennsylvania Public Utility Commission |
| PSA | Power Supply Agreement |
| PUCO | Public Utilities Commission of Ohio |
| PUHCA | Public Utility Holding Company Act of 1935 |
| RCP | Rate Certainty Plan |
| RECB | Regional Expansion Criteria and Benefits |
| RFP | Request for Proposal |
| RSP | Rate Stabilization Plan |
| RTC | Regulatory Transition Charge |
| RTO | Regional Transmission Organization |
| S&P | Standard & Poor's Ratings Service |
| SB221 | Amended Substitute Senate Bill 221 |
| SBC | Societal Benefits Charge |
| SEC | U.S. Securities and Exchange Commission |
| SECA | Seams Elimination Cost Adjustment |
| SFAS | Statement of Financial Accounting Standards |

GLOSSARY OF TERMS Cont'd.

| | |
|----------|--|
| SFAS 115 | SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" |
| SFAS 133 | SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" |
| SFAS 157 | SFAS No. 157, "Fair Value Measurements" |
| SFAS 160 | SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51" |
| SIP | State Implementation Plan(s) Under the Clean Air Act |
| SNCR | Selective Non-Catalytic Reduction |
| SO2 | Sulfur Dioxide |
| TBC | Transition Bond Charge |
| TMI-1 | Three Mile Island Unit 1 |
| TMI-2 | Three Mile Island Unit 2 |
| TSC | Transmission Service Charge |
| VIE | Variable Interest Entity |

PART I. FINANCIAL INFORMATION

ITEMS 1. AND 2. FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FIRSTENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Net income in the first quarter of 2009 was \$115 million, or basic and diluted earnings of \$0.39 per share of common stock, compared with net income of \$277 million, or basic earnings of \$0.91 per share of common stock (\$0.90 diluted) in the first quarter of 2008. The decrease in FirstEnergy's earnings resulted principally from regulatory charges (\$168 million after-tax) recognized in the first quarter of 2009 primarily related to the implementation of the Ohio Companies' Amended ESP.

Change in Basic
Earnings Per Share
From Prior Year
First Quarter

| | |
|---|---------|
| Basic Earnings Per Share – First Quarter 2008 | \$ 0.91 |
| Regulatory charges – 2009 | (0.55) |
| Income tax resolution – 2009 | 0.04 |
| Organizational restructuring – 2009 | (0.05) |
| Gain on non-core asset sales – 2008 | (0.06) |
| Trust securities impairment | (0.04) |
| Revenues | 0.18 |
| Fuel and purchased power | (0.24) |
| Amortization / deferral of regulatory assets | 0.13 |
| Other expenses | 0.07 |
| Basic Earnings Per Share – First Quarter 2009 | \$ 0.39 |

Regulatory Matters - Ohio

Ohio Regulatory Proceedings

On March 25, 2009, the PUCO issued an order approving the Ohio Companies' Amended ESP, which includes provisions for establishing a competitive bid process for generation supply and pricing for a two-year period beginning June 1, 2009, freezing distribution rates through December 31, 2011, subject to limited exceptions, and reducing CEI's recoverable Extended RTC balance as of May 31, 2009 by 50 percent (\$216 million). On March 4, 2009, the PUCO issued an order allowing the Ohio Companies to provide electric generation service to their customers from April 1, 2009, through May 31, 2009, from FES at the average rate resulting from the Ohio Companies' December 31, 2008, RFP. The PUCO also approved the continuation of CEI's purchased power cost deferral and the process under which the Ohio Companies conducted their December RFP. The Amended ESP resulted from a stipulated agreement reached with the PUCO Staff and nearly all of the intervening parties to the case.

Regulatory Matters - Pennsylvania

Pennsylvania Legislative Process

The Governor of Pennsylvania signed Act 129 of 2008 into law in October 2008, which became effective November 14, 2008, to create an energy efficiency and conservation program with requirements to adopt and implement cost-effective plans to reduce energy consumption and peak demand. On March 26, 2009, the PPUC approved the company-specific energy consumption and peak demand reductions that must be achieved under Act 129, which requires electric distribution companies to reduce electricity consumption by 1% by May 31, 2011 and by 3% by May 31, 2013, and an annual system peak demand reduction of 4.5% by May 31, 2013. Costs associated with achieving the reduction will be recovered from customers. Under Act 129, electric distribution companies must develop and file their energy efficiency and peak load reduction plans for compliance with these requirements by July 1, 2009.

Act 129 also requires electric distribution companies to submit by August 14, 2009, a plan to deploy smart metering technology over a time period not to exceed fifteen years. The costs of developing and implementing the plan as ultimately approved by the PPUC will be recovered from customers.

Met-Ed and Penelec Transmission Rider Filings

On April 15, 2009, Met-Ed and Penelec filed revised TSCs with the PPUC for the period June 1, 2009 through May 31, 2010, as required in connection with the PPUC's January 2007 rate order. For Penelec's customers, the new TSC would result in an approximate 1% decrease in monthly bills, reflecting projected PJM transmission costs as well as a reconciliation for costs already incurred. The TSC for Met-Ed's customers would increase to recover the additional PJM charges paid by Met-Ed in the previous year and to reflect updated projected costs. In order to gradually transition customers to the higher rate, Met-Ed is proposing to continue to recover the prior period deferrals allowed in the PPUC's May 2008 Order and defer \$57.5 million of projected costs into a future TSC to be fully recovered by December 31, 2010. Under this proposal, monthly bills for Met-Ed's customers would increase approximately 9.4% for the period June 2009 through May 2010.

On May 22, 2008, the PPUC approved the Met-Ed and Penelec annual updates to their TSC for the period June 1, 2008, through May 31, 2009. The PPUC ordered an investigation to review the reasonableness of Met-Ed's TSC which included a transition approach that would recover past under-recovered costs of \$144 million plus carrying charges over a 31-month period and deferral of a portion (\$92 million) of projected costs for recovery over a 19-month period beginning June 1, 2009, through December 31, 2010. Hearings and briefing were concluded in February 2009. On March 4, 2009, MEIUG and PICA filed a Petition to reopen the record. Met-Ed and Penelec filed objections to MEIUG and PICA's Petition on March 13, 2009, resulting in an April 1, 2009, order denying MEIUG & PICA's Petition to reopen the record. Met-Ed is awaiting a final PPUC decision.

Met-Ed and Penelec Customer Prepayment Plan and Procurement Plan

On September 25, 2008, Met-Ed and Penelec filed a Voluntary Prepayment Plan with the PPUC that would provide an opportunity for residential and small commercial customers to prepay about 9.6% of their monthly electric bills during 2009 and 2010, which would earn interest at 7.5% and be used to reduce electricity charges in 2011 and 2012. Met-Ed, Penelec, the Office of Consumer Advocate and the Office of Small Business Advocate reached a settlement agreement on the Voluntary Prepayment Plan, which the PPUC approved on February 26, 2009.

On February 20, 2009, Met-Ed and Penelec filed with the PPUC a generation procurement plan covering the period January 1, 2011, through May 31, 2013. The plan is designed to provide adequate and reliable service through a prudent mix of long-term, short-term and spot market generation supply as required by Pennsylvania law. The plan proposes a staggered procurement schedule, which varies by customer class. On March 30, 2009, Met-Ed and Penelec filed written Direct Testimony; hearings are scheduled for July 15-17, 2009. Met-Ed and Penelec have requested PPUC approval of their plan by November 2009.

Met-Ed and Penelec NUG Statement Compliance Filing

On March 31, 2009, Met-Ed and Penelec submitted their 5-year NUG Statement Compliance Filing to the PPUC in accordance with their 1998 Restructuring Settlement. Met-Ed proposed to reduce its CTC rate for the residential class with a corresponding increase in the generation rate and the shopping credit, and Penelec proposed to reduce its CTC rate to zero for all classes with a corresponding increase in the generation rate and the shopping credit. While these changes would result in additional annual generation revenue (Met-Ed - \$27 million and Penelec - \$51 million), overall rates would remain unchanged. The PPUC must act on this filing within 120 days.

Regulatory Matters – New Jersey

JCP&L Solar Renewable Energy Proposal Approved

On March 27, 2009, the NJBPU approved JCP&L's proposal to help increase the pace of solar energy project development in the state by establishing long-term agreements to purchase and sell Solar Renewable Energy Certificates, which will provide a stable basis for financing solar generation projects. The plan is expected to support the phase-in of approximately 42 megawatts of solar generating capacity over the next three years to help meet the state's Renewable Portfolio Standards through 2012.

JCP&L Selected for Smart Grid Demonstration

JCP&L is one of three companies selected as a smart grid demonstration host site by the Electric Power Research Institute to test the integration of smart grid and other technologies into operations of existing systems. The technologies exhibited during this project may be one solution to accomplishing the goals of the New Jersey Energy Master Plan by meeting future electricity demand.

Operational Matters

Generation Outages

On February 23, 2009, the Perry Plant began its 12th scheduled refueling and maintenance outage, in which 280 of the plant's 748 fuel assemblies will be exchanged, safety inspections will be conducted, and several maintenance projects will be completed, including replacement of the plant's recirculation pump motor.

On April 20, 2009, Beaver Valley Unit 1 began a scheduled refueling and maintenance outage. During the outage, 62 of the 157 fuel assemblies will be exchanged and safety inspections will be conducted. Also, several projects will be completed to ensure continued safe and reliable operations, including maintenance on the cooling tower and the replacement of a pump motor. The unit operated safely and reliably for 545 consecutive days, beating the previous records of 456 days for Unit 1 and 537 days for Unit 2 set in 2006 and 2005, respectively.

FirstEnergy expects generation output for 2009 to be lower than 2008, partly related to three scheduled nuclear refueling outages in 2009 and a number of planned fossil outages in the second half of the year, including the tie in of Sammis Unit 6 as part of FirstEnergy's air quality control project. FirstEnergy is also re-evaluating its near-term plans for maintenance and capital work and outages scheduled over the next several years and may take advantage of the reduced loads anticipated as a result of economic conditions to undertake additional work on its facilities, including its largest units.

R. E. Burger Plant

On April 1, 2009, FirstEnergy announced plans to retrofit Units 4 and 5 at its R.E. Burger Plant to repower the units with biomass. Retrofitting the Burger Plant will help meet the renewable energy goals set forth in Ohio SB221, utilize much of the existing infrastructure currently in place, preserve approximately 100 jobs and continue positive economic support to Belmont County, making the Burger Plant one of the largest biomass facilities in the United States.

OVEC Participation Interest Sale

On May 1, 2009, FGCO announced the sale of a 9% interest in the output from OVEC to Buckeye Power Generating LLC for \$252 million. The sale involves the output of 214 MW from OVEC's generating facilities in southern Indiana and Ohio. FGCO's remaining interest in OVEC was reduced to 11.5%. This transaction is expected to increase earnings in the second quarter of 2009 by \$159 million.

FirstEnergy Reorganization

On March 3, 2009, FirstEnergy announced it would reduce its management and support staff by 335 employees. This staffing reduction resulted from an effort to enhance efficiencies in response to the economic downturn. The reduction represents approximately four percent of FirstEnergy's non-union workforce. Severance benefits and career counseling services were provided to eligible employees. Total one-time charges associated with the reorganization were

approximately \$22 million, or \$0.05 per share of common stock.

Financial Matters

On January 20, 2009, Met-Ed issued \$300 million of 7.70% Senior Notes due 2019 and used the net proceeds to repay short-term borrowings. On January 27, 2009, JCP&L issued \$300 million of 7.35% Senior Notes due 2019 and used the net proceeds to repay short-term borrowings, repurchase equity from FirstEnergy, fund capital expenditures and for other general corporate purposes. On April 24, 2009, TE issued \$300 million of 7.25% Senior Secured Notes due 2020 and used the net proceeds to repay short-term borrowings, to fund capital expenditures and for other general corporate purposes.

On February 12, 2009, \$153 million of Wachovia LOCs supporting a like amount of NGC's PCRBs were renewed until March 17, 2014, and on March 10, 2009, \$100 million of FGCO's PCRBs were converted from a variable-rate mode enhanced by Wachovia LOCs to a fixed-rate mode secured by FMBs.

On March 31, 2009, FES and FGCO executed a new \$100 million, two-year secured term loan facility with The Royal Bank of Scotland Finance (Ireland) (RBSFI) that replaces an existing \$100 million borrowing facility with RBSFI that was expiring in November 2009.

FIRSTENERGY'S BUSINESS

FirstEnergy is a diversified energy company headquartered in Akron, Ohio, that operates primarily through three core business segments (see Results of Operations).

- Energy Delivery Services transmits and distributes electricity through FirstEnergy's eight utility operating companies, serving 4.5 million customers within 36,100 square miles of Ohio, Pennsylvania and New Jersey and purchases power for its PLR and default service requirements in Pennsylvania and New Jersey. This business segment derives its revenues principally from the delivery of electricity within FirstEnergy's service areas and the sale of electric generation service to retail customers who have not selected an alternative supplier (default service) in its Pennsylvania and New Jersey franchise areas.
- Competitive Energy Services supplies the electric power needs of end-use customers through retail and wholesale arrangements, including associated company power sales to meet a portion of the PLR and default service requirements of FirstEnergy's Ohio and Pennsylvania utility subsidiaries and competitive retail sales to customers primarily in Ohio, Pennsylvania, Maryland, Michigan and Illinois. This business segment owns or leases and operates 19 generating facilities with a net demonstrated capacity of 13,710 MW and also purchases electricity to meet sales obligations. The segment's net income is primarily derived from affiliated company power sales and non-affiliated electric generation sales revenues less the related costs of electricity generation, including purchased power and net transmission and ancillary costs charged by PJM and MISO to deliver energy to the segment's customers.
- Ohio Transitional Generation Services supplies the electric power needs of non-shopping customers under the default service requirements of FirstEnergy's Ohio Companies. The segment's net income is primarily derived from electric generation sales revenues less the cost of power purchased through the Ohio Companies' CBP, including net transmission and ancillary costs charged by MISO to deliver energy to retail customers.

RESULTS OF OPERATIONS

The financial results discussed below include revenues and expenses from transactions among FirstEnergy's business segments. A reconciliation of segment financial results is provided in Note 11 to the consolidated financial statements. Net income by major business segment was as follows:

| | Three Months | | |
|-----------------|------------------|------------------|------------------------|
| | Ended | | Increase (Decrease) |
| | March 31 2009 | March 31 2008 | |
| Earnings (Loss) | | | |
| By Business | | | |
| Segment | | | |
| Energy delivery | | | |
| services | \$ (42) | \$ 179 | \$ (221) |
| | 155 | 87 | 68 |

| | | | |
|---------------------------------------|---------------|---------------|-----------------|
| Competitive energy services | | | |
| Ohio transitional generation services | 24 | 23 | 1 |
| Other and reconciling adjustments* | (18) | (13) | (5) |
| Total | \$ 119 | \$ 276 | \$ (157) |
| | | | |
| Basic Earnings Per Share | \$0.39 | \$0.91 | \$ (0.52) |
| Diluted Earnings Per Share | \$0.39 | \$0.90 | \$ (0.51) |

* Consists primarily of interest expense related to holding company debt, corporate support services revenues and expenses, noncontrolling interests and elimination of intersegment transactions.

Summary of Results of Operations – First Quarter 2009 Compared with First Quarter 2008

Financial results for FirstEnergy's major business segments in the first three months of 2009 and 2008 were as follows:

| First Quarter 2009 Financial Results | Energy Delivery | Competitive Energy | Ohio Transitional Generation | Other and Reconciling | FirstEnergy Consolidated |
|--------------------------------------|-----------------|--------------------|------------------------------|-----------------------|--------------------------|
| | Services | Services | Services | Adjustments | |
| (In millions) | | | | | |
| Revenues: | | | | | |
| External | | | | | |
| Electric | \$ 1,959 | \$ 280 | \$ 902 | \$ - | \$ 3,141 |
| Other | 150 | 55 | 10 | (22) | 193 |
| Internal | - | 893 | - | (893) | - |
| Total Revenues | 2,109 | 1,228 | 912 | (915) | 3,334 |
| Expenses: | | | | | |
| Fuel | - | 312 | - | - | 312 |
| Purchased power | 978 | 160 | 898 | (893) | 1,143 |
| Other operating expenses | 480 | 355 | 18 | (26) | 827 |
| Provision for depreciation | 109 | 64 | - | 4 | 177 |
| Amortization of regulatory assets | 406 | - | 5 | - | 411 |
| Deferral of new regulatory assets | (43) | - | (50) | - | (93) |
| General taxes | 168 | 32 | 2 | 9 | 211 |
| Total Expenses | 2,098 | 923 | 873 | (906) | 2,988 |
| Operating Income | 11 | 305 | 39 | (9) | 346 |
| Other Income (Expense): | | | | | |
| Investment income (loss) | 29 | (29) | 1 | (12) | (11) |
| Interest expense | (111) | (28) | - | (55) | (194) |
| Capitalized interest | 1 | 10 | - | 17 | 28 |
| Total Other Expense | (81) | (47) | 1 | (50) | (177) |
| Income Before Income Taxes | (70) | 258 | 40 | (59) | 169 |
| Income taxes | (28) | 103 | 16 | (37) | 54 |
| Net Income (Loss) | (42) | 155 | 24 | (22) | 115 |
| Less: Noncontrolling interest income | - | - | - | (4) | (4) |
| Earnings (Loss) Available To Parent | \$ (42) | \$ 155 | \$ 24 | \$ (18) | \$ 119 |

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| First Quarter 2008 Financial Results | Energy Delivery Services | Competitive Energy Services | Ohio Transitional Generation Services | Other and Reconciling Adjustments | FirstEnergy Consolidated |
|--|--------------------------|-----------------------------|---------------------------------------|-----------------------------------|--------------------------|
| | (In millions) | | | | |
| Revenues: | | | | | |
| External | | | | | |
| Electric | \$ 2,050 | \$ 289 | \$ 691 | \$ - | \$ 3,030 |
| Other | 162 | 40 | 16 | 29 | 247 |
| Internal | - | 776 | - | (776) | - |
| Total Revenues | 2,212 | 1,105 | 707 | (747) | 3,277 |
| Expenses: | | | | | |
| Fuel | 1 | 327 | - | - | 328 |
| Purchased power | 982 | 206 | 588 | (776) | 1,000 |
| Other operating expenses | 445 | 309 | 77 | (32) | 799 |
| Provision for depreciation | 106 | 53 | - | 5 | 164 |
| Amortization of regulatory assets | 249 | - | 9 | - | 258 |
| Deferral of new regulatory assets | (100) | - | (5) | - | (105) |
| General taxes | 173 | 32 | 1 | 9 | 215 |
| Total Expenses | 1,856 | 927 | 670 | (794) | 2,659 |
| Operating Income | 356 | 178 | 37 | 47 | 618 |
| Other Income (Expense): | | | | | |
| Investment income | 45 | (6) | 1 | (23) | 17 |
| Interest expense | (103) | (34) | - | (42) | (179) |
| Capitalized interest | - | 7 | - | 1 | 8 |
| Total Other Expense | (58) | (33) | 1 | (64) | (154) |
| Income Before Income Taxes | 298 | 145 | 38 | (17) | 464 |
| Income taxes | 119 | 58 | 15 | (5) | 187 |
| Net Income | 179 | 87 | 23 | (12) | 277 |
| Less: Noncontrolling interest income | - | - | - | 1 | 1 |
| Earnings Available To Parent | \$ 179 | \$ 87 | \$ 23 | \$ (13) | \$ 276 |
| Changes Between First Quarter 2009 and First Quarter 2008 Financial Results | | | | | |
| Increase (Decrease) | | | | | |
| Revenues: | | | | | |
| External | | | | | |
| Electric | \$ (91) | \$ (9) | \$ 211 | \$ - | \$ 111 |
| Other | (12) | 15 | (6) | (51) | (54) |

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| | | | | | |
|--------------------------------------|----------|-------|------|--------|-------|
| Internal | - | 117 | - | (117) | - |
| Total Revenues | (103) | 123 | 205 | (168) | 57 |
| Expenses: | | | | | |
| Fuel | (1) | (15) | - | - | (16) |
| Purchased power | (4) | (46) | 310 | (117) | 143 |
| Other operating expenses | 35 | 46 | (59) | 6 | 28 |
| Provision for depreciation | 3 | 11 | - | (1) | 13 |
| Amortization of regulatory assets | 157 | - | (4) | - | 153 |
| Deferral of new regulatory assets | 57 | - | (45) | - | 12 |
| General taxes | (5) | - | 1 | - | (4) |
| Total Expenses | 242 | (4) | 203 | (112) | 329 |
| Operating Income | (345) | 127 | 2 | (56) | (272) |
| Other Income (Expense): | | | | | |
| Investment income (loss) | (16) | (23) | - | 11 | (28) |
| Interest expense | (8) | 6 | - | (13) | (15) |
| Capitalized interest | 1 | 3 | - | 16 | 20 |
| Total Other Income (Expense) | (23) | (14) | - | 14 | (23) |
| Income Before Income Taxes | (368) | 113 | 2 | (42) | (295) |
| Income taxes | (147) | 45 | 1 | (32) | (133) |
| Net Income | (221) | 68 | 1 | (10) | (162) |
| Less: Noncontrolling interest income | - | - | - | (5) | (5) |
| Earnings Available To Parent \$ | (221) \$ | 68 \$ | 1 \$ | (5) \$ | (157) |

Energy Delivery Services – First Quarter 2009 Compared with First Quarter 2008

This segment recognized a net loss of \$42 million in the first three months of 2009 compared to net income of \$179 million in the first three months of 2008, primarily due to CEI's \$216 million regulatory asset impairment related to the implementation of the Ohio Companies' Amended ESP and other regulatory charges.

Revenues –

The decrease in total revenues of \$103 million resulted from the following sources:

| Revenues by Type of Service | Three Months Ended March 31 | | Increase (Decrease) |
|--------------------------------|-----------------------------------|----------|------------------------|
| | 2009 | 2008 | |
| (In millions) | | | |
| Distribution services | \$ 849 | \$ 955 | \$ (106) |
| Generation sales: | | | |
| Retail | 812 | 790 | 22 |
| Wholesale | 188 | 219 | (31) |
| Total generation sales | 1,000 | 1,009 | (9) |
| Transmission | 208 | 197 | 11 |
| Other | 52 | 51 | 1 |
| Total Revenues | \$ 2,109 | \$ 2,212 | \$ (103) |

The change in distribution deliveries by customer class is summarized in the following table:

| | |
|--------------------------------------|----------|
| Electric Distribution KWH Deliveries | |
| Residential | -- % |
| Commercial | (4.1) % |
| Industrial | (17.5) % |
| Total Distribution KWH Deliveries | (6.7) % |

The lower revenues from distribution deliveries were driven by the reductions in sales volume. The decrease in electric distribution deliveries to commercial and industrial customers was primarily due to economic conditions in FirstEnergy's service territory. In the industrial sector, KWH deliveries declined to major automotive (28.4%), steel (40.1%), and refinery customers (15.1%). Transition charges for OE and TE that ceased effective January 1, 2009, with the full recovery of related costs, were offset by PUCO-approved distribution rate increases (see Regulatory Matters – Ohio).

The following table summarizes the price and volume factors contributing to the \$9 million decrease in generation revenues in the first quarter of 2009 compared to the first quarter of 2008:

| Sources of Change in Generation Revenues | Increase (Decrease) (In millions) |
|---|--|
| Retail: | |
| Effect of 3.5% decrease in sales volumes | \$ (27) |
| Change in prices | 49 |
| | 22 |
| Wholesale: | |
| Effect of 11.6% decrease in sales volumes |) (25) |
| Change in prices | (6) |
| | (31) |
| Net Decrease in Generation Revenues | \$ (9) |

The decrease in retail generation sales volumes was primarily due to weakened economic conditions partially offset by increased weather-related usage (heating degree days increased by 3.3% in the first quarter of 2009). The increase in retail generation prices during the first three months of 2009 reflected increased generation rates for JCP&L resulting from the New Jersey BGS auction and for Penn under its RFP process. Wholesale generation sales decreased principally as a result of JCP&L selling less power from NUGs. The decrease in prices reflected lower spot market prices for PJM market participants.

Transmission revenues increased \$11 million primarily due to higher transmission rates for Met-Ed and Penelec resulting from the annual update to their TSC riders in mid-2008. Met-Ed and Penelec defer the difference between revenues from their transmission rider and transmission costs incurred, resulting in no material effect to current period earnings (see Regulatory Matters – Pennsylvania).

Expenses –

The \$242 million increase in total expenses was due to the following:

- Purchased power costs were \$4 million lower in the first three months of 2009 due to reduced volumes and an increase in the amount of NUG costs deferred, partially offset by increased unit costs. The increased unit costs reflected higher JCP&L costs resulting from the BGS auction. JCP&L is permitted to defer for future collection from customers the amounts by which its costs of supplying BGS to non-shopping customers and costs incurred under NUG agreements exceed amounts collected through BGS and NUGC rates and market sales of NUG energy and capacity. The following table summarizes the sources of changes in purchased power costs:

| Source of Change in Purchased Power | Increase (Decrease) (In millions) |
|---------------------------------------|--------------------------------------|
| Purchases from non-affiliates: | |
| Change due to increased unit costs | \$ 120 |
| Change due to decreased volumes | (103) |
| | 17 |
| Purchases from FES: | |
| Change due to decreased unit costs | (9) |
| Change due to increased volumes | 22 |
| | 13 |
| Increase in NUG costs deferred | (34) |
| Net Decrease in Purchased Power Costs | \$ (4) |

- An increase in other operating expenses of \$34 million resulted from economic development obligations, in accordance with the PUCO-approved ESP, and energy efficiency obligations.
 - An increase in employee benefit costs of \$30 million and organizational restructuring costs of \$5 million were offset by reductions in contractor costs of \$19 million, transmission expense of \$11 million and materials and supplies costs of \$5 million.
- An increase of \$157 million in amortization of regulatory assets in 2009 was due to the ESP-related impairment of CEI's regulatory assets (\$216 million), partially offset by the cessation of transition cost amortization for OE and TE (\$68 million).

-

The deferral of new regulatory assets decreased by \$57 million during the first three months of 2009 primarily due to lower PJM transmission cost deferrals (\$25 million) and the cessation in 2009 of RCP distribution cost deferrals by the Ohio Companies (\$35 million).

- Depreciation expense increased \$3 million due to property additions since the first quarter of 2008.
- General taxes decreased \$5 million primarily due to lower gross receipts taxes on reduced revenues.

Other Expense –

Other expense increased \$23 million in 2009 compared to the first three months of 2008, due to lower investment income of \$16 million resulting from the repayment of notes receivable from affiliates and higher interest expense (net of capitalized interest) of \$7 million due to \$600 million of senior notes issued by JCP&L and Met-Ed in January 2009.

Competitive Energy Services – First Quarter 2009 Compared with First Quarter 2008

Net income for this segment was \$155 million in the first three months of 2009 compared to \$87 million in the same period in 2008. The \$68 million increase in net income reflected an increase in gross generation margin, partially offset by higher operating costs.

Revenues –

Total revenues increased \$123 million in the first three months of 2009 compared to the same period in 2008. This increase primarily resulted from higher unit prices on affiliated generation sales to the Ohio Companies and increased non-affiliated wholesale sales, partially offset by lower retail sales.

The increase in reported segment revenues resulted from the following sources:

| Revenues by Type of Service | Three Months Ended March 31 | | Increase |
|---|-----------------------------------|----------|------------|
| | 2009 | 2008 | (Decrease) |
| (In millions) | | | |
| Non-Affiliated Generation Sales: | | | |
| Retail | \$ 91 | \$ 160 | \$ (69) |
| Wholesale | 189 | 129 | 60 |
| Total Non-Affiliated Generation Sales | 280 | 289 | (9) |
| Affiliated | | | |
| Generation Sales | 893 | 776 | 117 |
| Transmission | 25 | 33 | (8) |
| Lease Revenue | 25 | - | 25 |
| Other | 5 | 7 | (2) |
| Total Revenues | \$ 1,228 | \$ 1,105 | \$ 123 |

The lower retail revenues reflect reduced commercial and industrial contract renewals in the PJM market and the termination of certain government aggregation programs in Ohio. Higher non-affiliated wholesale revenues resulted from higher PJM capacity prices and increased sales volumes in the MISO market, partially offset by lower unit prices and volumes in PJM.

The increased affiliated company generation revenues were due to higher unit prices for sales to the Ohio Companies under their CBP, partially offset by lower unit prices to the Pennsylvania Companies and an overall decrease in affiliated sales volumes. While unit prices for each of the Pennsylvania Companies did not change, the mix of sales among the companies caused the composite price to decline. FES supplied less power to the Ohio Companies in the first quarter of 2009 as one of four winning bidders in the Ohio Companies' RFP process. The amount of power FES will supply to the Ohio Companies for periods beginning on or after June 1, 2009 will be determined by the extent to which FES is successful in bidding in the upcoming CBP, which is currently scheduled to begin on May 13, 2009.

The following tables summarize the price and volume factors contributing to changes in revenues from generation sales:

| Source of Change in Non-Affiliated | Increase (Decrease) |
|---------------------------------------|------------------------|
|---------------------------------------|------------------------|

Generation Revenues

(In
millions)

Retail:

| | | |
|---|----|------|
| Effect of 57.0% decrease in sales volumes | \$ | (91) |
| Change in prices | | 22 |
| | | (69) |

Wholesale:

| | | |
|---|--|----|
| Effect of 33.9% increase in sales volumes | | 44 |
| Change in prices | | 16 |
| | | 60 |

| | | |
|--|----|-----|
| Net Decrease in Non-Affiliated Generation Revenues | \$ | (9) |
|--|----|-----|

Source of Change in
Affiliated Generation
Revenues

Increase
(Decrease)

(In
millions)

Ohio Companies:

| | | |
|---|----|-------|
| Effect of 24.6% decrease in sales volumes | \$ | (142) |
| Change in prices | | 246 |
| | | 104 |

Pennsylvania
Companies:

| | | |
|---|--|-----|
| Effect of 11.1% increase in sales volumes | | 22 |
| Change in prices | | (9) |
| | | 13 |

| | | |
|--|----|-----|
| Net Increase in Affiliated Generation Revenues | \$ | 117 |
|--|----|-----|

Transmission revenues decreased \$8 million due to decreased retail load in the MISO market (\$14 million) partially offset by higher PJM congestion revenue (\$6 million). Increased lease revenue represents NGC's acquisition of the equity interests in the OE and TE Beaver Valley and Perry sale and leaseback transactions.

Expenses -

Total expenses decreased \$4 million in the first three months of 2009 due to the following factors:

- Purchased power costs decreased \$46 million due primarily to lower unit costs (\$15 million) and reduced volume requirements (\$31 million).

Fossil fuel costs decreased \$15 million due to decreased generation volumes (\$53 million) partially offset by

- higher unit prices (\$38 million). The increased unit prices primarily reflect increased fuel rates on existing coal contracts in the first quarter of 2009.

Fossil operating costs decreased \$4 million due to a \$6 million decrease in contractor costs as a result of reduced

- maintenance activities, partially offset by organizational restructuring costs of \$2 million.

Other operating expenses increased \$27 million due primarily to increased intersegment billings for leasehold

- costs from the Ohio Companies.

Nuclear operating costs increased \$16 million due to higher expenses associated with the 2009 Perry refueling

- outage than incurred with the 2008 Davis-Besse refueling outage.

- Higher depreciation expense of \$11 million was due to property additions since the first quarter of 2008.
 - Transmission expense increased \$7 million due to increased PJM charges.

Other Expense –

Total other expense in the first three months of 2009 was \$14 million higher than the first quarter of 2008, primarily due to a \$23 million decrease in earnings from nuclear decommissioning trust investments reflecting impairments in the value of securities. This impact was partially offset by a decline in interest expense (net of capitalized interest) of \$9 million.

Ohio Transitional Generation Services – First Quarter 2009 Compared with First Quarter 2008

Net income for this segment increased to \$24 million in the first three months of 2009 from \$23 million in the same period of 2008. Higher operating revenues were almost entirely offset by higher operating expenses, primarily for purchased power.

Revenues –

The increase in reported segment revenues resulted from the following sources:

| Three Months | |
|--------------|------|
| Ended | |
| March 31 | |
| 2009 | 2008 |

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| Revenues by Type of Service | Increase (Decrease) | | |
|--------------------------------|------------------------|--------|--------|
| | (In millions) | | |
| Generation sales: | | | |
| Retail | \$ 801 | \$ 606 | \$ 195 |
| Wholesale | - | 3 | (3) |
| Total generation sales | 801 | 609 | 192 |
| Transmission | 110 | 93 | 17 |
| Other | 1 | 5 | (4) |
| Total Revenues | \$ 912 | \$ 707 | \$ 205 |

The following table summarizes the price and volume factors contributing to the increase in sales revenues from retail customers:

| Source of Change in Retail Generation Revenues | Increase (In millions) |
|---|------------------------------|
| Effect of 5.0% increase in sales volumes | \$ 30 |
| Change in prices | 165 |
| Total Increase in Retail Generation Revenues | \$ 195 |

The increase in generation sales was primarily due to reduced customer shopping as most of the Ohio Companies' customers returned to PLR service in December 2008 due to the termination of certain government aggregation programs in Ohio. Average prices increased primarily due to an increase in the Ohio Companies' fuel cost recovery rider that became effective in January 2009.

Increased transmission revenue of \$17 million resulted from higher sales volumes and a PUCO-approved transmission tariff increase that was effective in mid-2008. The difference between transmission revenues accrued and transmission expenses incurred is deferred, resulting in no material impact to current period earnings.

Expenses -

Purchased power costs were \$310 million higher due primarily to higher unit costs and volumes. The factors contributing to the higher costs are summarized in the following table:

| Source of Change in Purchased Power | Increase (In millions) |
|--|------------------------------|
| Purchases: | |
| Change due to increased unit costs | \$ 284 |
| Change due to increased volumes | 26 |
| | \$ 310 |

The increase in purchased volumes was due to the higher retail generation sales requirements described above. The higher unit costs reflect the implementation of the Ohio Companies' CBP for their power supply for retail customers.

Other operating expenses decreased \$59 million due to lower MISO transmission-related expenses and increased intersegment credits related to the Ohio Companies' generation leasehold interests. The deferral of regulatory assets increased by \$45 million due to CEI's deferral of purchased power costs as approved by the PUCO, partially offset by

reduced MISO transmission cost deferrals. The difference between transmission revenues accrued and transmission expenses incurred is deferred or amortized, resulting in no material impact to current period earnings.

Other – First Quarter 2009 Compared with First Quarter 2008

FirstEnergy's financial results from other operating segments and reconciling items, including interest expense on holding company debt and corporate support services revenues and expenses, resulted in a \$10 million decrease in FirstEnergy's net income in the first three months of 2009 compared to the same period in 2008. The decrease resulted primarily from the absence of the gain on the 2008 sale of telecommunication assets (\$19 million, net of taxes), partially offset by the favorable resolution in 2009 of income tax issues relating to prior years (\$13 million).

CAPITAL RESOURCES AND LIQUIDITY

FirstEnergy expects its existing sources of liquidity to remain sufficient to meet its anticipated obligations and those of its subsidiaries. FirstEnergy's business is capital intensive, requiring significant resources to fund operating expenses, construction expenditures, scheduled debt maturities and interest and dividend payments. During 2009 and in subsequent years, FirstEnergy expects to satisfy these requirements with a combination of cash from operations and funds from the capital markets as market conditions warrant. FirstEnergy also expects that borrowing capacity under credit facilities will continue to be available to manage working capital requirements during those periods.

As of March 31, 2009, FirstEnergy's net deficit in working capital (current assets less current liabilities) was principally due to short-term borrowings (\$2.4 billion) and the classification of certain variable interest rate PCRBs as currently payable long-term debt. Currently payable long-term debt as of March 31, 2009, included the following (in millions):

| | |
|---|----------|
| Currently Payable Long-term Debt | |
| PCRBs supported by bank LOCs(1) | 1,636 |
| FGCO and NGC unsecured PCRBs(1) | 82 |
| Penelec unsecured notes(2) | 100 |
| CEI secured notes(3) | 150 |
| Met-Ed secured notes(4) | 100 |
| NGC collateralized lease obligation bonds | 36 |
| Sinking fund requirements | 40 |
| | \$ 2,144 |

(1) Interest rate mode permits individual debt holders to put the respective debt back to the issuer prior to maturity.

(2) Matured in April 2009.

(3) Mature in November 2009.

(4) Mature in March 2010.

Short-Term Borrowings

FirstEnergy had approximately \$2.4 billion of short-term borrowings as of March 31, 2009, and December 31, 2008. FirstEnergy, along with certain of its subsidiaries, have access to \$2.75 billion of short-term financing under a revolving credit facility that expires in August 2012. A total of 25 banks participate in the facility, with no one bank having more than 7.3% of the total commitment. As of May 1, 2009, FirstEnergy had \$720 million of bank credit

facilities in addition to the \$2.75 billion revolving credit facility. Also, an aggregate of \$550 million of accounts receivable financing facilities through the Ohio and Pennsylvania Companies may be accessed to meet working capital requirements and for other general corporate purposes. FirstEnergy's available liquidity as of May 1, 2009, is summarized in the following table:

| Company | Type | Maturity | Commitment | Available Liquidity as of May 1, 2009 (In millions) |
|---|-----------------------|--------------|------------|--|
| FirstEnergy(1) | Revolving | Aug. 2012 | \$ 2,750 | \$ 227 |
| FirstEnergy and FES | Revolving | May 2009 | 300 | 300 |
| FirstEnergy | Bank lines | Various(2) | 120 | 20 |
| FGCO | Term loan | Oct. 2009(3) | 300 | 300 |
| O h i o a n d P e n n s y l v a n i a Companies | Receivables financing | Various(4) | 550 | 416 |
| | | Subtotal | \$ 4,020 | \$ 1,263 |
| | | Cash | - | 698 |
| | | Total | \$ 4,020 | \$ 1,961 |

(1) FirstEnergy Corp. and subsidiary borrowers.

(2) \$100 million matures March 31, 2011; \$20 million uncommitted line of credit has no maturity date.

(3) Drawn amounts are payable within 30 days and may not be re-borrowed.

(4) \$180 million expires December 18, 2009, \$370 million expires February 22, 2010.

Revolving Credit Facility

FirstEnergy has the capability to request an increase in the total commitments available under the \$2.75 billion revolving credit facility (included in the borrowing capability table above) up to a maximum of \$3.25 billion, subject to the discretion of each lender to provide additional commitments. Commitments under the facility are available until August 24, 2012, unless the lenders agree, at the request of the borrowers, to an unlimited number of additional one-year extensions. Generally, borrowings under the facility must be repaid within 364 days. Available amounts for each borrower are subject to a specified sub-limit, as well as applicable regulatory and other limitations.

The following table summarizes the borrowing sub-limits for each borrower under the facility, as well as the limitations on short-term indebtedness applicable to each borrower under current regulatory approvals and applicable statutory and/or charter limitations as of March 31, 2009:

| Borrower | Revolving Credit Facility Sub-Limit | Regulatory and Other Short-Term Debt Limitations |
|-------------|--|---|
| | (In millions) | |
| FirstEnergy | \$2,750 | \$ -(1) |
| FES | 1,000 | -(1) |
| OE | 500 | 500 |
| Penn | 50 | 39(2) |
| CEI | 250(3) | 500 |
| TE | 250(3) | 500 |
| JCP&L | 425 | 428(2) |
| Met-Ed | 250 | 300(2) |
| Penelec | 250 | 300(2) |
| ATSI | -(4) | 50 |

(1) No regulatory approvals, statutory or charter limitations applicable.

(2) Excluding amounts which may be borrowed under the regulated companies' money pool.

(3) Borrowing sub-limits for CEI and TE may be increased to up to \$500 million by delivering notice to the administrative agent that such borrower has senior unsecured debt ratings of at least BBB by S&P and Baa2 by Moody's.

(4) The borrowing sub-limit for ATSI may be increased up to \$100 million by delivering notice to the administrative agent that either (i) ATSI has senior unsecured debt ratings of at least BBB- by S&P and Baa3 by Moody's or (ii) FirstEnergy has guaranteed ATSI's obligations of such borrower under the facility.

Under the revolving credit facility, borrowers may request the issuance of LOCs expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under the facility and against the applicable borrower's borrowing sub-limit.

The revolving credit facility contains financial covenants requiring each borrower to maintain a consolidated debt to total capitalization ratio of no more than 65%, measured at the end of each fiscal quarter. As of March 31, 2009, FirstEnergy's and its subsidiaries' debt to total capitalization ratios (as defined under the revolving credit facility) were as follows:

| Borrower | |
|----------------|-------|
| FirstEnergy(1) | 60.8% |
| FES | 57.3% |
| OE | 44.8% |
| Penn | 19.5% |
| CEI | 54.4% |
| TE | 44.6% |
| JCP&L | 36.3% |
| Met-Ed | 50.0% |
| Penelec | 52.0% |

(1) As of March 31, 2009, FirstEnergy could issue additional debt of approximately \$3.0 billion, or recognize a reduction in equity of approximately \$1.6 billion, and remain within the limitations of the financial covenants required by its revolving credit facility.

The revolving credit facility does not contain provisions that either restrict the ability to borrow or accelerate repayment of outstanding advances as a result of any change in credit ratings. Pricing is defined in “pricing grids”, whereby the cost of funds borrowed under the facility is related to the credit ratings of the company borrowing the funds.

FirstEnergy Money Pools

FirstEnergy's regulated companies also have the ability to borrow from each other and the holding company to meet their short-term working capital requirements. A similar but separate arrangement exists among FirstEnergy's unregulated companies. FESC administers these two money pools and tracks surplus funds of FirstEnergy and the respective regulated and unregulated subsidiaries, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. The average interest rate for borrowings in the first three months of 2009 was 0.97% for the regulated companies' money pool and 1.01% for the unregulated companies' money pool.

Pollution Control Revenue Bonds

As of March 31, 2009, FirstEnergy's currently payable long-term debt includes approximately \$1.6 billion (FES - \$1.6 billion, Met-Ed - \$29 million and Penelec - \$45 million) of variable interest rate PCRBs, the bondholders of which are entitled to the benefit of irrevocable direct pay bank LOCs. The interest rates on the PCRBs are reset daily or weekly. Bondholders can tender their PCRBs for mandatory purchase prior to maturity with the purchase price payable from remarketing proceeds or; if the PCRBs are not successfully remarketed, by drawings on the irrevocable direct pay LOCs. The subsidiary obligor is required to reimburse the applicable LOC bank for any such drawings or, if the LOC bank fails to honor its LOC for any reason, must itself pay the purchase price.

The LOCs for FirstEnergy variable interest rate PCRBs were issued by the following banks:

| LOC Bank | Aggregate LOC Amount(4) (In millions) | L O C T e r m i n a t i o n Date | Reimbursements of L O C D r a w s Due |
|-------------------------------|---|--|--|
| Barclays Bank | \$ 149 | June 2009 | June 2009 |
| B a n k o f America(1) | 101 | June 2009 | June 2009 |
| The Bank of Nova Scotia | 255 | Beginning June 2010 | Shorter of 6 months or L O C termination date |
| The Royal Bank of Scotland | 131 | June 2012 | 6 months |
| KeyBank(2) | 266 | June 2010 | 6 months |
| Wachovia Bank | 153 | March 2014 | March 2014 |
| Barclays Bank(3) | 528 | B e g i n n i n g December 2010 | 30 days |
| PNC Bank | 70 | B e g i n n i n g December 2010 | 180 days |
| Total | \$ 1,653 | | |

(1) Supported by two participating banks, with each having 50% of the total commitment.

(2) Supported by four participating banks, with the LOC bank having 62% of the total commitment.

(3) Supported by 18 participating banks, with no one bank having more than 14% of the total commitment.

(4) Includes approximately \$16 million of applicable interest coverage.

In February 2009, holders of approximately \$434 million principal of LOC-supported PCRBs of OE and NGC were notified that the applicable Wachovia Bank LOCs were to expire on March 18, 2009. As a result, these PCRBs were subject to mandatory purchase at a price equal to the principal amount, plus accrued and unpaid interest, which OE and NGC funded through short-term borrowings. In March 2009, FGCO remarketed \$100 million of those PCRBs, which were previously held by OE. In addition, approximately \$250 million of FirstEnergy's PCRBs that are currently supported by LOCs are expected to be remarketed or refinanced in fixed interest rate modes and secured by FMBs, thereby eliminating or reducing the need for third-party credit support.

Long-Term Debt Capacity

As of March 31, 2009, the Ohio Companies and Penn had the aggregate capability to issue approximately \$2.7 billion of additional FMBs on the basis of property additions and retired bonds under the terms of their respective mortgage indentures. As a result of the issuance of senior secured notes by TE referred to below and related amendments to the TE mortgage indenture's bonding ratio, that capacity decreased to \$2.3 billion. The issuance of FMBs by the Ohio Companies is also subject to provisions of their senior note indentures generally limiting the incurrence of additional secured debt, subject to certain exceptions that would permit, among other things, the issuance of secured debt (including FMBs) supporting pollution control notes or similar obligations, or as an extension, renewal or replacement of previously outstanding secured debt. In addition, these provisions would permit OE, CEI and TE to incur additional secured debt not otherwise permitted by a specified exception of up to \$171 million, \$164 million and \$117 million, respectively, as of March 31, 2009. In April 2009, TE issued \$300 million of new senior secured notes backed by FMBs. Concurrently with that issuance and in order to satisfy the limitation on secured debt under its senior note indenture, TE issued an additional \$300 million of FMBs to secure \$300 million of its outstanding unsecured senior notes originally issued in November 2006. Based upon FGCO's FMB indenture, net earnings and available bondable property additions as of March 31, 2009, FGCO had the capability to issue \$2.7 billion of additional FMBs under the terms of that indenture. Met-Ed and Penelec had the capability to issue secured debt of approximately \$423 million and \$321 million, respectively, under provisions of their senior note indentures as of March 31, 2009.

FirstEnergy's access to capital markets and costs of financing are influenced by the ratings of its securities. On March 2, 2009, Moody's assigned a Baa1 senior secured rating to FES-related secured issuances. The following table displays FirstEnergy's, FES' and the Utilities' securities ratings as of April 30, 2009. S&P's and Moody's outlook for FirstEnergy and its subsidiaries remains "stable."

| Issuer | Securities | S&P | Moody's |
|-------------|------------------|------|---------|
| FirstEnergy | Senior unsecured | BBB- | Baa3 |
| FES | Senior secured | BBB | Baa1 |
| | Senior unsecured | BBB | Baa2 |
| OE | Senior secured | BBB+ | Baa1 |
| | Senior unsecured | BBB | Baa2 |
| Penn | Senior secured | A- | Baa1 |
| CEI | Senior secured | BBB+ | Baa2 |
| | Senior unsecured | BBB | Baa3 |
| TE | Senior secured | BBB+ | Baa2 |
| | Senior unsecured | BBB | Baa3 |
| JCP&L | Senior unsecured | BBB | Baa2 |
| Met-Ed | Senior unsecured | BBB | Baa2 |
| Penelec | Senior unsecured | BBB | Baa2 |

On September 22, 2008, FirstEnergy, along with the Shelf Registrants, filed an automatically effective shelf registration statement with the SEC for an unspecified number and amount of securities to be offered thereon. The shelf registration provides FirstEnergy the flexibility to issue and sell various types of securities, including common stock, preferred stock, debt securities, warrants, share purchase contracts, and share purchase units. The Shelf Registrants have utilized, and may in the future utilize, the shelf registration statement to offer and sell unsecured, and in some cases, secured debt securities.

Changes in Cash Position

As of March 31, 2009, FirstEnergy had \$399 million in cash and cash equivalents compared to \$545 million as of December 31, 2008. Cash and cash equivalents consist of unrestricted, highly liquid instruments with an original or remaining maturity of three months or less. As of March 31, 2009, approximately \$311 million of cash and cash equivalents represented temporary overnight deposits.

During the first quarter of 2009, FirstEnergy received \$248 million of cash from dividends and equity repurchases from its subsidiaries and paid \$168 million in cash dividends to common shareholders. With the exception of Met-Ed,

which is currently in an accumulated deficit position, there are no material restrictions on the payment of cash dividends by FirstEnergy's subsidiaries. In addition to paying dividends from retained earnings, each of FirstEnergy's electric utility subsidiaries has authorization from the FERC to pay cash dividends from paid-in capital accounts, as long as the subsidiary's debt to total capitalization ratio (without consideration of retained earnings) remains below 65%.

Cash Flows From Operating Activities

FirstEnergy's consolidated net cash from operating activities is provided primarily by its energy delivery services and competitive energy services businesses (see Results of Operations above). Net cash provided from operating activities was \$462 million in the first three months of 2009 compared to \$359 million in the first three months of 2008, as summarized in the following table:

| | Three Months Ended March 31, | |
|---------------------------------|------------------------------------|--------|
| Operating Cash Flows | 2009 | 2008 |
| | (In millions) | |
| Net income | \$ 115 | \$ 277 |
| Non-cash charges | 375 | 211 |
| Working capital and other | (28) | (129) |
| | \$ 462 | \$ 359 |

Net cash provided from operating activities increased by \$103 million in the first three months of 2009 compared to the first three months of 2008 primarily due to a \$164 million increase in non-cash charges and a \$101 million increase from working capital and other changes, partially offset by a \$162 million decrease in net income (see Results of Operations above). The increase in non-cash charges is primarily due to higher amortization of regulatory assets, including CEI's \$216 million regulatory asset impairment, and changes in accrued compensation and retirement benefits. The change in accrued compensation and retirement benefits resulted primarily from higher non-cash retirement benefit expenses recognized in the first quarter of 2009. The changes in working capital and other primarily resulted from a \$52 million increase in the collection of receivables, lower net tax payments of \$20 million and an increase in other accrued expenses principally associated with the implementation of the Ohio Companies' Amended ESP.

Cash Flows From Financing Activities

In the first three months of 2009, cash provided from financing activities was \$70 million compared to \$224 million in the first three months of 2008. The decrease was primarily due to lower short-term borrowings, partially offset by long-term debt issuances in the first quarter of 2009. The following table summarizes security issuances and redemptions.

| | Three Months Ended March 31 | |
|-------------------------------------|-----------------------------------|--------|
| Securities Issued or Redeemed | 2009 | 2008 |
| | (In millions) | |
| New issues | | |
| Pollution control notes | \$ 100 | \$ - |
| Unsecured notes | 600 | - |
| | \$ 700 | \$ - |
| Redemptions | | |
| Pollution control notes(1) | \$ 437 | \$ 362 |
| Senior secured notes | 7 | 6 |
| | \$ 444 | \$ 368 |
| Short-term borrowings, net | \$ - | \$ 746 |

(1) Includes the mandatory purchase of certain auction rate PCRBS described above.

On January 20, 2009, Met-Ed issued \$300 million of 7.70% Senior Notes due 2019 and used the net proceeds to repay short-term borrowings. On January 27, 2009, JCP&L issued \$300 million of 7.35% Senior Notes due 2019 and used the net proceeds to repay short-term borrowings, to fund capital expenditures and for other general corporate purposes. On April 24, 2009, TE issued \$300 million of 7.25% Senior Secured Notes due 2020 and used the net proceeds to repay short-term borrowings, to fund capital expenditures and for other general corporate purposes. Each of these issuances was sold off the shelf registration referenced above.

Cash Flows From Investing Activities

Net cash flows used in investing activities resulted principally from property additions. Additions for the energy delivery services segment primarily include expenditures related to transmission and distribution facilities. Capital spending by the competitive energy services segment is principally generation-related. The following table summarizes investing activities for the three months ended March 31, 2009, and 2008 by business segment:

| Summary of Cash Flows Provided from (Used for) Investing Activities Sources (Uses) | Property | | | | Total |
|---|---------------|-------------|---------|----------|-------|
| | Additions | Investments | Other | | |
| | (In millions) | | | | |
| Three Months Ended | | | | | |
| March 31, 2009 | | | | | |
| Energy delivery services | \$ (165) | \$ 51 | \$ (14) | \$ (128) | |
| Competitive energy services | (421) | 2 | (19) | (438) | |
| Other | (49) | (20) | 1 | (68) | |
| Inter-segment reconciling items | (19) | (25) | - | (44) | |
| Total | \$ (654) | 8 | (32) | (678) | |
| Three Months Ended | | | | | |
| March 31, 2008 | | | | | |
| Energy delivery services | \$ (255) | \$ 33 | \$ 2 | \$ (220) | |
| Competitive energy services | (462) | (3) | (19) | (484) | |
| Other | (12) | 68 | - | 56 | |
| Inter-segment reconciling items | 18 | (12) | - | 6 | |
| Total | \$ (711) | \$ 86 | \$ (17) | \$ (642) | |

Net cash used for investing activities in the first quarter of 2009 increased by \$36 million compared to the first quarter of 2008. The increase was primarily due to the absence in 2009 of cash proceeds from the sale of telecommunication assets in the first quarter of 2008 and higher cash investments for the Signal Peak mining operations in 2009, partially offset by lower property additions. Property additions decreased as a result of lower AQC system expenditures in the first quarter of 2009 and the absence in 2009 of acquisition costs for the Fremont Plant in the first quarter of 2008.

During the remaining three quarters of 2009, capital requirements for property additions and capital leases are expected to be approximately \$1.4 billion, including approximately \$225 million for nuclear fuel. FirstEnergy has additional requirements of approximately \$316 million for maturing long-term debt during the remainder of 2009, of which \$100 million was redeemed in April 2009. These cash requirements are expected to be satisfied from a combination of internal cash, short-term credit arrangements and funds raised in the capital markets.

FirstEnergy's capital spending for the period 2009-2013 is expected to be approximately \$8.1 billion (excluding nuclear fuel), of which approximately \$1.6 billion applies to 2009. Investments for additional nuclear fuel during the 2009-2013 period are estimated to be approximately \$1.3 billion, of which about \$338 million applies to 2009. During the same period, FirstEnergy's nuclear fuel investments are expected to be reduced by approximately \$1.0 billion and \$136 million, respectively, as the nuclear fuel is consumed.

GUARANTEES AND OTHER ASSURANCES

As part of normal business activities, FirstEnergy enters into various agreements on behalf of its subsidiaries to provide financial or performance assurances to third parties. These agreements include contract guarantees, surety bonds and LOCs. Some of the guaranteed contracts contain collateral provisions that are contingent upon FirstEnergy's credit ratings.

As of March 31, 2009, FirstEnergy's maximum exposure to potential future payments under outstanding guarantees and other assurances approximated \$4.5 billion, as summarized below:

| | Maximum Exposure (In millions) |
|--|---|
| Guarantees and Other Assurances | |
| FirstEnergy Guarantees on Behalf of its Subsidiaries | |
| Energy and Energy-Related Contracts (1) | \$ 433 |
| LOC (long-term debt) – interest coverage (2) | 6 |
| Other (3) | 742 |
| | 1,181 |
| Subsidiaries' Guarantees | |
| Energy and Energy-Related Contracts | 77 |
| LOC (long-term debt) – interest coverage (2) | 9 |
| | 2,552 |

| | |
|---|----------|
| FES' guarantee of FGCO's sale and leaseback obligations | 2,638 |
| Surety Bonds | 111 |
| LOC (long-term debt) – interest coverage (2) | 2 |
| LOC (non-debt) (4)(5) | 570 |
| | 683 |
| Total Guarantees and Other Assurances | \$ 4,502 |

- (1) Issued for open-ended terms, with a 10-day termination right by FirstEnergy.
- (2) Reflects the interest coverage portion of LOCs issued in support of floating rate PCRBs with various maturities. The principal amount of floating-rate PCRBs of \$1.6 billion is reflected in currently payable long-term debt on FirstEnergy's consolidated balance sheets.
- (3) Includes guarantees of \$300 million for OVEC obligations and \$80 million for nuclear decommissioning funding assurances. Also includes \$300 million for a Credit Suisse credit facility for FGCO that is guaranteed by both FirstEnergy and FES.
- (4) Includes \$145 million issued for various terms pursuant to LOC capacity available under FirstEnergy's revolving credit facility.
- (5) Includes approximately \$291 million pledged in connection with the sale and leaseback of Beaver Valley Unit 2 by OE and \$134 million pledged in connection with the sale and leaseback of Perry Unit 1 by OE. A \$236 million LOC relating to the sale-leaseback of Beaver Valley Unit 2 by OE expires in May 2009 and is expected to be replaced by a \$161 million LOC.

FirstEnergy guarantees energy and energy-related payments of its subsidiaries involved in energy commodity activities principally to facilitate or hedge normal physical transactions involving electricity, gas, emission allowances and coal. FirstEnergy also provides guarantees to various providers of credit support for the financing or refinancing by its subsidiaries of costs related to the acquisition of property, plant and equipment. These agreements legally obligate FirstEnergy to fulfill the obligations of those subsidiaries directly involved in energy and energy-related transactions or financings where the law might otherwise limit the counterparties' claims. If demands of a counterparty were to exceed the ability of a subsidiary to satisfy existing obligations, FirstEnergy's guarantee enables the counterparty's legal claim to be satisfied by FirstEnergy assets. FirstEnergy believes the likelihood is remote that such parental guarantees will increase amounts otherwise paid by FirstEnergy to meet its obligations incurred in connection with ongoing energy and energy-related activities.

While these types of guarantees are normally parental commitments for the future payment of subsidiary obligations, subsequent to the occurrence of a credit rating downgrade to below investment grade or a "material adverse event," the immediate posting of cash collateral, provision of an LOC or accelerated payments may be required of the subsidiary. As of March 31, 2009, FirstEnergy's maximum exposure under these collateral provisions was \$761 million as shown below:

| Collateral Provisions | FES | Utilities | Total |
|---|---------------|-----------|--------|
| | (In millions) | | |
| Credit rating downgrade to below investment grade | \$ 315 | \$ 170 | \$ 485 |
| Acceleration of payment or funding obligation | 80 | 141 | 221 |
| Material adverse event | 50 | 5 | 55 |
| Total | \$ 445 | \$ 316 | \$ 761 |

Stress case conditions of a credit rating downgrade or "material adverse event" and hypothetical adverse price movements in the underlying commodity markets would increase the total potential amount to \$830 million, consisting of \$54 million due to "material adverse event" contractual clauses and \$776 million due to a below investment grade credit rating.

Most of FirstEnergy's surety bonds are backed by various indemnities common within the insurance industry. Surety bonds and related guarantees provide additional assurance to outside parties that contractual and statutory obligations will be met in a number of areas including construction contracts, environmental commitments and various retail transactions.

In addition to guarantees and surety bonds, FES' contracts, including power contracts with affiliates awarded through competitive bidding processes, typically contain margining provisions which require the posting of cash or LOCs in

amounts determined by future power price movements. Based on FES' power portfolio as of March 31, 2009, and forward prices as of that date, FES had \$205 million of outstanding collateral payments. Under a hypothetical adverse change in forward prices (15% decrease in the first 12 months and 20% decrease thereafter in prices), FES would be required to post an additional \$77 million. Depending on the volume of forward contracts entered and future price movements, FES could be required to post significantly higher amounts for margining.

OFF-BALANCE SHEET ARRANGEMENTS

FES and the Ohio Companies have obligations that are not included on their Consolidated Balance Sheets related to sale and leaseback arrangements involving the Bruce Mansfield Plant, Perry Unit 1 and Beaver Valley Unit 2, which are satisfied through operating lease payments. The total present value of these sale and leaseback operating lease commitments, net of trust investments is \$1.7 billion as of March 31, 2009.

FirstEnergy has equity ownership interests in certain businesses that are accounted for using the equity method of accounting for investments. There are no undisclosed material contingencies related to these investments. Certain guarantees that FirstEnergy does not expect to have a material current or future effect on its financial condition, liquidity or results of operations are disclosed under "Guarantees and Other Assurances" above.

MARKET RISK INFORMATION

FirstEnergy uses various market risk sensitive instruments, including derivative contracts, primarily to manage the risk of price and interest rate fluctuations. FirstEnergy's Risk Policy Committee, comprised of members of senior management, provides general oversight for risk management activities throughout the company.

Commodity Price Risk

FirstEnergy is exposed to financial and market risks resulting from the fluctuation of interest rates and commodity prices -- electricity, energy transmission, natural gas, coal, nuclear fuel and emission allowances. To manage the volatility relating to these exposures, FirstEnergy uses a variety of non-derivative and derivative instruments, including forward contracts, options, futures contracts and swaps. The derivatives are used principally for hedging purposes. Derivatives that fall within the scope of SFAS 133 must be recorded at their fair value and marked to market. The majority of FirstEnergy's derivative hedging contracts qualify for the normal purchase and normal sale exception under SFAS 133 and are therefore excluded from the tables below. Contracts that are not exempt from such treatment include certain power purchase agreements with NUG entities that were structured pursuant to the Public Utility Regulatory Policies Act of 1978. These non-trading contracts are adjusted to fair value at the end of each quarter, with a corresponding regulatory asset recognized for above-market costs or regulatory liability for below-market costs. The change in the fair value of commodity derivative contracts related to energy production during the first quarter of 2009 is summarized in the following table:

| Fair Value of Commodity Derivative Contracts | Non-Hedge | Hedge (In millions) | Total |
|--|-----------|------------------------|----------|
| Change in the Fair Value of Commodity Derivative Contracts: | | | |
| Outstanding net liability as of January 1, 2009 | \$ (304) | \$ (41) | \$ (345) |
| Additions/change in value of existing contracts | (227) | (10) | (237) |
| Settled contracts | 74 | 22 | 96 |
| Outstanding net liability as of March 31, 2009 (1) | \$ (457) | \$ (29) | \$ (486) |
| Non-commodity Net Liabilities as of March 31, 2009: | | | |
| Interest rate swaps (2) | - | (4) | (4) |
| Net Liabilities - Derivative Contracts as of March 31, 2009 | \$ (457) | \$ (33) | \$ (490) |
| Impact of Changes in Commodity Derivative Contracts(3) | | | |
| Income Statement effects (pre-tax) | \$ 1 | \$ - | \$ 1 |
| Balance Sheet effects: | | | |
| Other comprehensive income (pre-tax) | \$ - | \$ 12 | \$ 12 |
| Regulatory assets (net) | \$ 154 | \$ - | \$ 154 |

(1) Includes \$457 million in non-hedge commodity derivative contracts (primarily with NUGs), which are offset by a regulatory asset.

(2) Interest rate swaps are treated as cash flow or fair value hedges.

(3) Represents the change in value of existing contracts, settled contracts and changes in techniques/assumptions.

Derivatives are included on the Consolidated Balance Sheet as of March 31, 2009 as follows:

| Balance Sheet | | | |
|-------------------------------|---------------|---------|----------|
| Classification | Non-Hedge | Hedge | Total |
| | (In millions) | | |
| Current- | | | |
| Other assets | \$ 1 | \$ 23 | \$ 24 |
| Other liabilities | (1) | (44) | (45) |
| Non-Current- | | | |
| Other deferred charges | 359 | - | 359 |
| Other non-current liabilities | (816) | (12) | (828) |
| Net liabilities | \$ (457) | \$ (33) | \$ (490) |

The valuation of derivative contracts is based on observable market information to the extent that such information is available. In cases where such information is not available, FirstEnergy relies on model-based information. The model provides estimates of future regional prices for electricity and an estimate of related price volatility. FirstEnergy uses these results to develop estimates of fair value for financial reporting purposes and for internal management decision making (see Note 4 to the consolidated financial statements). Sources of information for the valuation of commodity derivative contracts as of March 31, 2009 are summarized by year in the following table:

| Source of Information - Fair Value by Contract Year | 2009(1) | 2010 | 2011 | 2012 | 2013 | Thereafter | Total |
|--|----------|----------|----------|----------|-------|------------|----------|
| (In millions) | | | | | | | |
| Prices actively quoted(2) | \$ (17) | \$ (13) | \$ - | \$ - | \$ - | \$ - | \$ (30) |
| Other external sources(3) | (296) | (241) | (195) | (107) | - | - | (839) |
| Prices based on models | - | - | - | - | 44 | 339 | 383 |
| Total(4) | \$ (313) | \$ (254) | \$ (195) | \$ (107) | \$ 44 | \$ 339 | \$ (486) |

(1) For the last three quarters of 2009.

(2) Represents exchange traded NYMEX futures and options.

(3) Primarily represents contracts based on broker and ICE quotes.

(4) Includes \$457 million in non-hedge commodity derivative contracts (primarily with NUGs), which are offset by a regulatory asset.

FirstEnergy performs sensitivity analyses to estimate its exposure to the market risk of its commodity positions. A hypothetical 10% adverse shift (an increase or decrease depending on the derivative position) in quoted market prices in the near term on its derivative instruments would not have had a material effect on its consolidated financial position (assets, liabilities and equity) or cash flows as of March 31, 2009. Based on derivative contracts held as of March 31, 2009, an adverse 10% change in commodity prices would decrease net income by approximately \$1 million during the next 12 months.

Forward Starting Swap Agreements - Cash Flow Hedges

FirstEnergy utilizes forward starting swap agreements in order to hedge a portion of the consolidated interest rate risk associated with anticipated future issuances of fixed-rate, long-term debt securities for one or more of its consolidated subsidiaries in 2009 and 2010, and anticipated variable-rate, short-term debt. These derivatives are treated as cash flow hedges, protecting against the risk of changes in future interest payments resulting from changes in benchmark U.S. Treasury and LIBOR rates between the date of hedge inception and the date of the debt issuance. During the first three months of 2009, FirstEnergy terminated forward swaps with an aggregate notional value of \$100 million. FirstEnergy paid \$1.3 million in cash related to the terminations, \$0.3 million of which was deemed ineffective and recognized in current period earnings. The remaining effective portion (\$1.0 million) will be recognized over the terms of the associated future debt. As of March 31, 2009, FirstEnergy had outstanding forward swaps with an aggregate notional amount of \$200 million and an aggregate fair value of \$(4) million.

| Forward Starting Swaps | March 31, 2009 | | | December 31, 2008 | | |
|------------------------|-----------------|---------------|------------|-------------------|---------------|------------|
| | Notional Amount | Maturity Date | Fair Value | Notional Amount | Maturity Date | Fair Value |
| Cash flow hedges | \$ 100 | 2009 | \$ (2) | 100 | 2009 | \$ (2) |
| | 100 | 2010 | (2) | 100 | 2010 | (2) |

(In millions)

| | | | | | | |
|--|--------|------|--------|-----|------|--------|
| | - | 2011 | - | 100 | 2011 | 1 |
| | \$ 200 | | \$ (4) | 300 | | \$ (3) |

Equity Price Risk

FirstEnergy provides a noncontributory qualified defined benefit pension plan that covers substantially all of its employees and non-qualified pension plans that cover certain employees. The plan provides defined benefits based on years of service and compensation levels. FirstEnergy also provides health care benefits, which include certain employee contributions, deductibles, and co-payments, upon retirement to employees hired prior to January 1, 2005, their dependents, and under certain circumstances, their survivors. The benefit plan assets and obligations are remeasured annually using a December 31 measurement date. Reductions in plan assets from investment losses during 2008 resulted in a decrease to the plans' funded status of \$1.7 billion and an after-tax decrease to common stockholders' equity of \$1.2 billion. As of December 31, 2008, the pension plan was underfunded and FirstEnergy currently estimates that additional cash contributions will be required in 2011 for the 2010 plan year. The overall actual investment result during 2008 was a loss of 23.8% compared to an assumed 9% positive return. Based on an assumed 7% discount rate, FirstEnergy's pre-tax net periodic pension and OPEB expense was \$43 million in the first quarter of 2009.

Nuclear decommissioning trust funds have been established to satisfy NGC's and our Utilities' nuclear decommissioning obligations. As of March 31, 2009, approximately 31% of the funds were invested in equity securities and 69% were invested in fixed income securities, with limitations related to concentration and investment grade ratings. The equity securities are carried at their market value of approximately \$507 million as of March 31, 2009. A hypothetical 10% decrease in prices quoted by stock exchanges would result in a \$51 million reduction in fair value as of March 31, 2009. The decommissioning trusts of JCP&L and the Pennsylvania Companies are subject to regulatory accounting, with unrealized gains and losses recorded as regulatory assets or liabilities, since the difference between investments held in trust and the decommissioning liabilities will be recovered from or refunded to customers. NGC, OE and TE recognize in earnings the unrealized losses on available-for-sale securities held in their nuclear decommissioning trusts based on the guidance for other-than-temporary impairments provided in SFAS 115, FSP SFAS 115-1 and SFAS 124-1. On March 27, 2009, FENOC submitted to the NRC a biennial evaluation of the funding status of these trusts and concluded that the amounts in the trusts as of December 31, 2008, when coupled with the rates of return allowable by the NRC (over a safe store period for certain units) and the existing parental guarantee, would provide reasonable assurance of funding for decommissioning cost estimates under current NRC regulations. FirstEnergy does not expect to make additional cash contributions to the nuclear decommissioning trusts in 2009, other than the required annual TMI-2 trust contribution that is collected through customer rates. However, should the trust funds continue to experience declines in market value, FirstEnergy may be required to take measures, such as providing financial guarantees through LOCs or parental guarantees or making additional contributions to the trusts to ensure that the trusts are adequately funded and meet minimum NRC funding requirements.

CREDIT RISK

Credit risk is the risk of an obligor's failure to meet the terms of any investment contract, loan agreement or otherwise perform as agreed. Credit risk arises from all activities in which success depends on issuer, borrower or counterparty performance, whether reflected on or off the balance sheet. FirstEnergy engages in transactions for the purchase and sale of commodities including gas, electricity, coal and emission allowances. These transactions are often with major energy companies within the industry.

FirstEnergy maintains credit policies with respect to its counterparties to manage overall credit risk. This includes performing independent risk evaluations, actively monitoring portfolio trends and using collateral and contract provisions to mitigate exposure. As part of its credit program, FirstEnergy aggressively manages the quality of its portfolio of energy contracts, evidenced by a current weighted average risk rating for energy contract counterparties of BBB+ (S&P). As of March 31, 2009, the largest credit concentration was with JP Morgan, which is currently rated investment grade, representing 9.6% of FirstEnergy's total approved credit risk.

OUTLOOK

State Regulatory Matters

In Ohio, New Jersey and Pennsylvania, laws applicable to electric industry restructuring contain similar provisions that are reflected in the Utilities' respective state regulatory plans. These provisions include:

- restructuring the electric generation business and allowing the Utilities' customers to select a competitive electric generation supplier other than the Utilities;
- establishing or defining the PLR obligations to customers in the Utilities' service areas;

providing the Utilities with the opportunity to recover potentially stranded investment (or transition costs) not otherwise recoverable in a competitive generation market;

·itemizing (unbundling) the price of electricity into its component elements – including generation, transmission, distribution and stranded costs recovery charges;

·continuing regulation of the Utilities' transmission and distribution systems; and

·requiring corporate separation of regulated and unregulated business activities.

The Utilities and ATSI recognize, as regulatory assets, costs which the FERC, the PUCO, the PPUC and the NJBPU have authorized for recovery from customers in future periods or for which authorization is probable. Without the probability of such authorization, costs currently recorded as regulatory assets would have been charged to income as incurred. Regulatory assets that do not earn a current return totaled approximately \$130 million as of March 31, 2009 (JCP&L - \$54 million and Met-Ed - \$76 million). Regulatory assets not earning a current return (primarily for certain regulatory transition costs and employee postretirement benefits) are expected to be recovered by 2014 for JCP&L and by 2020 for Met-Ed. The following table discloses regulatory assets by company:

| | March 31, 2009 | December 31, 2008 | Increase (Decrease) |
|-----------------------|----------------------|-------------------------|------------------------|
| Regulatory Assets* | | | |
| | (In millions) | | |
| OE | \$ 545 | \$ 575 | \$ (30) |
| CEI | 618 | 784 | (166) |
| TE | 96 | 109 | (13) |
| JCP&L | 1,162 | 1,228 | (66) |
| Met-Ed | 490 | 413 | 77 |
| ATSI | 27 | 31 | (4) |
| Total | \$ 2,938 | \$ 3,140 | \$ (202) |

*Penelec had net regulatory liabilities of approximately \$49 million and \$137 million as of March 31, 2009 and December 31, 2008, respectively. These net regulatory liabilities are included in Other Non-current Liabilities on the Consolidated Balance Sheets.

Regulatory assets by source are as follows:

| Regulatory Assets By Source | March 31, 2009 | December 31, 2008 | Increase (Decrease) |
|--|-------------------|-------------------------|------------------------|
| | (In millions) | | |
| Regulatory transition costs | \$ 1,437 | \$ 1,452 | \$ (15) |
| Customer shopping incentives | 211 | 420 | (209) |
| Customer receivables for future income taxes | 220 | 245 | (25) |
| Loss on reacquired debt | 50 | 51 | (1) |
| Employee postretirement benefits | 29 | 31 | (2) |
| Nuclear decommissioning, decontamination and spent fuel disposal costs | (56) | (57) | 1 |
| Asset removal costs | (225) | (215) | (10) |
| MISO/PJM transmission costs | 342 | 389 | (47) |
| Purchased power costs | 305 | 214 | 91 |

| | | | |
|--------------------|----------|----------|----------|
| Distribution costs | 478 | 475 | 3 |
| Other | 147 | 135 | 12 |
| Total | \$ 2,938 | \$ 3,140 | \$ (202) |

Reliability Initiatives

In 2005, Congress amended the Federal Power Act to provide for federally-enforceable mandatory reliability standards. The mandatory reliability standards apply to the bulk power system and impose certain operating, record-keeping and reporting requirements on the Utilities and ATSI. The NERC is charged with establishing and enforcing these reliability standards, although it has delegated day-to-day implementation and enforcement of its responsibilities to eight regional entities, including ReliabilityFirst Corporation. All of FirstEnergy's facilities are located within the ReliabilityFirst region. FirstEnergy actively participates in the NERC and ReliabilityFirst stakeholder processes, and otherwise monitors and manages its companies in response to the ongoing development, implementation and enforcement of the reliability standards.

FirstEnergy believes that it is in compliance with all currently-effective and enforceable reliability standards. Nevertheless, it is clear that the NERC, ReliabilityFirst and the FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. The financial impact of complying with new or amended standards cannot be determined at this time. However, the 2005 amendments to the Federal Power Act provide that all prudent costs incurred to comply with the new reliability standards be recovered in rates. Still, any future inability on FirstEnergy's part to comply with the reliability standards for its bulk power system could result in the imposition of financial penalties and thus have a material adverse effect on its financial condition, results of operations and cash flows.

In April 2007, ReliabilityFirst performed a routine compliance audit of FirstEnergy's bulk-power system within the MISO region and found it to be in full compliance with all audited reliability standards. Similarly, in October 2008, ReliabilityFirst performed a routine compliance audit of FirstEnergy's bulk-power system within the PJM region and found it to be in full compliance with all audited reliability standards.

On December 9, 2008, a transformer at JCP&L's Oceanview substation failed, resulting in an outage on certain bulk electric system (transmission voltage) lines out of the Oceanview and Atlantic substations, with customers in the affected area losing power. Power was restored to most customers within a few hours and to all customers within eleven hours. On December 16, 2008, JCP&L provided preliminary information about the event to certain regulatory agencies, including the NERC. On March 31, 2009, the NERC initiated a Compliance Violation Investigation in order to determine JCP&L's contribution to the electrical event and to review any potential violation of NERC Reliability Standards associated with the event. The initial phase of the investigation requires JCP&L to respond to NERC's request for factual data about the outage. JCP&L submitted its written response on May 1, 2009. JCP&L is not able at this time to predict what actions, if any, that NERC will take upon receipt of JCP&L's response to NERC's data request.

Ohio

On June 7, 2007, the Ohio Companies filed an application for an increase in electric distribution rates with the PUCO and, on August 6, 2007, updated their filing to support a distribution rate increase of \$332 million. On December 4, 2007, the PUCO Staff issued its Staff Reports containing the results of its investigation into the distribution rate request. On January 21, 2009, the PUCO granted the Ohio Companies' application to increase electric distribution rates by \$136.6 million (OE - \$68.9 million, CEI - \$29.2 million and TE - \$38.5 million). These increases went into effect for OE and TE on January 23, 2009, and will go into effect for CEI on May 1, 2009. Applications for rehearing of this order were filed by the Ohio Companies and one other party on February 20, 2009. The PUCO granted these applications for rehearing on March 18, 2009.

SB221, which became effective on July 31, 2008, required all electric utilities to file an ESP, and permitted the filing of an MRO. On July 31, 2008, the Ohio Companies filed with the PUCO a comprehensive ESP and a separate MRO. The PUCO denied the MRO application; however, the PUCO later granted the Ohio Companies' application for rehearing for the purpose of further consideration of the matter. The ESP proposed to phase in new generation rates for customers beginning in 2009 for up to a three-year period and resolve the Ohio Companies' collection of fuel costs deferred in 2006 and 2007, and the distribution rate request described above. In response to the PUCO's December 19, 2008 order, which significantly modified and approved the ESP as modified, the Ohio Companies notified the PUCO that they were withdrawing and terminating the ESP application in addition to continuing their current rate plan in effect as allowed by the terms of SB221. On December 31, 2008, the Ohio Companies conducted a CBP for the procurement of electric generation for retail customers from January 5, 2009 through March 31, 2009. The average winning bid price was equivalent to a retail rate of 6.98 cents per kwh. The power supply obtained through this process provides generation service to the Ohio Companies' retail customers who choose not to shop with alternative suppliers. On January 9, 2009, the Ohio Companies requested the implementation of a new fuel rider to recover the costs resulting from the December 31, 2008 CBP. The PUCO ultimately approved the Ohio Companies' request for a new fuel rider to recover increased costs resulting from the CBP but did not authorize OE and TE to continue collecting RTC or allow the Ohio Companies to continue collections pursuant to the two existing fuel riders. The new fuel rider allows for current recovery of the increased purchased power costs for OE and TE, and authorizes CEI to collect a portion of those costs currently and defer the remainder for future recovery.

On January 29, 2009, the PUCO ordered its Staff to develop a proposal to establish an ESP for the Ohio Companies. On February 19, 2009, the Ohio Companies filed an Amended ESP application, including an attached Stipulation and Recommendation that was signed by the Ohio Companies, the Staff of the PUCO, and many of the intervening parties. Specifically, the Amended ESP provides that generation will be provided by FES at the average wholesale rate of the CBP process described above for April and May 2009 to the Ohio Companies for their non-shopping customers; for the period of June 1, 2009 through May 31, 2011, retail generation prices will be based upon the outcome of a descending clock CBP on a slice-of-system basis. The PUCO may, at its discretion, phase-in a portion of any increase resulting from this CBP process by authorizing deferral of related purchased power costs, subject to specified limits.

The Amended ESP further provides that the Ohio Companies will not seek a base distribution rate increase, subject to certain exceptions, with an effective date of such increase before January 1, 2012, that CEI will agree to write-off approximately \$216 million of its Extended RTC balance, and that the Ohio Companies will collect a delivery service improvement rider at an overall average rate of \$.002 per kWh for the period of April 1, 2009 through December 31, 2011. The Amended ESP also addresses a number of other issues, including but not limited to, rate design for various customer classes, resolution of the prudence review and the collection of deferred costs that were approved in prior proceedings. On February 26, 2009, the Ohio Companies filed a Supplemental Stipulation, which was signed or not opposed by virtually all of the parties to the proceeding, that supplemented and modified certain provisions of the February 19 Stipulation and Recommendation. Specifically, the Supplemental Stipulation modified the provision relating to governmental aggregation and the Generation Service Uncollectible Rider, provided further detail on the allocation of the economic development funding contained in the Stipulation and Recommendation, and proposed additional provisions related to the collaborative process for the development of energy efficiency programs, among other provisions. The PUCO adopted and approved certain aspects of the Stipulation and Recommendation on March 4, 2009, and adopted and approved the remainder of the Stipulation and Recommendation and Supplemental Stipulation without modification on March 25, 2009. Certain aspects of the Stipulation and Recommendation and Supplemental Stipulation take effect on April 1, 2009 while the remaining provisions take effect on June 1, 2009. The CBP auction is currently scheduled to begin on May 13, 2009. The bidding will occur for a single, two-year product and there will not be a load cap for the bidders. FES may participate without limitation.

SB221 also requires electric distribution utilities to implement energy efficiency programs that achieve an energy savings equivalent of approximately 166,000 MWH in 2009, 290,000 MWH in 2010, 410,000 MWH in 2011, 470,000 MWH in 2012 and 530,000 MWH in 2013. Utilities are also required to reduce peak demand in 2009 by one percent, with an additional seventy-five hundredths of one percent reduction each year thereafter through 2018. Costs associated with compliance are recoverable from customers.

Pennsylvania

Met-Ed and Penelec purchase a portion of their PLR and default service requirements from FES through a fixed-price partial requirements wholesale power sales agreement. The agreement allows Met-Ed and Penelec to sell the output of NUG energy to the market and requires FES to provide energy at fixed prices to replace any NUG energy sold to the extent needed for Met-Ed and Penelec to satisfy their PLR and default service obligations. If Met-Ed and Penelec were to replace the entire FES supply at current market power prices without corresponding regulatory authorization to increase their generation prices to customers, each company would likely incur a significant increase in operating expenses and experience a material deterioration in credit quality metrics. Under such a scenario, each company's credit profile would no longer be expected to support an investment grade rating for their fixed income securities. If FES ultimately determines to terminate, reduce, or significantly modify the agreement prior to the expiration of Met-Ed's and Penelec's generation rate caps in 2010, timely regulatory relief is not likely to be granted by the PPUC. See FERC Matters below for a description of the Third Restated Partial Requirements Agreement, executed by the parties on October 31, 2008, that limits the amount of energy and capacity FES must supply to Met-Ed and Penelec. In the event of a third party supplier default, the increased costs to Met-Ed and Penelec could be material.

On May 22, 2008, the PPUC approved the Met-Ed and Penelec annual updates to the TSC rider for the period June 1, 2008, through May 31, 2009. Various intervenors filed complaints against those filings. In addition, the PPUC ordered an investigation to review the reasonableness of Met-Ed's TSC, while at the same time allowing Met-Ed to implement the rider June 1, 2008, subject to refund. On July 15, 2008, the PPUC directed the ALJ to consolidate the complaints against Met-Ed with its investigation and a litigation schedule was adopted. Hearings and briefing for both Met-Ed and Penelec have concluded and the companies are awaiting a Recommended Decision from the ALJ. The TSCs include a component from under-recovery of actual transmission costs incurred during the prior period (Met-Ed - \$144 million and Penelec - \$4 million) and future transmission cost projections for June 2008 through May 2009 (Met-Ed - \$258 million and Penelec - \$92 million). Met-Ed received PPUC approval for a transition approach that would recover past under-recovered costs plus carrying charges through the new TSC over thirty-one months and defer a portion of the projected costs (\$92 million) plus carrying charges for recovery through future TSCs by December 31, 2010.

On April 15, 2009, Met-Ed and Penelec filed revised TSCs with the PPUC for the period June 1, 2009 through May 31, 2010, as required in connection with the PPUC's January 2007 rate order. For Penelec's customers, the new TSC would result in an approximate 1% decrease in monthly bills, reflecting projected PJM transmission costs as well as a reconciliation for costs already incurred. The TSC for Met-Ed's customers would increase to recover the additional PJM charges paid by Met-Ed in the previous year and to reflect updated projected costs. In order to gradually transition customers to the higher rate, Met-Ed is proposing to continue to recover the prior period deferrals allowed in the PPUC's May 2008 Order and defer \$57.5 million of projected costs into a future TSC to be fully recovered by December 31, 2010. Under this proposal, monthly bills for Met-Ed's customers would increase approximately 9.4% for the period June 2009 through May 2010.

On October 15, 2008, the Governor of Pennsylvania signed House Bill 2200 into law which became effective on November 14, 2008 as Act 129 of 2008. The bill addresses issues such as: energy efficiency and peak load reduction; generation procurement; time-of-use rates; smart meters and alternative energy. Act 129 requires utilities to file with the PPUC an energy efficiency and peak load reduction plan by July 1, 2009 and a smart meter procurement and

installation plan by August 14, 2009. On January 15, 2009, in compliance with Act 129, the PPUC issued its proposed guidelines for the filing of utilities' energy efficiency and peak load reduction plans. Similar guidelines related to Smart Meter deployment were issued for comment on March 30, 2009.

Major provisions of the legislation include:

- power acquired by utilities to serve customers after rate caps expire will be procured through a competitive procurement process that must include a mix of long-term and short-term contracts and spot market purchases;
- the competitive procurement process must be approved by the PPUC and may include auctions, RFPs, and/or bilateral agreements;
 - utilities must provide for the installation of smart meter technology within 15 years;

- a minimum reduction in peak demand of 4.5% by May 31, 2013;
- minimum reductions in energy consumption of 1% and 3% by May 31, 2011 and May 31, 2013, respectively; and
- an expanded definition of alternative energy to include additional types of hydroelectric and biomass facilities.

Legislation addressing rate mitigation and the expiration of rate caps was not enacted in 2008; however, several bills addressing these issues have been introduced in the current legislative session, which began in January 2009. The final form and impact of such legislation is uncertain.

On February 26, 2009, the PPUC approved a Voluntary Prepayment Plan requested by Met-Ed and Penelec that provides an opportunity for residential and small commercial customers to prepay an amount on their monthly electric bills during 2009 and 2010. Customer prepayments earn interest at 7.5% and will be used to reduce electricity charges in 2011 and 2012.

On February 20, 2009, Met-Ed and Penelec filed with the PPUC a generation procurement plan covering the period January 1, 2011 through May 31, 2013. The companies' plan is designed to provide adequate and reliable service via a prudent mix of long-term, short-term and spot market generation supply, as required by Act 129. The plan proposes a staggered procurement schedule, which varies by customer class, through the use of a descending clock auction. Met-Ed and Penelec have requested PPUC approval of their plan by November 2009.

On March 31, 2009, Met-Ed and Penelec submitted their 5-year NUG Statement Compliance Filing to the PPUC in accordance with their 1998 Restructuring Settlement. Met-Ed proposed to reduce its CTC rate for the residential class with a corresponding increase in the generation rate and the shopping credit, and Penelec proposed to reduce its CTC rate to zero for all classes with a corresponding increase in the generation rate and the shopping credit. While these changes would result in additional annual generation revenue (Met-Ed - \$27 million and Penelec - \$51 million), overall rates would remain unchanged. The PPUC must act on this filing within 120 days.

New Jersey

JCP&L is permitted to defer for future collection from customers the amounts by which its costs of supplying BGS to non-shopping customers, costs incurred under NUG agreements, and certain other stranded costs, exceed amounts collected through BGS and NUGC rates and market sales of NUG energy and capacity. As of March 31, 2009, the accumulated deferred cost balance totaled approximately \$165 million.

In accordance with an April 28, 2004 NJBPU order, JCP&L filed testimony on June 7, 2004, supporting continuation of the current level and duration of the funding of TMI-2 decommissioning costs by New Jersey customers without a reduction, termination or capping of the funding. On September 30, 2004, JCP&L filed an updated TMI-2 decommissioning study. This study resulted in an updated total decommissioning cost estimate of \$729 million (in 2003 dollars) compared to the estimated \$528 million (in 2003 dollars) from the prior 1995 decommissioning study. The DPA filed comments on February 28, 2005 requesting that decommissioning funding be suspended. On March 18, 2005, JCP&L filed a response to those comments. JCP&L responded to additional NJBPU staff discovery requests in May and November 2007 and also submitted comments in the proceeding in November 2007. A schedule for further NJBPU proceedings has not yet been set. On March 13, 2009, JCP&L filed its annual SBC Petition with the NJBPU that includes a request for a reduction in the level of recovery of TMI-2 decommissioning costs based on an updated TMI-2 decommissioning cost analysis dated January 2009. This matter is currently pending before the NJBPU.

On August 1, 2005, the NJBPU established a proceeding to determine whether additional ratepayer protections are required at the state level in light of the repeal of the PUHCA pursuant to the EPACT. The NJBPU approved regulations effective October 2, 2006 that prevent a holding company that owns a gas or electric public utility from investing more than 25% of the combined assets of its utility and utility-related subsidiaries into businesses unrelated to the utility industry. These regulations are not expected to materially impact FirstEnergy or JCP&L. Also, in the same proceeding, the NJBPU Staff issued an additional draft proposal on March 31, 2006 addressing various issues including access to books and records, ring-fencing, cross subsidization, corporate governance and related matters. Following public hearing and consideration of comments from interested parties, the NJBPU approved final regulations effective April 6, 2009. These regulations are not expected to materially impact FirstEnergy or JCP&L.

New Jersey statutes require that the state periodically undertake a planning process, known as the EMP, to address energy related issues including energy security, economic growth, and environmental impact. The EMP is to be developed with involvement of the Governor's Office and the Governor's Office of Economic Growth, and is to be prepared by a Master Plan Committee, which is chaired by the NJBPU President and includes representatives of several State departments.

The EMP was issued on October 22, 2008, establishing five major goals:

- maximize energy efficiency to achieve a 20% reduction in energy consumption by 2020;
 - reduce peak demand for electricity by 5,700 MW by 2020;
 - meet 30% of the state's electricity needs with renewable energy by 2020;
- examine smart grid technology and develop additional cogeneration and other generation resources consistent with the state's greenhouse gas targets; and
- invest in innovative clean energy technologies and businesses to stimulate the industry's growth in New Jersey.

On January 28, 2009, the NJBPU adopted an order establishing the general process and contents of specific EMP plans that must be filed by December 31, 2009 by New Jersey electric and gas utilities in order to achieve the goals of the EMP. At this time, FirstEnergy cannot determine the impact, if any, the EMP may have on its operations or those of JCP&L.

In support of the New Jersey Governor's Economic Assistance and Recovery Plan, JCP&L announced its intent to spend approximately \$98 million on infrastructure and energy efficiency projects in 2009. An estimated \$40 million will be spent on infrastructure projects, including substation upgrades, new transformers, distribution line re-closers and automated breaker operations. Approximately \$34 million will be spent implementing new demand response programs as well as expanding on existing programs. Another \$11 million will be spent on energy efficiency, specifically replacing transformers and capacitor control systems and installing new LED street lights. The remaining \$13 million will be spent on energy efficiency programs that will complement those currently being offered. Completion of the projects is dependent upon resolution of regulatory issues including recovery of the costs associated with plan implementation.

FERC Matters

Transmission Service between MISO and PJM

On November 18, 2004, the FERC issued an order eliminating the through and out rate for transmission service between the MISO and PJM regions. The FERC's intent was to eliminate multiple transmission charges for a single transaction between the MISO and PJM regions. The FERC also ordered MISO, PJM and the transmission owners within MISO and PJM to submit compliance filings containing a rate mechanism to recover lost transmission revenues created by elimination of this charge (referred to as the Seams Elimination Cost Adjustment or SECA) during a 16-month transition period. The FERC issued orders in 2005 setting the SECA for hearing. The presiding judge issued an initial decision on August 10, 2006, rejecting the compliance filings made by MISO, PJM, and the transmission owners, and directing new compliance filings. This decision is subject to review and approval by the FERC. Briefs addressing the initial decision were filed on September 11, 2006 and October 20, 2006. A final order is pending before the FERC, and in the meantime, FirstEnergy affiliates have been negotiating and entering into settlement agreements with other parties in the docket to mitigate the risk of lower transmission revenue collection associated with an adverse order. On September 26, 2008, the MISO and PJM transmission owners filed a motion requesting that the FERC approve the pending settlements and act on the initial decision. On November 20, 2008, FERC issued an order approving uncontested settlements, but did not rule on the initial decision. On December 19, 2008, an additional order was issued approving two contested settlements.

PJM Transmission Rate

On January 31, 2005, certain PJM transmission owners made filings with the FERC pursuant to a settlement agreement previously approved by the FERC. JCP&L, Met-Ed and Penelec were parties to that proceeding and joined in two of the filings. In the first filing, the settling transmission owners submitted a filing justifying continuation of their existing rate design within the PJM RTO. Hearings were held and numerous parties appeared and litigated various issues concerning PJM rate design; notably AEP, which proposed to create a "postage stamp", or average rate for all high voltage transmission facilities across PJM and a zonal transmission rate for facilities below 345 kV. This proposal would have the effect of shifting recovery of the costs of high voltage transmission lines to other transmission zones, including those where JCP&L, Met-Ed, and Penelec serve load. On April 19, 2007, the FERC issued an order finding that the PJM transmission owners' existing "license plate" or zonal rate design was just and reasonable and ordered that the current license plate rates for existing transmission facilities be retained. On the issue of rates for new transmission facilities, the FERC directed that costs for new transmission facilities that are rated at 500 kV or higher are to be collected from all transmission zones throughout the PJM footprint by means of a postage-stamp rate. Costs for new transmission facilities that are rated at less than 500 kV, however, are to be allocated on a "beneficiary pays" basis. The FERC found that PJM's current beneficiary-pays cost allocation methodology is not sufficiently detailed and, in a related order that also was issued on April 19, 2007, directed that hearings be held for the purpose of establishing a just and reasonable cost allocation methodology for inclusion in PJM's tariff.

On May 18, 2007, certain parties filed for rehearing of the FERC's April 19, 2007 order. On January 31, 2008, the requests for rehearing were denied. On February 11, 2008, AEP appealed the FERC's April 19, 2007, and January 31, 2008, orders to the federal Court of Appeals for the D.C. Circuit. The Illinois Commerce Commission, the PUCO and Dayton Power & Light have also appealed these orders to the Seventh Circuit Court of Appeals. The appeals of these parties and others have been consolidated for argument in the Seventh Circuit. Oral argument was held on April 13, 2009, and a decision is expected this summer.

The FERC's orders on PJM rate design will prevent the allocation of a portion of the revenue requirement of existing transmission facilities of other utilities to JCP&L, Met-Ed and Penelec. In addition, the FERC's decision to allocate the cost of new 500 kV and above transmission facilities on a PJM-wide basis will reduce the costs of future transmission to be recovered from the JCP&L, Met-Ed and Penelec zones. A partial settlement agreement addressing the "beneficiary pays" methodology for below 500 kV facilities, but excluding the issue of allocating new facilities costs to merchant transmission entities, was filed on September 14, 2007. The agreement was supported by the FERC's Trial Staff, and was certified by the Presiding Judge to the FERC. On July 29, 2008, the FERC issued an order conditionally approving the settlement subject to the submission of a compliance filing. The compliance filing was submitted on August 29, 2008, and the FERC issued an order accepting the compliance filing on October 15, 2008. On November 14, 2008, PJM submitted revisions to its tariff to incorporate cost responsibility assignments for below 500 kV upgrades included in PJM's Regional Transmission Expansion Planning process in accordance with the settlement. The FERC conditionally accepted the compliance filing on January 28, 2009. PJM submitted a further compliance filing on March 2, 2009, which was accepted by the FERC on April 10, 2009. The remaining merchant transmission cost allocation issues were the subject of a hearing at the FERC in May 2008. An initial decision was issued by the Presiding Judge on September 18, 2008. PJM and FERC trial staff each filed a Brief on Exceptions to the initial decision on October 20, 2008. Briefs Opposing Exceptions were filed on November 10, 2008.

Post Transition Period Rate Design

The FERC had directed MISO, PJM, and the respective transmission owners to make filings on or before August 1, 2007 to reevaluate transmission rate design within MISO, and between MISO and PJM. On August 1, 2007, filings were made by MISO, PJM, and the vast majority of transmission owners, including FirstEnergy affiliates, which proposed to retain the existing transmission rate design. These filings were approved by the FERC on January 31, 2008. As a result of the FERC's approval, the rates charged to FirstEnergy's load-serving affiliates for transmission service over existing transmission facilities in MISO and PJM are unchanged. In a related filing, MISO and MISO transmission owners requested that the current MISO pricing for new transmission facilities that spreads 20% of the cost of new 345 kV and higher transmission facilities across the entire MISO footprint (known as the RECB methodology) be retained.

On September 17, 2007, AEP filed a complaint under Sections 206 and 306 of the Federal Power Act seeking to have the entire transmission rate design and cost allocation methods used by MISO and PJM declared unjust, unreasonable, and unduly discriminatory, and to have the FERC fix a uniform regional transmission rate design and cost allocation method for the entire MISO and PJM "Super Region" that recovers the average cost of new and existing transmission facilities operated at voltages of 345 kV and above from all transmission customers. Lower voltage facilities would continue to be recovered in the local utility transmission rate zone through a license plate rate. AEP requested a refund effective October 1, 2007, or alternatively, February 1, 2008. On January 31, 2008, the FERC issued an order denying the complaint. The effect of this order is to prevent the shift of significant costs to the FirstEnergy zones in MISO and PJM. A rehearing request by AEP was denied by the FERC on December 19, 2008. On February 17, 2009, AEP appealed the FERC's January 31, 2008, and December 19, 2008, orders to the U.S. Court of Appeals for the Seventh Circuit. FESC, on behalf of its affiliated operating utility companies, filed a motion to intervene on March 10, 2009.

Duquesne's Request to Withdraw from PJM

On November 8, 2007, Duquesne Light Company (Duquesne) filed a request with the FERC to exit PJM and to join MISO. Duquesne's proposed move would affect numerous FirstEnergy interests, including but not limited to the terms under which FirstEnergy's Beaver Valley Plant would continue to participate in PJM's energy markets. FirstEnergy, therefore, intervened and participated fully in all of the FERC dockets that were related to Duquesne's proposed move.

In November, 2008, Duquesne and other parties, including FirstEnergy, negotiated a settlement that would, among other things, allow for Duquesne to remain in PJM and provide for a methodology for Duquesne to meet the PJM capacity obligations for the 2011-2012 auction that excluded the Duquesne load. The settlement agreement was filed on December 10, 2008 and approved by the FERC in an order issued on January 29, 2009. MISO opposed the settlement agreement pending resolution of exit fees alleged to be owed by Duquesne. The FERC did not resolve the exit fee issue in its order. On March 2, 2009, the PPUC filed for rehearing of the FERC's January 29, 2009 order approving the settlement. Thereafter, FirstEnergy and other parties filed in opposition to the rehearing request. The PPUC's rehearing request, and the pleadings in opposition thereto, are pending before the FERC.

Changes ordered for PJM Reliability Pricing Model (RPM) Auction

On May 30, 2008, a group of PJM load-serving entities, state commissions, consumer advocates, and trade associations (referred to collectively as the RPM Buyers) filed a complaint at the FERC against PJM alleging that three of the four transitional RPM auctions yielded prices that are unjust and unreasonable under the Federal Power Act. On September 19, 2008, the FERC denied the RPM Buyers' complaint. However, the FERC did grant the RPM Buyers' request for a technical conference to review aspects of the RPM. The FERC also ordered PJM to file on or before December 15, 2008, a report on potential adjustments to the RPM program as suggested in a Brattle Group report. On December 12, 2008, PJM filed proposed tariff amendments that would adjust slightly the RPM program. PJM also requested that the FERC conduct a settlement hearing to address changes to the RPM and suggested that the FERC should rule on the tariff amendments only if settlement could not be reached in January, 2009. The request for settlement hearings was granted. Settlement had not been reached by January 9, 2009 and, accordingly, FirstEnergy and other parties submitted comments on PJM's proposed tariff amendments. On January 15, 2009, the Chief Judge issued an order terminating settlement talks. On February 9, 2009, PJM and a group of stakeholders submitted an offer of settlement, which used the PJM December 12, 2008 filing as its starting point, and stated that unless otherwise specified, provisions filed by PJM on December 12, 2008, apply.

On March 26, 2009, the FERC accepted in part, and rejected in part, tariff provisions submitted by PJM, revising certain parts of its RPM. Ordered changes included making incremental improvements to RPM; however, the basic construct of RPM remains intact. On April 3, 2009, PJM filed with the FERC requesting clarification on certain aspects of the March 26, 2009 Order. On April 27, 2009, PJM submitted a compliance filing addressing the changes the FERC ordered in the March 26, 2009 Order; numerous parties have filed requests for rehearing of the March 26, 2009 Order. In addition, the FERC has indefinitely postponed the technical conference on RPM granted in the FERC order of September 19, 2008.

MISO Resource Adequacy Proposal

MISO made a filing on December 28, 2007 that would create an enforceable planning reserve requirement in the MISO tariff for load-serving entities such as the Ohio Companies, Penn Power, and FES. This requirement is proposed to become effective for the planning year beginning June 1, 2009. The filing would permit MISO to establish the reserve margin requirement for load-serving entities based upon a one day loss of load in ten years standard, unless the state utility regulatory agency establishes a different planning reserve for load-serving entities in its state. FirstEnergy believes the proposal promotes a mechanism that will result in commitments from both load-serving entities and resources, including both generation and demand side resources that are necessary for reliable resource adequacy and planning in the MISO footprint. Comments on the filing were submitted on January 28, 2008. The FERC conditionally approved MISO's Resource Adequacy proposal on March 26, 2008, requiring MISO to submit to further compliance filings. Rehearing requests are pending on the FERC's March 26 Order. On May 27, 2008, MISO submitted a compliance filing to address issues associated with planning reserve margins. On June 17, 2008, various parties submitted comments and protests to MISO's compliance filing. FirstEnergy submitted comments identifying specific issues that must be clarified and addressed. On June 25, 2008, MISO submitted a second compliance filing establishing the enforcement mechanism for the reserve margin requirement which establishes deficiency payments for load-serving entities that do not meet the resource adequacy requirements. Numerous parties, including FirstEnergy, protested this filing.

On October 20, 2008, the FERC issued three orders essentially permitting the MISO Resource Adequacy program to proceed with some modifications. First, the FERC accepted MISO's financial settlement approach for enforcement of Resource Adequacy subject to a compliance filing modifying the cost of new entry penalty. Second, the FERC conditionally accepted MISO's compliance filing on the qualifications for purchased power agreements to be capacity resources, load forecasting, loss of load expectation, and planning reserve zones. Additional compliance filings were

directed on accreditation of load modifying resources and price responsive demand. Finally, the FERC largely denied rehearing of its March 26 order with the exception of issues related to behind the meter resources and certain ministerial matters. On November 19, 2008, MISO made various compliance filings pursuant to these orders. Issuance of orders on rehearing and two of the compliance filings occurred on February 19, 2009. No material changes were made to MISO's Resource Adequacy program. On April 16, 2009, the FERC issued an additional order on rehearing and compliance, approving MISO's proposed financial settlement provision for Resource Adequacy. The MISO Resource Adequacy process is expected to start as planned effective June 1, 2009, the beginning of the MISO planning year.

FES Sales to Affiliates

On October 24, 2008, FES, on its own behalf and on behalf of its generation-controlling subsidiaries, filed an application with the FERC seeking a waiver of the affiliate sales restrictions between FES and the Ohio Companies. The purpose of the waiver is to ensure that FES will be able to continue supplying a material portion of the electric load requirements of the Ohio Companies after January 1, 2009 pursuant to either an ESP or MRO as filed with the PUCO. FES previously obtained a similar waiver for electricity sales to its affiliates in New Jersey, New York, and Pennsylvania. On December 23, 2008, the FERC issued an order granting the waiver request and the Ohio Companies made the required compliance filing on December 30, 2008. In January 2009, several parties filed for rehearing of the FERC's December 23, 2008 order. In response, FES filed an answer to requests for rehearing on February 5, 2009. The requests and responses are pending before the FERC.

FES supplied all of the power requirements for the Ohio Companies pursuant to a Power Supply Agreement that ended on December 31, 2008. On January 2, 2009, FES signed an agreement to provide 75% of the Ohio Companies' power requirements for the period January 5, 2009 through March 31, 2009. Subsequently, FES signed an agreement to provide 100% of the Ohio Companies' power requirements for the period April 1, 2009 through May 31, 2009. On March 4, 2009, the PUCO issued an order approving these two affiliate sales agreements. FERC authorization for these affiliate sales was by means of the December 23, 2008 waiver.

On October 31, 2008, FES executed a Third Restated Partial Requirements Agreement with Met-Ed, Penelec, and Waverly effective November 1, 2008. The Third Restated Partial Requirements Agreement limits the amount of capacity and energy required to be supplied by FES in 2009 and 2010 to roughly two-thirds of these affiliates' power supply requirements. Met-Ed, Penelec, and Waverly have committed resources in place for the balance of their expected power supply during 2009 and 2010. Under the Third Restated Partial Requirements Agreement, Met-Ed, Penelec, and Waverly are responsible for obtaining additional power supply requirements created by the default or failure of supply of their committed resources. Prices for the power provided by FES were not changed in the Third Restated Partial Requirements Agreement.

Environmental Matters

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality and other environmental matters. The effects of compliance on FirstEnergy with regard to environmental matters could have a material adverse effect on FirstEnergy's earnings and competitive position to the extent that it competes with companies that are not subject to such regulations and, therefore, do not bear the risk of costs associated with compliance, or failure to comply, with such regulations. FirstEnergy estimates capital expenditures for environmental compliance of approximately \$808 million for the period 2009-2013.

FirstEnergy accrues environmental liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. Unasserted claims are reflected in FirstEnergy's determination of environmental liabilities and are accrued in the period that they become both probable and reasonably estimable.

Clean Air Act Compliance

FirstEnergy is required to meet federally-approved SO₂ emissions regulations. Violations of such regulations can result in the shutdown of the generating unit involved and/or civil or criminal penalties of up to \$37,500 for each day the unit is in violation. The EPA has an interim enforcement policy for SO₂ regulations in Ohio that allows for compliance based on a 30-day averaging period. FirstEnergy believes it is currently in compliance with this policy, but cannot predict what action the EPA may take in the future with respect to the interim enforcement policy.

The EPA Region 5 issued a Finding of Violation and NOV to the Bay Shore Power Plant dated June 15, 2006, alleging violations to various sections of the CAA. FirstEnergy has disputed those alleged violations based on its CAA permit, the Ohio SIP and other information provided to the EPA at an August 2006 meeting with the EPA. The EPA has several enforcement options (administrative compliance order, administrative penalty order, and/or judicial, civil or criminal action) and has indicated that such option may depend on the time needed to achieve and demonstrate compliance with the rules alleged to have been violated. On June 5, 2007, the EPA requested another meeting to discuss "an appropriate compliance program" and a disagreement regarding emission limits applicable to the common stack for Bay Shore Units 2, 3 and 4.

FirstEnergy complies with SO₂ reduction requirements under the Clean Air Act Amendments of 1990 by burning lower-sulfur fuel, generating more electricity from lower-emitting plants, and/or using emission allowances. NO_x

reductions required by the 1990 Amendments are being achieved through combustion controls, the generation of more electricity at lower-emitting plants, and/or using emission allowances. In September 1998, the EPA finalized regulations requiring additional NOX reductions at FirstEnergy's facilities. The EPA's NOX Transport Rule imposes uniform reductions of NOX emissions (an approximate 85% reduction in utility plant NOX emissions from projected 2007 emissions) across a region of nineteen states (including Michigan, New Jersey, Ohio and Pennsylvania) and the District of Columbia based on a conclusion that such NOX emissions are contributing significantly to ozone levels in the eastern United States. FirstEnergy believes its facilities are also complying with the NOX budgets established under SIPs through combustion controls and post-combustion controls, including Selective Catalytic Reduction and SNCR systems, and/or using emission allowances.

In 1999 and 2000, the EPA issued an NOV and the DOJ filed a civil complaint against OE and Penn based on operation and maintenance of the W. H. Sammis Plant (Sammis NSR Litigation) and filed similar complaints involving 44 other U.S. power plants. This case and seven other similar cases are referred to as the NSR cases. OE's and Penn's settlement with the EPA, the DOJ and three states (Connecticut, New Jersey and New York) that resolved all issues related to the Sammis NSR litigation was approved by the Court on July 11, 2005. This settlement agreement, in the form of a consent decree, requires reductions of NOX and SO2 emissions at the Sammis, Burger, Eastlake and Mansfield coal-fired plants through the installation of pollution control devices or repowering and provides for stipulated penalties for failure to install and operate such pollution controls or complete repowering in accordance with that agreement. Capital expenditures necessary to complete requirements of the Sammis NSR Litigation consent decree, including repowering Burger Units 4 and 5 for biomass fuel consumption, are currently estimated to be \$706 million for 2009-2012 (with \$414 million expected to be spent in 2009).

On May 22, 2007, FirstEnergy and FGCO received a notice letter, required 60 days prior to the filing of a citizen suit under the federal CAA, alleging violations of air pollution laws at the Bruce Mansfield Plant, including opacity limitations. Prior to the receipt of this notice, the Plant was subject to a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection concerning opacity emissions under which efforts to achieve compliance with the applicable laws will continue. On October 18, 2007, PennFuture filed a complaint, joined by three of its members, in the United States District Court for the Western District of Pennsylvania. On January 11, 2008, FirstEnergy filed a motion to dismiss claims alleging a public nuisance. On April 24, 2008, the Court denied the motion to dismiss, but also ruled that monetary damages could not be recovered under the public nuisance claim. In July 2008, three additional complaints were filed against FGCO in the United States District Court for the Western District of Pennsylvania seeking damages based on Bruce Mansfield Plant air emissions. In addition to seeking damages, two of the complaints seek to enjoin the Bruce Mansfield Plant from operating except in a "safe, responsible, prudent and proper manner", one being a complaint filed on behalf of twenty-one individuals and the other being a class action complaint, seeking certification as a class action with the eight named plaintiffs as the class representatives. On October 14, 2008, the Court granted FGCO's motion to consolidate discovery for all four complaints pending against the Bruce Mansfield Plant. FGCO believes the claims are without merit and intends to defend itself against the allegations made in these complaints. The Pennsylvania Department of Health and the U.S. Agency for Toxic Substance and Disease Registry recently disclosed their intention to conduct additional air monitoring in the vicinity of the Mansfield plant.

On December 18, 2007, the state of New Jersey filed a CAA citizen suit alleging NSR violations at the Portland Generation Station against Reliant (the current owner and operator), Sithe Energy (the purchaser of the Portland Station from Met-Ed in 1999), GPU, Inc. and Met-Ed. Specifically, New Jersey alleges that "modifications" at Portland Units 1 and 2 occurred between 1980 and 2005 without preconstruction NSR or permitting under the CAA's prevention of significant deterioration program, and seeks injunctive relief, penalties, attorney fees and mitigation of the harm caused by excess emissions. On March 14, 2008, Met-Ed filed a motion to dismiss the citizen suit claims against it and a stipulation in which the parties agreed that GPU, Inc. should be dismissed from this case. On March 26, 2008, GPU, Inc. was dismissed by the United States District Court. The scope of Met-Ed's indemnity obligation to and from Sithe Energy is disputed. On October 30, 2008, the state of Connecticut filed a Motion to Intervene, which the Court granted on March 24, 2009. On December 5, 2008, New Jersey filed an amended complaint, adding claims with respect to alleged modifications that occurred after GPU's sale of the plant. Met-Ed filed a Motion to Dismiss the claims in New Jersey's Amended Complaint on February 19, 2009. On January 14, 2009, the EPA issued a NOV to Reliant alleging new source review violations at the Portland Generation Station based on "modifications" dating back to 1986. Met-Ed is unable to predict the outcome of this matter. The EPA's January 14, 2009, NOV also alleged new source review violations at the Keystone and Shawville Stations based on "modifications" dating back to 1984. JCP&L, as the former owner of 16.67% of Keystone Station and Penelec, as former owner and operator of the Shawville Station, are unable to predict the outcome of this matter.

On June 11, 2008, the EPA issued a Notice and Finding of Violation to Mission Energy Westside, Inc. alleging that "modifications" at the Homer City Power Station occurred since 1988 to the present without preconstruction NSR or permitting under the CAA's prevention of significant deterioration program. Mission Energy is seeking indemnification from Penelec, the co-owner (along with New York State Electric and Gas Company) and operator of the Homer City Power Station prior to its sale in 1999. The scope of Penelec's indemnity obligation to and from Mission Energy is disputed. Penelec is unable to predict the outcome of this matter.

On May 16, 2008, FGCO received a request from the EPA for information pursuant to Section 114(a) of the CAA for certain operating and maintenance information regarding the Eastlake, Lakeshore, Bay Shore and Ashtabula generating plants to allow the EPA to determine whether these generating sources are complying with the NSR provisions of the CAA. On July 10, 2008, FGCO and the EPA entered into an Administrative Consent Order

modifying that request and setting forth a schedule for FGCO's response. On October 27, 2008, FGCO received a second request from the EPA for information pursuant to Section 114(a) of the CAA for additional operating and maintenance information regarding the Eastlake, Lakeshore, Bay Shore and Ashtabula generating plants. FGCO intends to fully comply with the EPA's information requests, but, at this time, is unable to predict the outcome of this matter.

On August 18, 2008, FirstEnergy received a request from the EPA for information pursuant to Section 114(a) of the CAA for certain operating and maintenance information regarding its formerly-owned Avon Lake and Niles generating plants, as well as a copy of a nearly identical request directed to the current owner, Reliant Energy, to allow the EPA to determine whether these generating sources are complying with the NSR provisions of the CAA. FirstEnergy intends to fully comply with the EPA's information request, but, at this time, is unable to predict the outcome of this matter.

National Ambient Air Quality Standards

In March 2005, the EPA finalized the CAIR covering a total of 28 states (including Michigan, New Jersey, Ohio and Pennsylvania) and the District of Columbia based on proposed findings that air emissions from 28 eastern states and the District of Columbia significantly contribute to non-attainment of the NAAQS for fine particles and/or the "8-hour" ozone NAAQS in other states. CAIR requires reductions of NOX and SO2 emissions in two phases (Phase I in 2009 for NOX, 2010 for SO2 and Phase II in 2015 for both NOX and SO2), ultimately capping SO2 emissions in affected states to just 2.5 million tons annually and NOX emissions to just 1.3 million tons annually. CAIR was challenged in the United States Court of Appeals for the District of Columbia and on July 11, 2008, the Court vacated CAIR "in its entirety" and directed the EPA to "redo its analysis from the ground up." On September 24, 2008, the EPA, utility, mining and certain environmental advocacy organizations petitioned the Court for a rehearing to reconsider its ruling vacating CAIR. On December 23, 2008, the Court reconsidered its prior ruling and allowed CAIR to remain in effect to "temporarily preserve its environmental values" until the EPA replaces CAIR with a new rule consistent with the Court's July 11, 2008 opinion. The future cost of compliance with these regulations may be substantial and will depend, in part, on the action taken by the EPA in response to the Court's ruling.

Mercury Emissions

In December 2000, the EPA announced it would proceed with the development of regulations regarding hazardous air pollutants from electric power plants, identifying mercury as the hazardous air pollutant of greatest concern. In March 2005, the EPA finalized the CAMR, which provides a cap-and-trade program to reduce mercury emissions from coal-fired power plants in two phases; initially, capping national mercury emissions at 38 tons by 2010 (as a "co-benefit" from implementation of SO2 and NOX emission caps under the EPA's CAIR program) and 15 tons per year by 2018. Several states and environmental groups appealed the CAMR to the United States Court of Appeals for the District of Columbia. On February 8, 2008, the Court vacated the CAMR, ruling that the EPA failed to take the necessary steps to "de-list" coal-fired power plants from its hazardous air pollutant program and, therefore, could not promulgate a cap-and-trade program. The EPA petitioned for rehearing by the entire Court, which denied the petition on May 20, 2008. On October 17, 2008, the EPA (and an industry group) petitioned the United States Supreme Court for review of the Court's ruling vacating CAMR. On February 6, 2009, the EPA moved to dismiss its petition for certiorari. On February 23, 2009, the Supreme Court dismissed the EPA's petition and denied the industry group's petition. The EPA is developing new mercury emission standards for coal-fired power plants. FGCO's future cost of compliance with mercury regulations may be substantial and will depend on the action taken by the EPA and on how they are ultimately implemented.

Pennsylvania has submitted a new mercury rule for EPA approval that does not provide a cap-and-trade approach as in the CAMR, but rather follows a command-and-control approach imposing emission limits on individual sources. On January 30, 2009, the Commonwealth Court of Pennsylvania declared Pennsylvania's mercury rule "unlawful, invalid and unenforceable" and enjoined the Commonwealth from continued implementation or enforcement of that rule. It is anticipated that compliance with these regulations, if the Commonwealth Court's rulings were reversed on appeal and Pennsylvania's mercury rule was implemented, would not require the addition of mercury controls at the Bruce Mansfield Plant, FirstEnergy's only Pennsylvania coal-fired power plant, until 2015, if at all.

Climate Change

In December 1997, delegates to the United Nations' climate summit in Japan adopted an agreement, the Kyoto Protocol, to address global warming by reducing the amount of man-made GHG, including CO2, emitted by developed countries by 2012. The United States signed the Kyoto Protocol in 1998 but it was never submitted for ratification by the United States Senate. However, the Bush administration had committed the United States to a voluntary climate change strategy to reduce domestic GHG intensity – the ratio of emissions to economic output – by

18% through 2012. Also, in an April 16, 2008 speech, former President Bush set a policy goal of stopping the growth of GHG emissions by 2025, as the next step beyond the 2012 strategy. In addition, the EPACT established a Committee on Climate Change Technology to coordinate federal climate change activities and promote the development and deployment of GHG reducing technologies. President Obama has announced his Administration's "New Energy for America Plan" that includes, among other provisions, ensuring that 10% of electricity in the United States comes from renewable sources by 2012, and increasing to 25% by 2025; and implementing an economy-wide cap-and-trade program to reduce GHG emissions 80% by 2050.

There are a number of initiatives to reduce GHG emissions under consideration at the federal, state and international level. At the international level, efforts to reach a new global agreement to reduce GHG emissions post-2012 have begun with the Bali Roadmap, which outlines a two-year process designed to lead to an agreement in 2009. At the federal level, members of Congress have introduced several bills seeking to reduce emissions of GHG in the United States, and the Senate Environment and Public Works Committee has passed one such bill. State activities, primarily the northeastern states participating in the Regional Greenhouse Gas Initiative and western states, led by California, have coordinated efforts to develop regional strategies to control emissions of certain GHGs.

On April 2, 2007, the United States Supreme Court found that the EPA has the authority to regulate CO₂ emissions from automobiles as “air pollutants” under the CAA. Although this decision did not address CO₂ emissions from electric generating plants, the EPA has similar authority under the CAA to regulate “air pollutants” from those and other facilities. On April 17, 2009, the EPA released a “Proposed Endangerment and Cause or Contribute Findings for Greenhouse Gases under the Clean Air Act.” The EPA’s proposed finding concludes that the atmospheric concentrations of several key greenhouse gases threaten the health and welfare of future generations and that the combined emissions of these gases by motor vehicles contribute to the atmospheric concentrations of these key greenhouse gases and hence to the threat of climate change. Although the EPA’s proposed finding, if finalized, does not establish emission requirements for motor vehicles, such requirements would be expected to occur through further rulemakings. Additionally, while the EPA’s proposed findings do not specifically address stationary sources, including electric generating plants, those findings, if finalized, would be expected to support the establishment of future emission requirements by the EPA for stationary sources.

FirstEnergy cannot currently estimate the financial impact of climate change policies, although potential legislative or regulatory programs restricting CO₂ emissions could require significant capital and other expenditures. The CO₂ emissions per KWH of electricity generated by FirstEnergy is lower than many regional competitors due to its diversified generation sources, which include low or non-CO₂ emitting gas-fired and nuclear generators.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal Clean Water Act and its amendments, apply to FirstEnergy's plants. In addition, Ohio, New Jersey and Pennsylvania have water quality standards applicable to FirstEnergy's operations. As provided in the Clean Water Act, authority to grant federal National Pollutant Discharge Elimination System water discharge permits can be assumed by a state. Ohio, New Jersey and Pennsylvania have assumed such authority.

On September 7, 2004, the EPA established new performance standards under Section 316(b) of the Clean Water Act for reducing impacts on fish and shellfish from cooling water intake structures at certain existing large electric generating plants. The regulations call for reductions in impingement mortality (when aquatic organisms are pinned against screens or other parts of a cooling water intake system) and entrainment (which occurs when aquatic life is drawn into a facility's cooling water system). On January 26, 2007, the United States Court of Appeals for the Second Circuit remanded portions of the rulemaking dealing with impingement mortality and entrainment back to the EPA for further rulemaking and eliminated the restoration option from the EPA’s regulations. On July 9, 2007, the EPA suspended this rule, noting that until further rulemaking occurs, permitting authorities should continue the existing practice of applying their best professional judgment to minimize impacts on fish and shellfish from cooling water intake structures. On April 1, 2009, the Supreme Court of the United States reversed one significant aspect of the Second Circuit Court’s opinion and decided that Section 316(b) of the Clean Water Act authorizes the EPA to compare costs with benefits in determining the best technology available for minimizing adverse environmental impact at cooling water intake structures. FirstEnergy is studying various control options and their costs and effectiveness. Depending on the results of such studies and the EPA’s further rulemaking and any action taken by the states exercising best professional judgment, the future costs of compliance with these standards may require material capital expenditures.

The U.S. Attorney's Office in Cleveland, Ohio has advised FGCO that it is considering prosecution under the Clean Water Act and the Migratory Bird Treaty Act for three petroleum spills at the Edgewater, Lakeshore and Bay Shore plants which occurred on November 1, 2005, January 26, 2007 and February 27, 2007. FGCO is unable to predict the outcome of this matter.

Regulation of Waste Disposal

As a result of the Resource Conservation and Recovery Act of 1976, as amended, and the Toxic Substances Control Act of 1976, federal and state hazardous waste regulations have been promulgated. Certain fossil-fuel combustion waste products, such as coal ash, were exempted from hazardous waste disposal requirements pending the EPA's evaluation of the need for future regulation. The EPA subsequently determined that regulation of coal ash as a hazardous waste is unnecessary. In April 2000, the EPA announced that it will develop national standards regulating disposal of coal ash under its authority to regulate non-hazardous waste. In February 2009, the EPA requested comments from the states on options for regulating coal combustion wastes, including regulation as non-hazardous waste or regulation as a hazardous waste. The future cost of compliance with coal combustion waste regulations may be substantial and will depend, in part, on the regulatory action taken by the EPA and implementation by the states.

Under NRC regulations, FirstEnergy must ensure that adequate funds will be available to decommission its nuclear facilities. As of March 31, 2009, FirstEnergy had approximately \$1.6 billion invested in external trusts to be used for the decommissioning and environmental remediation of Davis-Besse, Beaver Valley, Perry and TMI-2. As part of the application to the NRC to transfer the ownership of Davis-Besse, Beaver Valley and Perry to NGC in 2005, FirstEnergy agreed to contribute another \$80 million to these trusts by 2010. Consistent with NRC guidance, utilizing a “real” rate of return on these funds of approximately 2% over inflation, these trusts are expected to exceed the minimum decommissioning funding requirements set by the NRC. Conservatively, these estimates do not include any return that the trusts may earn over the 20-year plant useful life extensions that FirstEnergy (and Exelon for TMI-1 as it relates to the timing of the decommissioning of TMI-2) seeks for these facilities.

The Utilities have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on the Consolidated Balance Sheet as of March 31, 2009, based on estimates of the total costs of cleanup, the Utilities' proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately \$91 million have been accrued through March 31, 2009. Included in the total are accrued liabilities of approximately \$56 million for environmental remediation of former manufactured gas plants and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable SBC.

Other Legal Proceedings

Power Outages and Related Litigation

In July 1999, the Mid-Atlantic States experienced a severe heat wave, which resulted in power outages throughout the service territories of many electric utilities, including JCP&L's territory. In an investigation into the causes of the outages and the reliability of the transmission and distribution systems of all four of New Jersey's electric utilities, the NJBPU concluded that there was not a prima facie case demonstrating that, overall, JCP&L provided unsafe, inadequate or improper service to its customers. Two class action lawsuits (subsequently consolidated into a single proceeding, the Muise class action) were filed in New Jersey Superior Court in July 1999 against JCP&L, GPU and other GPU companies, seeking compensatory and punitive damages arising from the July 1999 service interruptions in the JCP&L territory.

After various motions, rulings and appeals, the Plaintiffs' claims for consumer fraud, common law fraud, negligent misrepresentation, strict product liability, and punitive damages were dismissed, leaving only the negligence and breach of contract causes of actions. The class was decertified twice by the trial court, and appealed both times by the Plaintiffs, with the results being that: (1) the Appellate Division limited the class only to those customers directly impacted by the outages of JCP&L transformers in Red Bank, NJ, based on a common incident involving the failure of the bushings of two large transformers in the Red Bank substation which resulted in planned and unplanned outages in the area during a 2-3 day period, and (2) in March 2007, the Appellate Division remanded this matter back to the Trial Court to allow plaintiffs sufficient time to establish a damage model or individual proof of damages. Proceedings then continued at the trial court level and a case management conference with the presiding Judge was held on June 13, 2008. At that conference, counsel for the Plaintiffs stated his intent to drop his efforts to create a class-wide damage model and, instead of dismissing the class action, expressed his desire for a bifurcated trial on liability and damages. In response, JCP&L filed an objection to the plaintiffs' proposed trial plan and another motion to decertify the class. On March 31, 2009, the trial court granted JCP&L's motion to decertify the class. On April 20, 2009, the Plaintiffs filed their appeal to the trial court's decision to decertify the class.

Nuclear Plant Matters

On May 14, 2007, the Office of Enforcement of the NRC issued a Demand for Information to FENOC, following FENOC's reply to an April 2, 2007 NRC request for information about two reports prepared by expert witnesses for an insurance arbitration (the insurance claim was subsequently withdrawn by FirstEnergy in December 2007) related to Davis-Besse. The NRC indicated that this information was needed for the NRC "to determine whether an Order or other action should be taken pursuant to 10 CFR 2.202, to provide reasonable assurance that FENOC will continue to operate its licensed facilities in accordance with the terms of its licenses and the Commission's regulations." FENOC was directed to submit the information to the NRC within 30 days. On June 13, 2007, FENOC filed a response to the NRC's Demand for Information reaffirming that it accepts full responsibility for the mistakes and omissions leading up to the damage to the reactor vessel head and that it remains committed to operating Davis-Besse and FirstEnergy's other nuclear plants safely and responsibly. FENOC submitted a supplemental response clarifying certain aspects of the response to the NRC on July 16, 2007. The NRC issued a Confirmatory Order imposing these commitments on FENOC. In an April 23, 2009 Inspection Report, the NRC concluded that FENOC had completed all necessary actions required by the Confirmatory Order.

In August 2007, FENOC submitted an application to the NRC to renew the operating licenses for the Beaver Valley Power Station (Units 1 and 2) for an additional 20 years. The NRC is required by statute to provide an opportunity for members of the public to request a hearing on the application. No members of the public, however, requested a hearing on the Beaver Valley license renewal application. On September 24, 2008, the NRC issued a draft supplemental Environmental Impact Statement for Beaver Valley. FENOC will continue to work with the NRC Staff as it completes its environmental and technical reviews of the license renewal application, and expects to obtain renewed licenses for the Beaver Valley Power Station in 2009. If renewed licenses are issued by the NRC, the Beaver Valley Power Station's licenses would be extended until 2036 and 2047 for Units 1 and 2, respectively.

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FirstEnergy's normal business operations pending against FirstEnergy and its subsidiaries. The other potentially material items not otherwise discussed above are described below.

JCP&L's bargaining unit employees filed a grievance challenging JCP&L's 2002 call-out procedure that required bargaining unit employees to respond to emergency power outages. On May 20, 2004, an arbitration panel concluded that the call-out procedure violated the parties' collective bargaining agreement. On September 9, 2005, the arbitration panel issued an opinion to award approximately \$16 million to the bargaining unit employees. A final order identifying the individual damage amounts was issued on October 31, 2007 and the award appeal process was initiated. The union filed a motion with the federal Court to confirm the award and JCP&L filed its answer and counterclaim to vacate the award on December 31, 2007. JCP&L and the union filed briefs in June and July of 2008 and oral arguments were held in the fall. On February 25, 2009, the federal district court denied JCP&L's motion to vacate the arbitration decision and granted the union's motion to confirm the award. JCP&L filed a Notice of Appeal to the Third Circuit and a Motion to Stay Enforcement of the Judgment on March 6, 2009; the appeal process could take as long as 24 months. JCP&L recognized a liability for the potential \$16 million award in 2005. Post-judgment interest began to accrue as of February 25, 2009, and the liability will be adjusted accordingly.

The union employees at the Bruce Mansfield Plant have been working without a labor contract since February 15, 2008. The parties are continuing to bargain with the assistance of a federal mediator. FirstEnergy has a strike mitigation plan ready in the event of a strike.

The union employees at Met-Ed have been working without a labor contract since May 1, 2009. The parties are continuing to bargain and FirstEnergy has a work continuation plan ready in the event of a strike.

FirstEnergy accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. If it were ultimately determined that FirstEnergy or its subsidiaries have legal liability or are otherwise made subject to liability based on the above matters, it could have a material adverse effect on FirstEnergy's or its subsidiaries' financial condition, results of operations and cash flows.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

FSP FAS 157-4 – “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”

In April 2009, the FASB issued Staff Position FAS 157-4, which provides additional guidance to consider in estimating fair value when there has been a significant decrease in market activity for a financial asset. The FSP establishes a two-step process requiring a reporting entity to first determine if a market is not active in relation to normal market activity for the asset. If evidence indicates the market is not active, an entity would then need to

determine whether a quoted price in the market is associated with a distressed transaction. An entity will need to further analyze the transactions or quoted prices, and an adjustment to the transactions or quoted prices may be necessary to estimate fair value. Additional disclosures related to the inputs and valuation techniques used in the fair value measurements are also required. The FSP is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FirstEnergy will adopt the FSP for its interim period ending June 30, 2009. While the FSP will expand disclosure requirements, FirstEnergy does not expect the FSP to have a material effect upon its financial statements.

FSP FAS 115-2 and FAS 124-2 - "Recognition and Presentation of Other-Than-Temporary Impairments"

In April 2009, the FASB issued Staff Position FAS 115-2 and FAS 124-2, which changes the method to determine whether an other-than-temporary impairment exists for debt securities and the amount of impairment to be recorded in earnings. Under the FSP, management will be required to assert it does not have the intent to sell the debt security, and it is more likely than not it will not have to sell the debt security before recovery of its cost basis. If management is unable to make these assertions, the debt security will be deemed other-than-temporarily impaired and the security will be written down to fair value with the full charge recorded through earnings. If management is able to make the assertions, but there are credit losses associated with the debt security, the portion of impairment related to credit losses will be recognized in earnings while the remaining impairment will be recognized through other comprehensive income. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FirstEnergy will adopt the FSP for its interim period ending June 30, 2009 and does not expect the FSP to have a material effect upon its financial statements.

FSP FAS 107-1 and APB 28-1 - "Interim Disclosures about Fair Value of Financial Instruments"

In April 2009, the FASB issued Staff Position FAS 107-1 and APB 28-1, which requires disclosures of the fair value of financial instruments in interim financial statements, as well as in annual financial statements. The FSP also requires entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments in both interim and annual financial statements. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FirstEnergy will adopt the FSP for its interim period ending June 30, 2009, and expects to expand its disclosures regarding the fair value of financial instruments.

FSP FAS 132 (R)-1 - "Employers' Disclosures about Postretirement Benefit Plan Assets"

In December 2008, the FASB issued Staff Position FAS 132(R)-1, which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. Requirements of this FSP include disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant categories of risk. This FSP is effective for fiscal years ending after December 15, 2009. FirstEnergy will expand its disclosures related to postretirement benefit plan assets as a result of this FSP.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of
Directors of FirstEnergy Corp.:

We have reviewed the accompanying consolidated balance sheet of FirstEnergy Corp. and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, common stockholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 6 to the accompanying consolidated financial statements, the Company changed its reporting related to noncontrolling interest. The accompanying December 31, 2008 consolidated balance sheet reflects this change.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

FIRSTENERGY CORP.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|---|--|---------------|
| | 2009 | 2008 |
| | (In millions, except per share amounts) | |
| REVENUES: | | |
| Electric utilities | \$ 3,020 | \$ 2,913 |
| Unregulated businesses | 314 | 364 |
| Total revenues* | 3,334 | 3,277 |
| EXPENSES: | | |
| Fuel | 312 | 328 |
| Purchased power | 1,143 | 1,000 |
| Other operating expenses | 827 | 799 |
| Provision for depreciation | 177 | 164 |
| Amortization of regulatory assets | 411 | 258 |
| Deferral of new regulatory assets | (93) | (105) |
| General taxes | 211 | 215 |
| Total expenses | 2,988 | 2,659 |
| OPERATING INCOME | 346 | 618 |
| OTHER INCOME (EXPENSE): | | |
| Investment income (loss), net | (11) | 17 |
| Interest expense | (194) | (179) |
| Capitalized interest | 28 | 8 |
| Total other expense | (177) | (154) |
| INCOME BEFORE INCOME TAXES | 169 | 464 |
| INCOME TAXES | 54 | 187 |
| NET INCOME | 115 | 277 |
| Less: Noncontrolling interest income (loss) | (4) | 1 |
| EARNINGS AVAILABLE TO PARENT | \$ 119 | \$ 276 |
| BASIC EARNINGS PER SHARE OF COMMON STOCK | | |
| | \$ 0.39 | \$ 0.91 |

| | | |
|--|---------|---------|
| WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING | 304 | 304 |
| DILUTED EARNINGS PER SHARE OF COMMON STOCK | \$ 0.39 | \$ 0.90 |
| WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING | 306 | 307 |
| DIVIDENDS DECLARED PER SHARE OF COMMON STOCK | \$ 0.55 | \$ 0.55 |

* Includes \$109 million and \$114 million of excise tax collections in the first quarter of 2009 and 2008, respectively.

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Corp. are an integral part of these statements.

FIRSTENERGY CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 | |
|--|------|--|--------|
| | | (In millions) | |
| NET INCOME | \$ | 115 | \$ 277 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | | |
| Pension and other postretirement benefits | | 35 | (20) |
| Unrealized gain (loss) on derivative hedges | | 15 | (13) |
| Change in unrealized gain on available-for-sale securities | | (5) | (58) |
| Other comprehensive income (loss) | | 45 | (91) |
| Income tax expense (benefit) related to other comprehensive income | | 15 | (33) |
| Other comprehensive income (loss), net of tax | | 30 | (58) |
| COMPREHENSIVE INCOME | | 145 | 219 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | | (4) | 1 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT | \$ | 149 | \$ 218 |

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Corp. are an integral part of these statements.

FIRSTENERGY CORP.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | 2009 | March 31, (In millions) | December 31, 2008 |
|--|------|----------------------------|-------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ | 399 | \$ 545 |
| Receivables- | | | |
| Customers (less accumulated provisions of \$27 million and \$28 million, respectively, for uncollectible accounts) | | 1,266 | 1,304 |
| Other (less accumulated provisions of \$9 million for uncollectible accounts) | | 159 | 167 |
| Materials and supplies, at average cost | | 657 | 605 |
| Prepaid taxes | | 318 | 283 |
| Other | | 205 | 149 |
| | | 3,004 | 3,053 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| In service | | 26,757 | 26,482 |
| Less - Accumulated provision for depreciation | | 10,947 | 10,821 |
| | | 15,810 | 15,661 |
| Construction work in progress | | 2,397 | 2,062 |
| | | 18,207 | 17,723 |
| INVESTMENTS: | | | |
| Nuclear plant decommissioning trusts | | 1,649 | 1,708 |
| Investments in lease obligation bonds | | 561 | 598 |
| Other | | 689 | 711 |
| | | 2,899 | 3,017 |
| DEFERRED CHARGES AND OTHER ASSETS: | | | |
| Goodwill | | 5,575 | 5,575 |
| Regulatory assets | | 2,938 | 3,140 |
| Power purchase contract asset | | 340 | 434 |
| Other | | 594 | 579 |
| | | 9,447 | 9,728 |
| | \$ | 33,557 | \$ 33,521 |
| LIABILITIES AND CAPITALIZATION | | | |
| CURRENT LIABILITIES: | | | |
| Currently payable long-term debt | \$ | 2,144 | \$ 2,476 |
| Short-term borrowings | | 2,397 | 2,397 |

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| | | |
|---|-----------|-----------|
| Accounts payable | 704 | 794 |
| Accrued taxes | 281 | 333 |
| Other | 1,169 | 1,098 |
| | 6,695 | 7,098 |
| CAPITALIZATION: | | |
| Common stockholders' equity- | | |
| Common stock, \$0.10 par value, authorized 375,000,000 shares- 304,835,407 shares outstanding | 31 | 31 |
| Other paid-in capital | 5,459 | 5,473 |
| Accumulated other comprehensive loss | (1,350) | (1,380) |
| Retained earnings | 4,110 | 4,159 |
| Total common stockholders' equity | 8,250 | 8,283 |
| Noncontrolling interest | 34 | 32 |
| Total equity | 8,284 | 8,315 |
| Long-term debt and other long-term obligations | 9,697 | 9,100 |
| | 17,981 | 17,415 |
| NONCURRENT LIABILITIES: | | |
| Accumulated deferred income taxes | 2,130 | 2,163 |
| Asset retirement obligations | 1,356 | 1,335 |
| Deferred gain on sale and leaseback transaction | 1,018 | 1,027 |
| Power purchase contract liability | 816 | 766 |
| Retirement benefits | 1,896 | 1,884 |
| Lease market valuation liability | 296 | 308 |
| Other | 1,369 | 1,525 |
| | 8,881 | 9,008 |
| COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 8) | | |
| | \$ 33,557 | \$ 33,521 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

FIRSTENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|--|---------------|--|
| | (In millions) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 115 | \$ 277 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 177 | 164 |
| Amortization of regulatory assets | 411 | 258 |
| Deferral of new regulatory assets | (93) | (105) |
| Nuclear fuel and lease amortization | 27 | 26 |
| Deferred purchased power and other costs | (62) | (43) |
| Deferred income taxes and investment tax credits, net | (28) | 89 |
| Investment impairment | 36 | 16 |
| Deferred rents and lease market valuation liability | (14) | 4 |
| Stock-based compensation | (13) | (35) |
| Accrued compensation and retirement benefits | (66) | (142) |
| Gain on asset sales | (5) | (37) |
| Electric service prepayment programs | (8) | (19) |
| Cash collateral received (paid) | (15) | 8 |
| Decrease (increase) in operating assets- | | |
| Receivables | 46 | (6) |
| Materials and supplies | (7) | (17) |
| Prepaid taxes | (34) | (100) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | (90) | (23) |
| Accrued taxes | (51) | (5) |
| Accrued interest | 118 | 91 |
| Other | 18 | (42) |
| Net cash provided from operating activities | 462 | 359 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 700 | - |
| Short-term borrowings, net | - | 746 |
| Redemptions and Repayments- | | |
| Long-term debt | (444) | (368) |

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| | | |
|---|-------|-------|
| Net controlled disbursement activity | (10) | 6 |
| Common stock dividend payments | (168) | (168) |
| Other | (8) | 8 |
| Net cash provided from financing activities | 70 | 224 |

CASH FLOWS FROM INVESTING

ACTIVITIES:

| | | |
|---|-------|-------|
| Property additions | (654) | (711) |
| Proceeds from asset sales | 8 | 50 |
| Sales of investment securities held in trusts | 567 | 361 |
| Purchases of investment securities held in trusts | (584) | (384) |
| Cash investments | 17 | 58 |
| Other | (32) | (16) |
| Net cash used for investing activities | (678) | (642) |

| | | |
|--|-------|-------|
| Net change in cash and cash equivalents | (146) | (59) |
| Cash and cash equivalents at beginning of period | 545 | 129 |
| Cash and cash equivalents at end of period \$ | 399 | \$ 70 |

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Corp. are an integral part of these statements.

FIRSTENERGY SOLUTIONS CORP.

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

FES is a wholly owned subsidiary of FirstEnergy. FES provides energy-related products and services primarily in Ohio, Pennsylvania, Michigan and Maryland, and through its subsidiaries, FGCO and NGC, owns or leases and operates and maintains FirstEnergy's fossil and hydroelectric generation facilities and owns FirstEnergy's nuclear generation facilities, respectively. FENOC, a wholly owned subsidiary of FirstEnergy, operates and maintains the nuclear generating facilities.

FES' revenues have been primarily derived from the sale of electricity (provided from FES' generating facilities and through purchased power arrangements) to affiliated utility companies to meet all or a portion of their PLR and default service requirements. These affiliated power sales included a full-requirements PSA with OE, CEI and TE to supply each of their default service obligations through December 31, 2008, at prices that considered their respective PUCO-authorized billing rates. See Regulatory Matters – Ohio below for a discussion of Ohio power supply procurement issues for 2009 and beyond. FES continues to have a partial requirements wholesale power sales agreement with its affiliates, Met-Ed and Penelec, to supply a portion of each of their respective default service obligations at fixed prices through 2009. This sales agreement is renewed annually unless cancelled by either party with at least a sixty-day written notice prior to the end of the calendar year. FES also supplies, through May 31, 2009, a portion of Penn's default service requirements at market-based rates as a result of Penn's 2008 competitive solicitations. FES' revenues also include competitive retail and wholesale sales to non-affiliated customers in Ohio, Pennsylvania, New Jersey, Maryland, Michigan and Illinois. These sales may provide a greater portion of revenues in future years depending upon FES' participation in its Ohio and Pennsylvania utility affiliates' power procurement arrangements.

Results of Operations

In the first three months of 2009, net income increased to \$171 million from \$90 million in the same period in 2008. The increase in net income was primarily due to higher revenues and lower fuel and purchased power costs, partially offset by higher other operating expenses, depreciation and other miscellaneous expenses.

Revenues

Revenues increased by \$127 million in the first three months of 2009 compared to the same period in 2008 due to increases in revenues from non-affiliated and affiliated wholesale generation sales, partially offset by lower retail generation sales. The increase in revenues resulted from the following sources:

| Revenues by Type of Service | Three Months Ended March 31 | | Increase |
|--|-----------------------------------|------|------------|
| | 2009 | 2008 | (Decrease) |
| Non-Affiliated Generation Sales: | | | |

(In millions)

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| | | | |
|------------------|----------|----------|---------|
| Retail | \$ 91 | \$ 160 | \$ (69) |
| Wholesale | 189 | 129 | 60 |
| Total | | | |
| Non-Affiliated | | | |
| Generation Sales | 280 | 289 | (9) |
| Affiliated | | | |
| Generation Sales | 893 | 776 | 117 |
| Transmission | 25 | 33 | (8) |
| Other | 28 | 1 | 27 |
| Total Revenues | \$ 1,226 | \$ 1,099 | \$ 127 |

Retail generation sales revenues decreased due to reduced commercial and industrial contract renewals in the PJM market and the termination of certain government aggregation programs in the MISO market that were supplied by FES. Non-affiliated wholesale revenues increased due to higher PJM capacity prices and increased sales volumes in the MISO market, partially offset by lower unit prices and volumes in PJM.

Increased affiliated company wholesale revenues resulted from higher unit prices for sales to the Ohio Companies, under their CBP, partially offset by lower composite prices to the Pennsylvania Companies and an overall decrease in affiliated sales volumes. While unit prices for each of the Pennsylvania Companies did not change, the mix of sales among the companies caused the overall composite price to decline. FES supplied less power to the Ohio Companies in the first quarter of 2009 as one of four winning bidders in the Ohio Companies' RFP process.

The following tables summarize the price and volume factors contributing to changes in revenues from non-affiliated and affiliated generation sales in the first three months of 2009 compared to the same period last year:

| | Increase |
|--|------------------|
| Source of Change in Non-Affiliated Generation Revenues | (Decrease) |
| | (In millions) |
| Retail: | |
| Effect of 57.0% decrease in sales volumes | \$ (91) |
| Change in prices | 22 |
| | (69) |
| Wholesale: | |
| Effect of 33.9% increase in sales volumes | 44 |
| Change in prices | 16 |
| | 60 |
| Net Decrease in Non-Affiliated Generation Revenues | \$ (9) |

| | Increase |
|--|------------------|
| Source of Change in Affiliated Generation Revenues | (Decrease) |
| | (In millions) |
| Ohio Companies: | |
| Effect of 24.6% decrease in sales volumes | \$ (142) |
| Change in prices | 246 |
| | 104 |
| Pennsylvania Companies: | |
| Effect of 11.1% increase in sales volumes | 22 |
| Change in prices | (9) |
| | 13 |
| Net Increase in Affiliated Generation Revenues | \$ 117 |

Transmission revenue decreased \$8 million due to decreased retail load in the MISO market (\$14 million), partially offset by higher PJM congestion revenues (\$6 million). Other revenue increased \$27 million primarily due to NGC's lease revenue received from its equity interests in the Beaver Valley Unit 2 and Perry sale and leaseback transactions acquired during the second quarter of 2008.

Expenses

Total expenses decreased by \$1 million in the first three months of 2009 compared with the same period of 2008. The following table summarizes the factors contributing to the changes in fuel and purchased power costs in the first three months of 2009 from the same period last year:

| Source of Change in Fuel and Purchased Power | Increase (Decrease) (In millions) |
|--|--|
| Fossil Fuel: | |
| Change due to increased unit costs | \$ 36 |
| Change due to volume consumed | (52) |
| | (16) |
| Nuclear Fuel: | |
| Change due to increased unit costs | 1 |
| Change due to volume consumed | - |
| | 1 |
| Non-affiliated Purchased Power: | |
| Change due to decreased unit costs | (15) |
| Change due to volume purchased | (31) |
| | (46) |
| Affiliated Purchased Power: | |
| Change due to increased unit costs | 40 |
| Change due to volume purchased | (3) |
| | 37 |
| Net Decrease in Fuel and Purchased Power Costs | \$ (24) |

Fossil fuel costs decreased \$16 million in the first three months of 2009 primarily as a result of decreased coal consumption, reflecting lower generation. Higher unit prices were due to increased fuel rates on existing coal contracts in the first quarter of 2009. Nuclear fuel costs were relatively unchanged in the first quarter of 2009 from last year.

Purchased power costs from non-affiliates decreased primarily as a result of lower market rates and reduced volume requirements. Purchases from affiliated companies increased as a result of higher unit costs on purchases from the Ohio Companies' leasehold interests in Beaver Valley Unit 2 and Perry.

Other operating expenses increased by \$11 million in the first three months of 2009 from the same period of 2008. The increase was primarily due to 2009 organizational restructuring costs (\$4 million) and nuclear operating costs as a result of higher expenses associated with the 2009 Perry refueling outage than incurred with the 2008 Davis-Besse refueling outage (\$11 million). Transmission expenses increased as a result of higher congestion charges (\$7 million). Partially offsetting the increases were lower fossil contractor costs as a result of rescheduled maintenance activities (\$7 million) and lower lease expenses relating to CEI's and TE's leasehold improvements in the Mansfield Plant that were transferred to FGCO during the first quarter of 2008 (\$5 million).

Depreciation expense increased by \$12 million in the first three months of 2009 primarily due to NGC's acquisition of certain lessor equity interests in the sale and leaseback of Perry and Beaver Valley Unit 2 (\$7 million) and property additions since the first quarter of 2008.

Other Expense

Other expense increased by \$14 million in the first three months of 2009 from the same period of 2008 primarily due to a greater loss in value of nuclear decommissioning trust investments (\$23 million) during the first quarter of 2009. Partially offsetting the higher securities impairments was a \$10 million decline in interest expense as a result of higher capitalized interest (\$3 million) and lower interest expense to affiliates due to lower rates on loans from the unregulated money pool (\$4 million).

Legal Proceedings

See the "Regulatory Matters," "Environmental Matters" and "Other Legal Proceedings" sections within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to FES.

New Accounting Standards and Interpretations

See the "New Accounting Standards and Interpretations" section within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to FES.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of FirstEnergy Solutions Corp.:

We have reviewed the accompanying consolidated balance sheet of FirstEnergy Solutions Corp. and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

FIRSTENERGY SOLUTIONS CORP.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|----------------|
| | 2009 | 2008 |
| | (In thousands) | |
| REVENUES: | | |
| Electric sales to affiliates | \$ 892,690 | \$ 776,307 |
| Electric sales to non-affiliates | 279,746 | 288,341 |
| Other | 53,670 | 34,468 |
| Total revenues | 1,226,106 | 1,099,116 |
| EXPENSES: | | |
| Fuel | 306,158 | 321,689 |
| Purchased power from non-affiliates | 160,342 | 206,724 |
| Purchased power from affiliates | 63,207 | 25,485 |
| Other operating expenses | 307,356 | 296,546 |
| Provision for depreciation | 61,373 | 49,742 |
| General taxes | 23,376 | 23,197 |
| Total expenses | 921,812 | 923,383 |
| OPERATING INCOME | 304,294 | 175,733 |
| OTHER EXPENSE: | | |
| Miscellaneous expense | (26,363) | (2,904) |
| Interest expense to affiliates | (2,979) | (7,210) |
| Interest expense - other | (22,527) | (24,535) |
| Capitalized interest | 10,078 | 6,663 |
| Total other expense | (41,791) | (27,986) |
| INCOME BEFORE INCOME TAXES | 262,503 | 147,747 |
| INCOME TAXES | 91,822 | 57,763 |
| NET INCOME | 170,681 | 89,984 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and other postretirement benefits | 2,568 | (1,820) |
| Unrealized gain on derivative hedges | 11,016 | 5,718 |
| Change in unrealized gain on available-for-sale securities | (1,477) | (51,852) |

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| | | |
|--|-------------------|------------------|
| Other comprehensive income (loss) | 12,107 | (47,954) |
| Income tax expense (benefit) related to other comprehensive income | 4,709 | (17,403) |
| Other comprehensive income (loss), net of tax | 7,398 | (30,551) |
| TOTAL COMPREHENSIVE INCOME | \$ 178,079 | \$ 59,433 |

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Solutions Corp. are an integral part of these statements.

**LIABILITIES AND
CAPITALIZATION**

CURRENT LIABILITIES:

| | | |
|----------------------------------|--------------|--------------|
| Currently payable long-term debt | \$ 1,690,942 | \$ 2,024,898 |
| Short-term borrowings- | | |
| Associated companies | 786,116 | 264,823 |
| Other | 1,100,000 | 1,000,000 |
| Accounts payable- | | |
| Associated companies | 409,160 | 472,338 |
| Other | 144,837 | 154,593 |
| Accrued taxes | 122,734 | 79,766 |
| Other | 239,984 | 248,439 |
| | 4,493,773 | 4,244,857 |

CAPITALIZATION:

| | | |
|--------------------------------------|-----------|-----------|
| Common stockholder's equity - | | |
| Common stock, without par value, | | |
| authorized 750 shares, | | |
| 7 shares outstanding | 1,462,133 | 1,464,229 |
| Accumulated other comprehensive loss | (84,473) | (91,871) |
| Retained earnings | 1,742,746 | 1,572,065 |
| Total common stockholder's equity | 3,120,406 | 2,944,423 |
| Long-term debt and other long-term | | |
| obligations | 670,061 | 571,448 |
| | 3,790,467 | 3,515,871 |

NONCURRENT LIABILITIES:

| | | |
|-------------------------------------|-----------|-----------|
| Deferred gain on sale and leaseback | | |
| transaction | 1,018,156 | 1,026,584 |
| Accumulated deferred investment tax | | |
| credits | 61,645 | 62,728 |
| Asset retirement obligations | 877,073 | 863,085 |
| Retirement benefits | 198,803 | 194,177 |
| Property taxes | 50,104 | 50,104 |
| Lease market valuation liability | 296,376 | 307,705 |
| Other | 86,630 | 89,910 |
| | 2,588,787 | 2,594,293 |

**COMMITMENTS AND
CONTINGENCIES (Note 8)**

| | | |
|--|---------------|---------------|
| | \$ 10,873,027 | \$ 10,355,021 |
|--|---------------|---------------|

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Solutions Corp. are an integral part of these balance sheets.

FIRSTENERGY SOLUTIONS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|--|----------------|--|
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 170,681 | \$ 89,984 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 61,373 | 49,742 |
| Nuclear fuel and lease amortization | 27,169 | 25,426 |
| Deferred rents and lease market valuation liability | (37,522) | (34,887) |
| Deferred income taxes and investment tax credits, net | 24,866 | 30,781 |
| Investment impairment | 33,535 | 14,943 |
| Accrued compensation and retirement benefits | (3,439) | (11,042) |
| Commodity derivative transactions, net | 15,817 | 8,086 |
| Gain on asset sales | (5,209) | (4,964) |
| Cash collateral, net | (5,492) | 1,601 |
| Decrease (increase) in operating assets: | | |
| Receivables | 80,067 | 69,533 |
| Materials and supplies | (865) | (12,948) |
| Prepayments and other current assets | (3,456) | (12,260) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (61,419) | (17,149) |
| Accrued taxes | 39,846 | (28,652) |
| Accrued interest | 10,338 | (728) |
| Other | 1,577 | (7,514) |
| Net cash provided from operating activities | 347,867 | 159,952 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 100,000 | - |
| Short-term borrowings, net | 621,294 | 1,281,896 |
| Redemptions and Repayments- | | |
| Long-term debt | (335,916) | (288,603) |

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| | | |
|---|-----------|-------------|
| Common stock dividend payments | - | (10,000) |
| Net cash provided from financing activities | 385,378 | 983,293 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (412,805) | (476,529) |
| Proceeds from asset sales | 7,573 | 5,088 |
| Sales of investment securities held in trusts | 351,414 | 173,123 |
| Purchases of investment securities held in trusts | (356,904) | (181,079) |
| Loans to associated companies, net | (303,963) | (644,604) |
| Other | (18,565) | (19,244) |
| Net cash used for investing activities | (733,250) | (1,143,245) |
| Net change in cash and cash equivalents | (5) | - |
| Cash and cash equivalents at beginning of period | 39 | 2 |
| Cash and cash equivalents at end of period | \$ 34 | \$ 2 |

The accompanying Notes to Consolidated Financial Statements as they relate to FirstEnergy Solutions Corp. are an integral part of these statements.

OHIO EDISON COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

OE is a wholly owned electric utility subsidiary of FirstEnergy. OE and its wholly owned subsidiary, Penn, conduct business in portions of Ohio and Pennsylvania, providing regulated electric distribution services. They provide generation services to those franchise customers electing to retain OE and Penn as their power supplier. Until December 31, 2008, OE purchased power for delivery and resale from a full requirements power sale agreement with its affiliate FES at a fixed price that reflected the rates approved by the PUCO. See Regulatory Matters – Ohio below for a discussion of Ohio power supply procurement issues for 2009 and beyond.

Results of Operations

In the first three months of 2009, net income decreased to \$12 million from \$44 million in the same period of 2008. The decrease primarily resulted from the completion of the recovery of transition costs at the end of 2008 and accrued obligations principally associated with the implementation of the ESP in 2009. OE's financial statements include certain immaterial adjustments that relate to prior periods that reduced net income by \$3 million for the first quarter of 2009.

Revenues

Revenues increased by \$96 million, or 14.8%, in the first three months of 2009 compared with the same period in 2008, primarily due to increases in retail generation revenues (\$114 million) and wholesale revenues (\$35 million), partially offset by decreases in distribution throughput revenues (\$53 million).

Retail generation revenues increased primarily due to higher average prices across all customer classes and increased KWH sales to residential and commercial customers, reflecting a decrease in customer shopping for those sectors as most of OE's franchise customers returned to PLR service in December 2008. Reduced industrial KWH sales reflected weakened economic conditions in OE's and Penn's service territories. Additional generation revenues from OE's fuel rider effective in January 2009 contributed to the rate variances (see Regulatory Matters – Ohio).

Changes in retail generation sales and revenues in the first three months of 2009 from the same period in 2008 are summarized in the following tables:

| Retail Generation KWH Sales | Increase (Decrease) |
|---|------------------------|
| Residential | 11.8 % |
| Commercial | 17.3 % |
| Industrial | (8.2)% |
| Net Increase in Generation Sales | 7.2 % |

| Retail Generation Revenues | Increase (In millions) |
|---------------------------------|------------------------------|
| Residential | \$ 55 |
| Commercial | 41 |
| Industrial | 18 |
| Increase in Generation Revenues | \$ 114 |

Revenues from distribution throughput decreased by \$53 million in the first three months of 2009 compared to the same period in 2008 due to lower average unit prices and lower KWH deliveries to all customer classes. Reduced deliveries to commercial and industrial customers were a result of the weakened economy. Transition charges that ceased effective January 1, 2009, with the full recovery of related costs, were partially offset by a July 2008 increase to a PUCO-approved transmission rider and a January 2009 distribution rate increase (see Regulatory Matters – Ohio).

Changes in distribution KWH deliveries and revenues in the first three months of 2009 from the same period in 2008 are summarized in the following tables.

| Distribution KWH Deliveries | Decrease |
|-------------------------------------|------------------------------|
| Residential | (1.0)% |
| Commercial | (4.7)% |
| Industrial | (22.9)% |
| Decrease in Distribution Deliveries | (9.2)% |
| Distribution Revenues | Decrease (In millions) |
| Residential | \$ (8) |
| Commercial | (22) |
| Industrial | (23) |
| Decrease in Distribution Revenues | \$ (53) |

Expenses

Total expenses increased by \$143 million in the first three months of 2009 from the same period of 2008. The following table presents changes from the prior year by expense category.

| Expenses – Changes | Increase (Decrease) (In millions) |
|--|--|
| Purchased power costs | \$ 130 |
| Other operating costs | 17 |
| Amortization of regulatory assets, net | (3) |
| General taxes | (1) |
| Net Increase in Expenses | \$ 143 |

Higher purchased power costs are primarily due to the results of the CBP used for the procurement of electric generation for retail customers during the first quarter of 2009 and higher volumes due to increased retail generation KWH sales. The increase in other operating costs for the first three months of 2009 was primarily due to accruals for economic development programs, in accordance with the PUCO-approved ESP, and energy efficiency obligations. Lower amortization of net regulatory assets was primarily due to the conclusion of transition cost amortization in 2008, partially offset by lower MISO transmission cost deferrals and lower RCP distribution deferrals.

Other Expenses

Other expenses increased by \$8 million in the first three months of 2009 compared to the same period in 2008 primarily due to higher interest expense associated with the issuance of OE's \$300 million of FMBs in October 2008.

Legal Proceedings

See the "Regulatory Matters," "Environmental Matters" and "Other Legal Proceedings" sections within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to OE.

New Accounting Standards and Interpretations

See the "New Accounting Standards and Interpretations" section within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to OE.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of Ohio Edison Company:

We have reviewed the accompanying consolidated balance sheet of Ohio Edison Company and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 6 to the accompanying consolidated financial statements, the Company changed its reporting related to noncontrolling interest. The accompanying December 31, 2008 consolidated balance sheet reflects this change.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

OHIO EDISON COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|---|------------------|--|
| | (In thousands) | |
| STATEMENTS OF INCOME | | |
| REVENUES: | | |
| Electric sales | \$ 720,011 | \$ 622,271 |
| Excise and gross receipts tax collections | 28,980 | 30,378 |
| Total revenues | 748,991 | 652,649 |
| EXPENSES: | | |
| Purchased power from affiliates | 332,336 | 319,711 |
| Purchased power from non-affiliates | 137,813 | 20,475 |
| Other operating costs | 157,830 | 140,326 |
| Provision for depreciation | 21,513 | 21,493 |
| Amortization of regulatory assets, net | 20,211 | 23,127 |
| General taxes | 49,120 | 50,453 |
| Total expenses | 718,823 | 575,585 |
| OPERATING INCOME | 30,168 | 77,064 |
| OTHER INCOME (EXPENSE): | | |
| Investment income | 9,362 | 15,055 |
| Miscellaneous expense | (810) | (3,652) |
| Interest expense | (23,287) | (17,641) |
| Capitalized interest | 220 | 110 |
| Total other expense | (14,515) | (6,128) |
| INCOME BEFORE INCOME TAXES | 15,653 | 70,936 |
| INCOME TAXES | 4,005 | 26,873 |
| NET INCOME | 11,648 | 44,063 |
| Less: Noncontrolling interest income | 146 | 154 |
| EARNINGS AVAILABLE TO PARENT | \$ 11,502 | \$ 43,909 |
| STATEMENTS OF COMPREHENSIVE INCOME | | |
| NET INCOME | \$ 11,648 | \$ 44,063 |

| | | |
|--|-----------|-----------|
| OTHER COMPREHENSIVE INCOME | | |
| (LOSS): | | |
| Pension and other postretirement benefits | 5,738 | (3,994) |
| Change in unrealized gain on available-for-sale securities | (2,709) | (7,571) |
| Other comprehensive income (loss) | 3,029 | (11,565) |
| Income tax expense (benefit) related to other comprehensive income | 529 | (4,262) |
| Other comprehensive income (loss), net of tax | 2,500 | (7,303) |
| COMPREHENSIVE INCOME | 14,148 | 36,760 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | | |
| | 146 | 154 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT | | |
| | \$ 14,002 | \$ 36,606 |

The accompanying Notes to Consolidated Financial Statements as they relate to Ohio Edison Company are an integral part of these statements.

OHIO EDISON COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | March 31, 2009 (In thousands) | December 31, 2008 |
|--|-------------------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 311,192 | \$ 146,343 |
| Receivables- | | |
| Customers (less accumulated provisions of \$6,621,000 and \$6,065,000, respectively, | | |
| for uncollectible accounts) | 292,159 | 277,377 |
| Associated companies | 217,455 | 234,960 |
| Other (less accumulated provisions of \$8,000 and \$7,000, respectively, | | |
| for uncollectible accounts) | 19,492 | 14,492 |
| Notes receivable from associated companies | 77,264 | 222,861 |
| Prepayments and other | 22,544 | 5,452 |
| | 940,106 | 901,485 |
| UTILITY PLANT: | | |
| In service | 2,915,643 | 2,903,290 |
| Less - Accumulated provision for depreciation | 1,120,219 | 1,113,357 |
| | 1,795,424 | 1,789,933 |
| Construction work in progress | 47,022 | 37,766 |
| | 1,842,446 | 1,827,699 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Long-term notes receivable from associated companies | 256,473 | 256,974 |
| Investment in lease obligation bonds | 239,501 | 239,625 |
| Nuclear plant decommissioning trusts | 112,778 | 116,682 |
| Other | 98,729 | 100,792 |
| | 707,481 | 714,073 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Regulatory assets | 544,782 | 575,076 |
| Property taxes | 60,542 | 60,542 |
| Unamortized sale and leaseback costs | 38,880 | 40,130 |
| Other | 32,418 | 33,710 |
| | 676,622 | 709,458 |
| | \$ 4,166,655 | \$ 4,152,715 |
| LIABILITIES AND CAPITALIZATION | | |
| CURRENT LIABILITIES: | | |

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| | | | | |
|---|----|-----------|----|-----------|
| Currently payable long-term debt | \$ | 2,697 | \$ | 101,354 |
| Short-term borrowings- | | | | |
| Associated companies | | 79,810 | | - |
| Other | | 1,540 | | 1,540 |
| Accounts payable- | | | | |
| Associated companies | | 115,778 | | 131,725 |
| Other | | 54,237 | | 26,410 |
| Accrued taxes | | 72,736 | | 77,592 |
| Accrued interest | | 23,717 | | 25,673 |
| Other | | 124,871 | | 85,209 |
| | | 475,386 | | 449,503 |
| CAPITALIZATION: | | | | |
| Common stockholder's equity- | | | | |
| Common stock, without par value, authorized 175,000,000 shares - | | | | |
| 60 shares outstanding | | 1,224,347 | | 1,224,416 |
| Accumulated other comprehensive loss | | (181,885) | | (184,385) |
| Retained earnings | | 265,525 | | 254,023 |
| Total common stockholder's equity | | 1,307,987 | | 1,294,054 |
| Noncontrolling interest | | 7,252 | | 7,106 |
| Total equity | | 1,315,239 | | 1,301,160 |
| Long-term debt and other long-term obligations | | | | |
| | | 1,123,966 | | 1,122,247 |
| | | 2,439,205 | | 2,423,407 |
| NONCURRENT LIABILITIES: | | | | |
| Accumulated deferred income taxes | | 650,601 | | 653,475 |
| Accumulated deferred investment tax credits | | 12,700 | | 13,065 |
| Asset retirement obligations | | 81,944 | | 80,647 |
| Retirement benefits | | 305,943 | | 308,450 |
| Other | | 200,876 | | 224,168 |
| | | 1,252,064 | | 1,279,805 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | | | |
| | \$ | 4,166,655 | \$ | 4,152,715 |

The accompanying Notes to Consolidated Financial Statements as they relate to Ohio Edison Company are an integral part of these balance sheets.

OHIO EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|-----------|
| | 2009 | 2008 |
| | In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 11,648 | \$ 44,063 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 21,513 | 21,493 |
| Amortization of regulatory assets, net | 20,211 | 23,127 |
| Purchased power cost recovery reconciliation | 2,978 | - |
| Amortization of lease costs | 32,934 | 32,934 |
| Deferred income taxes and investment tax credits, net | (7,272) | 6,866 |
| Accrued compensation and retirement benefits | (1,746) | (19,482) |
| Accrued regulatory obligations | 18,350 | - |
| Electric service prepayment programs | (3,944) | (10,028) |
| Decrease (increase) in operating assets- | | |
| Receivables | 1,435 | (27,496) |
| Prepayments and other current assets | (9,806) | (7,451) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 11,880 | (3,939) |
| Accrued taxes | (26,222) | 2,991 |
| Accrued interest | (1,956) | (5,919) |
| Other | 6,708 | (2,220) |
| Net cash provided from operating activities | 76,711 | 54,939 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Short-term borrowings, net | 79,810 | - |
| Redemptions and Repayments- | | |
| Long-term debt | (100,393) | (75) |
| Dividend Payments- | | |
| Common stock | - | (15,000) |

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| | | |
|--|------------|----------|
| Other | (69) | (5) |
| Net cash used for financing activities | (20,652) | (15,080) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (37,523) | (49,011) |
| Sales of investment securities held in trusts | 9,417 | 62,344 |
| Purchases of investment securities held in trusts | (10,422) | (63,797) |
| Loan repayments from associated companies, net | 146,098 | 6,534 |
| Cash investments | (243) | 147 |
| Other | 1,463 | 3,924 |
| Net cash provided from (used for) investing activities | 108,790 | (39,859) |
| Net change in cash and cash equivalents | 164,849 | - |
| Cash and cash equivalents at beginning of period | 146,343 | 732 |
| Cash and cash equivalents at end of period | \$ 311,192 | \$ 732 |

The accompanying Notes to Consolidated Financial Statements as they relate to Ohio Edison Company are an integral part of these statements.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

CEI is a wholly owned, electric utility subsidiary of FirstEnergy. CEI conducts business in northeastern Ohio, providing regulated electric distribution services. CEI also provides generation services to those customers electing to retain CEI as their power supplier. Until December 31, 2008, CEI purchased power for delivery and resale from a full requirements power sale agreement with its affiliate FES at a fixed price that was reflected in rates approved by the PUCO. See Regulatory Matters – Ohio below for a discussion of Ohio power supply procurement issues for 2009 and beyond.

Results of Operations

CEI recognized a net loss of \$105 million in the first three months of 2009 compared to net income of \$58 million in the same period of 2008. The decrease resulted primarily from CEI's \$216 million regulatory asset impairment related to the implementation of its ESP and increased purchased power costs, partially offset by higher deferrals of new regulatory assets.

Revenues

Revenues increased by \$12 million, or 2.8%, in the first three months of 2009 compared to the same period of 2008 primarily due to an increase in retail generation revenues (\$18 million), partially offset by decreases in distribution revenues (\$4 million) and other miscellaneous revenues (\$2 million).

Retail generation revenues increased in the first three months of 2009 due to higher average unit prices across all customer classes and increased sales volume to residential and commercial customers, compared to the same period of 2008. Generation rate increases under CEI's CBP contributed to the increased rate variances (see Regulatory Matters – Ohio). Reduced industrial KWH sales, principally to major automotive and steel customers, reflected weakened economic conditions. The increase in sales volume for residential and commercial customers primarily reflected a decrease in customer shopping, as most of CEI's customers returned to PLR service in December 2008.

Changes in retail generation sales and revenues in the first three months of 2009 compared to the same period in 2008 are summarized in the following tables:

| Retail Generation | Increase (Decrease) |
|----------------------------|---------------------|
| KWH Sales | |
| Residential | 8.0 % |
| Commercial | 12.5 % |
| Industrial | (9.8)% |
| Net Increase | 1.4 |
| in Retail Generation Sales | % |

| | | |
|--------------|------------|-----|
| Retail | | |
| Generation | Increase | |
| Revenues | (Decrease) | |
| | (in | |
| | millions) | |
| Residential | \$ | 8 |
| Commercial | | 12 |
| Industrial | | (2) |
| Net Increase | | |
| in | | |
| Generation | | |
| Revenues | \$ | 18 |

Revenues from distribution throughput decreased by \$4 million in the first three months of 2009 compared to the same period of 2008 primarily due lower KWH deliveries to commercial and industrial customers as a result of the economic downturn in CEI's service territory.

Decreases in distribution KWH deliveries and revenues in the first three months of 2009 compared to the same period of 2008 are summarized in the following tables.

| Distribution KWH Deliveries | Decrease |
|-------------------------------------|----------|
| Residential | (0.6)% |
| Commercial | (5.1)% |
| Industrial | (19.8)% |
| Decrease in Distribution Deliveries | (10.0)% |

| Distribution Revenues | Decrease (In millions) |
|-----------------------------------|---------------------------|
| Residential | \$ (1) |
| Commercial | (1) |
| Industrial | (2) |
| Decrease in Distribution Revenues | \$ (4) |

Expenses

Total expenses increased by \$267 million in the first three months of 2009 compared to the same period of 2008. The following table presents the change from the prior year by expense category:

| Expenses - Changes | Increase (Decrease) (in millions) |
|-----------------------------------|---|
| Purchased power costs | \$ 117 |
| Amortization of regulatory assets | 218 |
| Deferral of new regulatory assets | (66) |
| General taxes | (2) |
| Net Increase in Expenses | \$ 267 |

Higher purchased power costs are primarily due to the results of the CBP used for the procurement of electric generation for retail customers in the first quarter of 2009. Increased amortization of regulatory assets was primarily due to the impairment of CEI's Extended RTC balance in accordance with the PUCO-approved ESP. The increase in

the deferral of new regulatory assets was primarily due to CEI's deferral of purchased power costs as approved by the PUCO, partially offset by lower deferred MISO transmission expenses and the absence of RCP distribution deferrals that ceased at the end of 2008. While other operating costs were unchanged from the previous year, cost increases associated with the ESP for economic development and energy efficiency programs, higher pension expense and restructuring costs were completely offset by reduced transmission expense, labor, contractor costs and general business expense. The decrease in general taxes is primarily due to lower property taxes.

Legal Proceedings

See the "Regulatory Matters," "Environmental Matters" and "Other Legal Proceedings" sections within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to CEI.

New Accounting Standards and Interpretations

See the "New Accounting Standards and Interpretations" section within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to CEI.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors of
The Cleveland Electric Illuminating Company:

We have reviewed the accompanying consolidated balance sheet of The Cleveland Electric Illuminating Company and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 6 to the accompanying consolidated financial statements, the Company changed its reporting related to noncontrolling interest. The accompanying December 31, 2008 consolidated balance sheet reflects this change.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|------------------|
| | 2009 | 2008 |
| | (In thousands) | |
| STATEMENTS OF INCOME | | |
| REVENUES: | | |
| Electric sales | \$ 431,405 | \$ 418,708 |
| Excise tax collections | 18,320 | 18,600 |
| Total revenues | 449,725 | 437,308 |
| EXPENSES: | | |
| Purchased power from affiliates | 238,872 | 190,196 |
| Purchased power from non-affiliates | 71,746 | 3,048 |
| Other operating costs | 64,830 | 65,118 |
| Provision for depreciation | 18,280 | 19,076 |
| Amortization of regulatory assets | 256,737 | 38,256 |
| Deferral of new regulatory assets | (94,816) | (29,248) |
| General taxes | 38,141 | 40,083 |
| Total expenses | 593,790 | 326,529 |
| OPERATING INCOME (LOSS) | (144,065) | 110,779 |
| OTHER INCOME (EXPENSE): | | |
| Investment income | 8,420 | 9,188 |
| Miscellaneous income | 1,994 | 1,118 |
| Interest expense | (33,322) | (32,520) |
| Capitalized interest | 67 | 196 |
| Total other expense | (22,841) | (22,018) |
| INCOME (LOSS) BEFORE INCOME TAXES | (166,906) | 88,761 |
| INCOME TAX EXPENSE (BENEFIT) | (61,506) | 30,326 |
| NET INCOME (LOSS) | (105,400) | 58,435 |
| Less: Noncontrolling interest income | 458 | 584 |
| EARNINGS (LOSS) AVAILABLE TO PARENT | \$ (105,858) | \$ 57,851 |
| STATEMENTS OF COMPREHENSIVE INCOME | | |

| | | |
|--|--------------|-----------|
| NET INCOME (LOSS) | \$ (105,400) | \$ 58,435 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and other postretirement benefits | 3,967 | (213) |
| Income tax expense related to other comprehensive income | 1,370 | 281 |
| Other comprehensive income (loss), net of tax | 2,597 | (494) |
| COMPREHENSIVE INCOME (LOSS) | (102,803) | 57,941 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | 458 | 584 |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO PARENT | \$ (103,261) | \$ 57,357 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these statements.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31,
2009December 31,
2008

(In thousands)

| ASSETS | | |
|--|--------------|--------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 233 | \$ 226 |
| Receivables- | | |
| Customers (less accumulated provisions of \$6,199,000 and \$5,916,000, respectively, for uncollectible accounts) | 283,967 | 276,400 |
| Associated companies | 159,819 | 113,182 |
| Other | 4,438 | 13,834 |
| Notes receivable from associated companies | 22,744 | 19,060 |
| Prepayments and other | 2,002 | 2,787 |
| | 473,203 | 425,489 |
| UTILITY PLANT: | | |
| In service | 2,240,065 | 2,221,660 |
| Less - Accumulated provision for depreciation | 852,393 | 846,233 |
| | 1,387,672 | 1,375,427 |
| Construction work in progress | 40,545 | 40,651 |
| | 1,428,217 | 1,416,078 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Investment in lessor notes | 388,647 | 425,715 |
| Other | 10,239 | 10,249 |
| | 398,886 | 435,964 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 1,688,521 | 1,688,521 |
| Regulatory assets | 617,967 | 783,964 |
| Property taxes | 71,500 | 71,500 |
| Other | 10,629 | 10,818 |
| | 2,388,617 | 2,554,803 |
| | \$ 4,688,923 | \$ 4,832,334 |
| LIABILITIES AND CAPITALIZATION | | |
| CURRENT LIABILITIES: | | |
| Currently payable long-term debt | \$ 150,704 | \$ 150,688 |
| Short-term borrowings- | | |
| Associated companies | 242,065 | 227,949 |
| Accounts payable- | | |
| Associated companies | 94,824 | 106,074 |
| Other | 26,914 | 7,195 |

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| | | |
|---|--------------|--------------|
| Accrued taxes | 76,130 | 87,810 |
| Accrued interest | 41,546 | 13,932 |
| Other | 44,021 | 40,095 |
| | 676,204 | 633,743 |
| CAPITALIZATION: | | |
| Common stockholder's equity | | |
| Common stock, without par value, authorized 105,000,000 shares - | | |
| 67,930,743 shares outstanding | 878,680 | 878,785 |
| Accumulated other comprehensive loss | (132,260) | (134,857) |
| Retained earnings | 754,096 | 859,954 |
| Total common stockholder's equity | 1,500,516 | 1,603,882 |
| Noncontrolling interest | 20,173 | 22,555 |
| Total equity | 1,520,689 | 1,626,437 |
| Long-term debt and other long-term obligations | | |
| | 1,573,241 | 1,591,586 |
| | 3,093,930 | 3,218,023 |
| NONCURRENT LIABILITIES: | | |
| Accumulated deferred income taxes | 644,547 | 704,270 |
| Accumulated deferred investment tax credits | 12,731 | 13,030 |
| Retirement benefits | 129,537 | 128,738 |
| Lease assignment payable to associated companies | 40,827 | 40,827 |
| Other | 91,147 | 93,703 |
| | 918,789 | 980,568 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | \$ 4,688,923 | \$ 4,832,334 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these balance sheets.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|-----------|
| | 2009 | 2008 |
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ (105,400) | \$ 58,435 |
| Adjustments to reconcile net income (loss) to net cash from operating activities- | | |
| Provision for depreciation | 18,280 | 19,076 |
| Amortization of regulatory assets | 256,737 | 38,256 |
| Deferral of new regulatory assets | (94,816) | (29,248) |
| Deferred income taxes and investment tax credits, net | (61,525) | (4,965) |
| Accrued compensation and retirement benefits | 1,828 | (3,507) |
| Accrued regulatory obligations | 12,057 | - |
| Electric service prepayment programs | (2,695) | (5,847) |
| Decrease (increase) in operating assets- | | |
| Receivables | (44,808) | 90,280 |
| Prepayments and other current assets | 785 | 604 |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 18,470 | 1,111 |
| Accrued taxes | (16,274) | 23,196 |
| Accrued interest | 27,614 | 23,831 |
| Other | 346 | 2,308 |
| Net cash provided from operating activities | 10,599 | 213,530 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Redemptions and Repayments- | | |
| Long-term debt | (181) | (165) |
| Short-term borrowings, net | (4,086) | (177,960) |
| Dividend Payments- | | |
| Common stock | (10,000) | (30,000) |
| Other | (2,840) | (2,955) |
| | (17,107) | (211,080) |

Net cash used for financing
activities

**CASH FLOWS FROM
INVESTING ACTIVITIES:**

| | | |
|---|----------|----------|
| Property additions | (24,900) | (37,203) |
| Loans to associated companies, net | (3,683) | (2,373) |
| Redemptions of lessor notes | 37,068 | 37,709 |
| Other | (1,970) | (574) |
| Net cash provided from (used for) investing activities | 6,515 | (2,441) |
| Net increase in cash and cash equivalents | 7 | 9 |
| Cash and cash equivalents at beginning of period | 226 | 232 |
| Cash and cash equivalents at end of period | \$ 233 | \$ 241 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Cleveland Electric Illuminating Company are an integral part of these statements.

THE TOLEDO EDISON COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

TE is a wholly owned electric utility subsidiary of FirstEnergy. TE conducts business in northwestern Ohio, providing regulated electric distribution services. TE also provides generation services to those customers electing to retain TE as their power supplier. Until December 31, 2008, TE purchased power for delivery and resale from a full requirements power sale agreement with its affiliate FES at a fixed price that was reflected in rates approved by the PUCO. See Regulatory Matters – Ohio below for a discussion of Ohio power supply procurement issues for 2009 and beyond.

Results of Operations

Net income in the first three months of 2009 decreased to \$1 million from \$17 million in the same period of 2008. The decrease resulted primarily from the completion of transition cost recovery in 2008.

Revenues

Revenues increased \$33 million, or 15.6%, in the first three months of 2009 compared to the same period of 2008 primarily due to increased retail generation revenues (\$67 million), partially offset by lower distribution revenues (\$33 million) and wholesale generation revenues (\$1 million).

Retail generation revenues increased in the first three months of 2009 due to higher average prices across all customer classes and increased KWH sales to residential and commercial customers, compared to the same period of 2008. TE's implementation of a fuel rider in January 2009 produced the rate variances (see Regulatory Matters – Ohio). Reduced industrial KWH sales, principally to major automotive and steel customers, reflected weakened economic conditions. The increase in sales volume for residential and commercial customers resulted principally from a decrease in customer shopping. Most of TE's franchise customers returned to PLR service in December 2008.

Changes in retail electric generation KWH sales and revenues in the first three months of 2009 from the same period of 2008 are summarized in the following tables.

| | Increase (Decrease) |
|----------------------------------|------------------------|
| Retail KWH Sales | |
| Residential | 6.5 % |
| Commercial | 39.3 % |
| Industrial | (11.5)% |
| Net Increase in Retail KWH Sales | 3.9 % |
| Retail Generation | Increase |

| | |
|--|------------------|
| Revenues | |
| | (In millions) |
| Residential | \$ 16 |
| Commercial | 26 |
| Industrial | 25 |
| Increase in R e t a i l Generation Revenues | \$ 67 |

Revenues from distribution throughput decreased by \$33 million in the first three months of 2009 compared to the same period in 2008 due to lower average unit prices and lower KWH deliveries for all customer classes. Transition charges that ceased effective January 1, 2009, with the full recovery of related costs, were partially offset by a PUCO-approved distribution rate increase (see Regulatory Matters – Ohio).

Changes in distribution KWH deliveries and revenues in the first three months of 2009 from the same period of 2008 are summarized in the following tables.

| | |
|--|----------|
| Distribution KWH Deliveries | Decrease |
| Residential | (2.8)% |
| Commercial | (10.0)% |
| Industrial | (13.5)% |
| Decrease in Distribution Deliveries | (9.6)% |

| | |
|---|------------------------------|
| Distribution Revenues | Decrease (In millions) |
| Residential | \$ (8) |
| Commercial | (17) |
| Industrial | (8) |
| Decrease in Distribution Revenues | \$ (33) |

Expenses

Total expenses increased \$57 million in the first three months of 2009 from the same period of 2008. The following table presents changes from the prior year by expense category.

| | |
|--|--|
| Expenses – Changes | Increase (Decrease) (In millions) |
| Purchased power costs | \$ 64 |
| Provision for depreciation | (1) |
| Amortization of regulatory assets, net | (6) |
| Net Increase in Expenses | \$ 57 |

Higher purchased power costs are primarily due to the results of the CBP used for the procurement of electric generation for retail customers during the first quarter of 2009. While other operating costs were unchanged from the first quarter of 2008, cost increases associated with the regulatory obligations for economic development and energy efficiency programs, higher pension and other expenses were completely offset by reduced transmission, labor and other employee benefit expenses. Depreciation expense decreased due to the transfer of leasehold improvements for

the Bruce Mansfield Plant and Beaver Valley Unit 2 to FGCO and NGC, respectively, during 2008. The decrease in the net amortization of regulatory assets is primarily due to the cessation of transition cost amortization, partially offset by a reduction in transmission deferrals and the absence of RCP distribution cost deferrals in 2009.

Legal Proceedings

See the “Regulatory Matters,” “Environmental Matters” and “Other Legal Proceedings” sections within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to TE.

New Accounting Standards and Interpretations

See the “New Accounting Standards and Interpretations” section within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to TE.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of The Toledo Edison Company:

We have reviewed the accompanying consolidated balance sheet of The Toledo Edison Company and its subsidiary as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 6 to the accompanying consolidated financial statements, the Company changed its reporting related to noncontrolling interest. The accompanying December 31, 2008 consolidated balance sheet reflects this change.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

THE TOLEDO EDISON COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|---|--------------------------------|------------------|
| | 2009 | 2008 |
| | (In thousands) | |
| STATEMENTS OF INCOME | | |
| REVENUES: | | |
| Electric sales | \$ 237,085 | \$ 203,669 |
| Excise tax collections | 7,729 | 8,025 |
| Total revenues | 244,814 | 211,694 |
| EXPENSES: | | |
| Purchased power from affiliates | 125,324 | 99,494 |
| Purchased power from non-affiliates | 40,537 | 1,804 |
| Other operating costs | 45,004 | 45,329 |
| Provision for depreciation | 7,572 | 9,025 |
| Amortization of regulatory assets, net | 9,897 | 15,531 |
| General taxes | 14,250 | 14,377 |
| Total expenses | 242,584 | 185,560 |
| OPERATING INCOME | 2,230 | 26,134 |
| OTHER INCOME (EXPENSE): | | |
| Investment income | 5,484 | 6,481 |
| Miscellaneous expense | (1,340) | (1,512) |
| Interest expense | (5,533) | (6,035) |
| Capitalized interest | 42 | 37 |
| Total other expense | (1,347) | (1,029) |
| INCOME BEFORE INCOME TAXES | 883 | 25,105 |
| INCOME TAX EXPENSE (BENEFIT) | (109) | 8,088 |
| NET INCOME | 992 | 17,017 |
| Less: Noncontrolling interest income | 2 | 2 |
| EARNINGS AVAILABLE TO PARENT | \$ 990 | \$ 17,015 |
| STATEMENTS OF COMPREHENSIVE INCOME | | |
| NET INCOME | \$ 992 | \$ 17,017 |

| | | |
|--|--------|-----------|
| OTHER COMPREHENSIVE INCOME | | |
| (LOSS): | | |
| Pension and other postretirement benefits | 133 | (63) |
| Change in unrealized gain on available-for-sale securities | (809) | 1,961 |
| Other comprehensive income (loss) | (676) | 1,898 |
| Income tax expense (benefit) related to other comprehensive income | (19) | 728 |
| Other comprehensive income (loss), net of tax | (657) | 1,170 |
| COMPREHENSIVE INCOME | 335 | 18,187 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | | |
| | 2 | 2 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT | \$ 333 | \$ 18,185 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Toledo Edison Company are an integral part of these statements.

THE TOLEDO EDISON COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31,
2009December 31,
2008

(In thousands)

| ASSETS | | |
|--|--------------|--------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 15 | \$ 14 |
| Receivables- | | |
| Customers | 438 | 751 |
| Associated companies | 70,444 | 61,854 |
| Other (less accumulated provisions of \$193,000 and \$203,000, respectively, for uncollectible accounts) | 23,693 | 23,336 |
| Notes receivable from associated companies | 133,186 | 111,579 |
| Prepayments and other | 4,481 | 1,213 |
| | 232,257 | 198,747 |
| UTILITY PLANT: | | |
| In service | 880,315 | 870,911 |
| Less - Accumulated provision for depreciation | 413,030 | 407,859 |
| | 467,285 | 463,052 |
| Construction work in progress | 10,957 | 9,007 |
| | 478,242 | 472,059 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Investment in lessor notes | 124,329 | 142,687 |
| Long-term notes receivable from associated companies | 37,154 | 37,233 |
| Nuclear plant decommissioning trusts | 73,235 | 73,500 |
| Other | 1,646 | 1,668 |
| | 236,364 | 255,088 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 500,576 | 500,576 |
| Regulatory assets | 96,351 | 109,364 |
| Property taxes | 22,970 | 22,970 |
| Other | 62,004 | 51,315 |
| | 681,901 | 684,225 |
| | \$ 1,628,764 | \$ 1,610,119 |
| LIABILITIES AND CAPITALIZATION | | |
| CURRENT LIABILITIES: | | |
| Currently payable long-term debt | \$ 222 | \$ 34 |
| Accounts payable- | | |
| Associated companies | 59,462 | 70,455 |

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| | | |
|--|--------------|--------------|
| Other | 14,823 | 4,812 |
| Notes payable to associated companies | 107,265 | 111,242 |
| Accrued taxes | 23,259 | 24,433 |
| Lease market valuation liability | 36,900 | 36,900 |
| Other | 54,397 | 22,489 |
| | 296,328 | 270,365 |
| CAPITALIZATION: | | |
| Common stockholder's equity- | | |
| Common stock, \$5 par value, authorized 60,000,000 shares - | | |
| 29,402,054 shares outstanding | 147,010 | 147,010 |
| Other paid-in capital | 175,866 | 175,879 |
| Accumulated other comprehensive loss | (34,029) | (33,372) |
| Retained earnings | 191,523 | 190,533 |
| Total common stockholder's equity | 480,370 | 480,050 |
| Noncontrolling interest | 2,676 | 2,675 |
| Total equity | 483,046 | 482,725 |
| Long-term debt and other long-term obligations | | |
| | 303,021 | 299,626 |
| | 786,067 | 782,351 |
| NONCURRENT LIABILITIES: | | |
| Accumulated deferred income taxes | 77,016 | 78,905 |
| Accumulated deferred investment tax credits | 6,695 | 6,804 |
| Lease market valuation liability | 263,875 | 273,100 |
| Retirement benefits | 74,911 | 73,106 |
| Asset retirement obligations | 30,719 | 30,213 |
| Lease assignment payable to associated companies | 30,529 | 30,529 |
| Other | 62,624 | 64,746 |
| | 546,369 | 557,403 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | \$ 1,628,764 | \$ 1,610,119 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Toledo Edison Company are an integral part of these balance sheets.

THE TOLEDO EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|--|----------------|--|
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 992 | \$ 17,017 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 7,572 | 9,025 |
| Amortization of regulatory assets, net | 9,897 | 15,531 |
| Purchased power cost recovery reconciliation | 2,912 | - |
| Deferred rents and lease market valuation liability | 6,141 | 6,099 |
| Deferred income taxes and investment tax credits, net | (2,151) | (3,404) |
| Accrued compensation and retirement benefits | 397 | (1,813) |
| Accrued regulatory obligations | 4,450 | - |
| Electric service prepayment programs | (1,240) | (2,670) |
| Decrease (increase) in operating assets- | | |
| Receivables | (8,395) | 45,738 |
| Prepayments and other current assets | 492 | 181 |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 9,018 | (174,243) |
| Accrued taxes | (4,904) | 6,840 |
| Accrued interest | 4,613 | 4,663 |
| Other | 1,465 | 989 |
| Net cash provided from (used for) operating activities | 31,259 | (76,047) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Short-term borrowings, net | - | 52,821 |
| Redemptions and Repayments- | | |
| Long-term debt | (181) | (9) |
| Short-term borrowings, net | (3,977) | - |
| Dividend Payments- | | |
| Common stock | (10,000) | (15,000) |
| Other | (39) | - |

| | | |
|---|----------|----------|
| Net cash provided from (used for) financing activities | (14,197) | 37,812 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (12,233) | (19,435) |
| Loan repayments from (loans to) associated companies, net | (21,528) | 46,789 |
| Redemption of lessor notes | 18,358 | 11,989 |
| Sales of investment securities held in trusts | 44,270 | 3,908 |
| Purchases of investment securities held in trusts | (44,856) | (4,715) |
| Other | (1,072) | (110) |
| Net cash provided from (used for) investing activities | (17,061) | 38,426 |
| Net change in cash and cash equivalents | 1 | 191 |
| Cash and cash equivalents at beginning of period | 14 | 22 |
| Cash and cash equivalents at end of period | \$ 15 | \$ 213 |

The accompanying Notes to Consolidated Financial Statements as they relate to The Toledo Edison Company are an integral part of these statements.

JERSEY CENTRAL POWER & LIGHT COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

JCP&L is a wholly owned, electric utility subsidiary of FirstEnergy. JCP&L conducts business in New Jersey, providing regulated electric transmission and distribution services. JCP&L also provides generation services to franchise customers electing to retain JCP&L as their power supplier. JCP&L procures electric supply to serve its BGS customers through a statewide auction process approved by the NJBPU.

Results of Operations

Net income for the first three months of 2009 decreased to \$28 million from \$34 million in the same period in 2008. The decrease was primarily due to lower revenues and higher other operating costs, partially offset by lower purchased power costs and reduced amortization of regulatory assets.

Revenues

In the first three months of 2009, revenues decreased by \$21 million, or 3%, compared to the same period of 2008. A \$31 million increase in retail generation revenues was more than offset by a \$47 million decrease in wholesale revenues in the first three months of 2009.

Retail generation revenues from all customer classes increased in the first three months of 2009 compared to the same period of 2008 due to higher unit prices resulting from the BGS auction effective June 1, 2008, partially offset by a decrease in retail generation KWH sales to commercial customers. Sales volume to the commercial sector decreased primarily due to an increase in the number of customers procuring generation from other suppliers.

Wholesale generation revenues decreased \$47 million in the first three months of 2009 due to lower market prices and a decrease in sales volume (from NUG purchases) as compared to the first three months of 2008.

Changes in retail generation KWH sales and revenues by customer class in the first three months of 2009 compared to the same period of 2008 are summarized in the following tables:

| Retail Generation KWH Sales | Increase (Decrease) |
|------------------------------|---------------------|
| Residential | 0.1 % |
| Commercial | (7.0)% |
| Industrial | 2.9 % |
| Net | (2.7 |
| Decrease in Generation Sales |)% |
| Retail Generation | Increase |

| | |
|---------------------------------------|------------------|
| Revenues | |
| | (In millions) |
| Residential | \$ 30 |
| Commercial | 1 |
| Industrial | - |
| Increase in Generation Revenues | \$ 31 |

Distribution revenues decreased by \$1 million in the first three months of 2009 compared to the same period of 2008, reflecting lower KWH deliveries to commercial and industrial customers as a result of weakened economic conditions in JCP&L's service territory. The decrease in KWH deliveries was partially offset by an increase in composite unit prices.

Changes in distribution KWH deliveries and revenues by customer class in the first three months of 2009 compared to the same period in 2008 are summarized in the following tables:

| | |
|---|------------------------|
| | Increase (Decrease) |
| Distribution KWH Deliveries | |
| Residential | - % |
| Commercial | (2.4)% |
| Industrial | (11.4)% |
| Increase in Distribution Deliveries | (2.5)% |

| Distribution Revenues | Increase (Decrease) |
|---|------------------------|
| | (In millions) |
| Residential | \$ 2 |
| Commercial | (2) |
| Industrial | (1) |
| Net | \$ (1) |
| Decrease in Distribution Revenues |) |

Expenses

Total expenses decreased by \$11 million in the first three months of 2009 compared to the same period of 2008. The following table presents changes from the prior year period by expense category:

| Expenses - Changes | Increase (Decrease) |
|---|------------------------|
| | (In millions) |
| Purchased power costs | \$ (15) |
| Other operating costs | 7 |
| Provision for depreciation | 2 |
| Amortization of regulatory assets | (5) |
| Net Decrease in Expenses | \$ (11) |

Purchased power costs decreased in the first three months of 2009 primarily due to lower KWH purchases to meet the lower demand, partially offset by higher unit prices from the BGS auction effective June 1, 2008. Other operating costs increased in the first three months of 2009 primarily due to higher expenses related to employee benefits and customer assistance programs, partially offset by lower contracting and labor expenses. Depreciation expense increased primarily due to an increase in depreciable property since the first quarter of 2008. Amortization of regulatory assets decreased in the first three months of 2009 primarily due to the full recovery of certain regulatory assets in June 2008.

Other Expenses

Other expenses increased by \$2 million in the first three months of 2009 compared to the same period in 2008 primarily due to interest expense associated with JCP&L's \$300 million Senior Notes issuance in January 2009.

Legal Proceedings

See the “Regulatory Matters,” “Environmental Matters” and “Other Legal Proceedings” sections within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of other legal proceedings applicable to JCP&L.

New Accounting Standards and Interpretations

See the “New Accounting Standards and Interpretations” section within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to JCP&L.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of Jersey Central Power & Light Company:

We have reviewed the accompanying consolidated balance sheet of Jersey Central Power & Light Company and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

JERSEY CENTRAL POWER & LIGHT COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|------------------|
| | 2009 | 2008 |
| | (In thousands) | |
| REVENUES: | | |
| Electric sales | \$ 760,920 | \$ 781,433 |
| Excise tax collections | 12,731 | 12,795 |
| Total revenues | 773,651 | 794,228 |
| EXPENSES: | | |
| Purchased power | 481,241 | 496,681 |
| Other operating costs | 85,870 | 78,784 |
| Provision for depreciation | 25,103 | 23,282 |
| Amortization of regulatory assets | 86,831 | 91,519 |
| General taxes | 17,496 | 17,028 |
| Total expenses | 696,541 | 707,294 |
| OPERATING INCOME | 77,110 | 86,934 |
| OTHER INCOME (EXPENSE): | | |
| Miscellaneous income (expense) | 805 | (389) |
| Interest expense | (27,868) | (24,464) |
| Capitalized interest | 62 | 276 |
| Total other expense | (27,001) | (24,577) |
| INCOME BEFORE INCOME TAXES | 50,109 | 62,357 |
| INCOME TAXES | 22,551 | 28,403 |
| NET INCOME | 27,558 | 33,954 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and other postretirement benefits | 4,121 | (3,449) |
| Unrealized gain on derivative hedges | 69 | 69 |
| Other comprehensive income (loss) | 4,190 | (3,380) |
| Income tax expense (benefit) related to other comprehensive income | 1,430 | (1,470) |
| Other comprehensive income (loss), net of tax | 2,760 | (1,910) |
| TOTAL COMPREHENSIVE INCOME | \$ 30,318 | \$ 32,044 |

The accompanying Notes to Consolidated Financial Statements as they relate to Jersey Central Power & Light Company are an integral part of these statements.

JERSEY CENTRAL POWER & LIGHT COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31,
2009December 31,
2008

(In thousands)

| ASSETS | | |
|---|--------------|--------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 4 | \$ 66 |
| Receivables- | | |
| Customers (less accumulated provisions of \$3,415,000 and \$3,230,000 respectively, for uncollectible accounts) | 315,084 | 340,485 |
| Associated companies | 116 | 265 |
| Other | 35,941 | 37,534 |
| Notes receivable - associated companies | 91,362 | 16,254 |
| Prepaid taxes | 4,243 | 10,492 |
| Other | 21,006 | 18,066 |
| | 467,756 | 423,162 |
| UTILITY PLANT: | | |
| In service | 4,337,711 | 4,307,556 |
| Less - Accumulated provision for depreciation | 1,562,417 | 1,551,290 |
| | 2,775,294 | 2,756,266 |
| Construction work in progress | 69,806 | 77,317 |
| | 2,845,100 | 2,833,583 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Nuclear fuel disposal trust | 189,784 | 181,468 |
| Nuclear plant decommissioning trusts | 136,783 | 143,027 |
| Other | 2,154 | 2,145 |
| | 328,721 | 326,640 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 1,810,936 | 1,810,936 |
| Regulatory assets | 1,162,132 | 1,228,061 |
| Other | 28,487 | 29,946 |
| | 3,001,555 | 3,068,943 |
| | \$ 6,643,132 | \$ 6,652,328 |
| LIABILITIES AND CAPITALIZATION | | |
| CURRENT LIABILITIES: | | |
| Currently payable long-term debt | \$ 29,465 | \$ 29,094 |
| Short-term borrowings- | | |
| Associated companies | - | 121,380 |
| Accounts payable- | | |
| Associated companies | 22,562 | 12,821 |
| Other | 158,972 | 198,742 |
| Accrued taxes | 53,998 | 20,561 |

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| | | |
|--|--------------|--------------|
| Accrued interest | 30,446 | 9,197 |
| Other | 129,745 | 133,091 |
| | 425,188 | 524,886 |
| CAPITALIZATION | | |
| Common stockholder's equity- | | |
| Common stock, \$10 par value, authorized 16,000,000 shares- | | |
| 13,628,447 shares outstanding | 136,284 | 144,216 |
| Other paid-in capital | 2,502,594 | 2,644,756 |
| Accumulated other comprehensive loss | (213,778) | (216,538) |
| Retained earnings | 121,134 | 156,576 |
| Total common stockholder's equity | 2,546,234 | 2,729,010 |
| Long-term debt and other long-term obligations | | |
| | 1,824,851 | 1,531,840 |
| | 4,371,085 | 4,260,850 |
| NONCURRENT LIABILITIES: | | |
| Power purchase contract liability | 530,538 | 531,686 |
| Accumulated deferred income taxes | 664,388 | 689,065 |
| Nuclear fuel disposal costs | 196,260 | 196,235 |
| Asset retirement obligations | 96,839 | 95,216 |
| Retirement benefits | 185,265 | 190,182 |
| Other | 173,569 | 164,208 |
| | 1,846,859 | 1,866,592 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | \$ 6,643,132 | \$ 6,652,328 |

The accompanying Notes to Consolidated Financial Statements as they relate to Jersey Central Power & Light Company are an integral part of these balance sheets.

JERSEY CENTRAL POWER & LIGHT COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|--|----------------|--|
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 27,558 | \$ 33,954 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 25,103 | 23,282 |
| Amortization of regulatory assets | 86,831 | 91,519 |
| Deferred purchased power and other costs | (28,369) | (23,893) |
| Deferred income taxes and investment tax credits, net | (6,408) | 723 |
| Accrued compensation and retirement benefits | (7,481) | (15,113) |
| Cash collateral returned to suppliers | (209) | (502) |
| Decrease (increase) in operating assets: | | |
| Receivables | 27,143 | 48,733 |
| Materials and supplies | - | 255 |
| Prepaid taxes | 6,249 | (290) |
| Other current assets | (1,457) | (1,305) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (30,029) | (14,511) |
| Accrued taxes | 33,114 | 29,844 |
| Accrued interest | 21,249 | 17,338 |
| Other | 7,890 | (3,098) |
| Net cash provided from operating activities | 161,184 | 186,936 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 299,619 | - |
| Redemptions and Repayments- | | |
| Common stock | (150,000) | - |
| Long-term debt | (6,402) | (5,872) |
| Short-term borrowings, net | (121,380) | (48,001) |
| Dividend Payments- | | |
| Common stock | (63,000) | (70,000) |
| Other | (2,152) | (68) |
| | (43,315) | (123,941) |

| | | | |
|---|-----------|---|----------|
| Net cash used for financing activities | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Property additions | (37,372) | | (56,047) |
| Loan repayments from (loans to) associated companies, net | (75,108) | | 18 |
| Sales of investment securities held in trusts | 115,483 | | 56,506 |
| Purchases of investment securities held in trusts | (120,062) | | (61,290) |
| Other | (872) | | (2,236) |
| Net cash used for investing activities | (117,931) | | (63,049) |
| Net change in cash and cash equivalents | | | |
| | (62) | | (54) |
| Cash and cash equivalents at beginning of period | 66 | | 94 |
| Cash and cash equivalents at end of period | \$ | 4 | \$ 40 |

The accompanying Notes to Consolidated Financial Statements as they relate to Jersey Central Power & Light Company are an integral part of these statements.

METROPOLITAN EDISON COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

Met-Ed is a wholly owned electric utility subsidiary of FirstEnergy. Met-Ed conducts business in eastern Pennsylvania, providing regulated electric transmission and distribution services. Met-Ed also provides generation service to those customers electing to retain Met-Ed as their power supplier. Met-Ed has a partial requirements wholesale power sales agreement with FES, to supply a portion of each of its default service obligations at fixed prices through 2009. This sales agreement is renewed annually unless cancelled by either party with at least a sixty day written notice prior to the end of the calendar year.

Results of Operations

Net income decreased to \$17 million in the first quarter of 2009, compared to \$22 million in the same period of 2008. The decrease was primarily due to higher purchased power costs and lower deferrals of new regulatory assets, partially offset by higher revenues.

Revenues

Revenues increased by \$29 million, or 7.3%, in the first quarter of 2009, compared to the same period of 2008, primarily due to higher distribution throughput revenues and wholesale generation revenues, partially offset by a decrease in retail generation revenues. Wholesale revenues increased by \$8 million in the first quarter of 2009, compared to the same period of 2008, due to higher capacity prices for PJM market participants; wholesale KWH sales volume was lower in 2009.

In the first quarter of 2009, retail generation revenues decreased \$5 million due to lower KWH sales to the commercial and industrial customer classes, partially offset by higher KWH sales to the residential customer class with a slight increase in composite unit prices in all customer classes. Higher KWH sales in the residential sector were due to increased weather-related usage, reflecting an 8.1% increase in heating degree days in the first quarter of 2009. Lower KWH sales to commercial and industrial customers were principally due to economic conditions in Met-Ed's service territory.

Changes in retail generation sales and revenues in the first quarter of 2009 compared to the same period of 2008 are summarized in the following tables:

| | Increase (Decrease) |
|-----------------------------------|------------------------|
| Retail Generation KWH Sales | |
| Residential | 2.9 % |
| Commercial | (2.5)% |
| Industrial | (12.9)% |
| Net | (2.9)% |
| Decrease in | |

Retail
Generation
Sales

| Retail Generation Revenues | Increase (Decrease) (In millions) |
|---|--|
| Residential | \$ 2 |
| Commercial | (1) |
| Industrial | (6) |
| Net Decrease in Retail Generation Revenues | \$ (5) |

In the first quarter of 2009, distribution throughput revenues increased \$22 million primarily due to higher transmission rates, resulting from the annual update of Met-Ed's TSC rider effective June 1, 2008. Decreased deliveries to commercial and industrial customers, reflecting the weakened economy, were partially offset by increased deliveries to residential customers as a result of the weather conditions described above.

Changes in distribution KWH deliveries and revenues in the first quarter of 2009 compared to the same period of 2008 are summarized in the following tables:

| | Increase (Decrease) |
|--|------------------------|
| Distribution KWH Deliveries | |
| Residential | 2.9 % |
| Commercial | (2.5)% |
| Industrial | (12.9)% |
| Net Decrease in Distribution Deliveries | (2.9)% |

| | Increase (In millions) |
|--|------------------------------|
| Distribution Revenues | |
| Residential | \$ 14 |
| Commercial | 5 |
| Industrial | 3 |
| Increase in Distribution Revenues | \$ 22 |

PJM transmission revenues increased by \$4 million in the first quarter of 2009 compared to the same period of 2008, primarily due to increased revenues related to Met-Ed's Auction Revenue Rights and Financial Transmission Rights. Met-Ed defers the difference between transmission revenues and transmission costs incurred, resulting in no material effect to current period earnings.

Operating Expenses

Total operating expenses increased by \$37 million in the first quarter of 2009 compared to the same period of 2008. The following table presents changes from the prior year by expense category:

| | Increase (Decrease) (In millions) |
|-----------------------------|--|
| Expenses – Changes | |
| Purchased power costs | \$ 7 |
| Other operating costs | (1) |

| | |
|-----------------------------------|----|
| Provision for depreciation | 1 |
| Deferral of new regulatory assets | 30 |
| Net Increase in Expenses \$ | 37 |

Purchased power costs increased by \$7 million in the first quarter of 2009, primarily due to higher composite unit prices partially offset by decreased KWH purchases due to lower generation sales requirements. The deferral of new regulatory assets decreased in the first quarter of 2009 primarily due to decreased transmission cost deferrals reflecting lower PJM transmission service expenses and the increased transmission revenues described above.

Other Expense

Other expense increased in the first quarter of 2009 primarily due to a decrease in interest deferred on regulatory assets, reflecting a lower regulatory asset base, and an increase in interest expense from Met-Ed's \$300 million Senior Notes issuance in January 2009.

Legal Proceedings

See the "Regulatory Matters," "Environmental Matters" and "Other Legal Proceedings" sections within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to Met-Ed.

New Accounting Standards and Interpretations

See the "New Accounting Standards and Interpretations" section within the Combined Management's Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to Met-Ed.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of Metropolitan Edison Company:

We have reviewed the accompanying consolidated balance sheet of Metropolitan Edison Company and its subsidiary as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

METROPOLITAN EDISON COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|---------------|
| | 2009 | 2008 |
| | (In thousands) | |
| REVENUES: | | |
| Electric sales | \$ 409,686 | \$ 379,608 |
| Gross receipts tax collections | 19,983 | 20,718 |
| Total revenues | 429,669 | 400,326 |
| EXPENSES: | | |
| Purchased power from affiliates | 100,077 | 83,442 |
| Purchased power from non-affiliates | 123,911 | 133,540 |
| Other operating costs | 106,357 | 107,017 |
| Provision for depreciation | 12,139 | 11,112 |
| Amortization of regulatory assets | 35,432 | 35,575 |
| Deferral of new regulatory assets | (7,841) | (37,772) |
| General taxes | 21,935 | 21,781 |
| Total expenses | 392,010 | 354,695 |
| OPERATING INCOME | 37,659 | 45,631 |
| OTHER INCOME (EXPENSE): | | |
| Interest income | 3,186 | 5,479 |
| Miscellaneous income (expense) | 856 | (309) |
| Interest expense | (13,359) | (11,672) |
| Capitalized interest | 15 | (219) |
| Total other expense | (9,302) | (6,721) |
| INCOME BEFORE INCOME TAXES | 28,357 | 38,910 |
| INCOME TAXES | 11,735 | 16,675 |
| NET INCOME | 16,622 | 22,235 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and other postretirement benefits | 4,553 | (2,233) |
| Unrealized gain on derivative hedges | 84 | 84 |
| Other comprehensive income (loss) | 4,637 | (2,149) |
| Income tax expense (benefit) related to other comprehensive income | 1,793 | (970) |
| Other comprehensive income (loss), net of tax | 2,844 | (1,179) |

| | | | | |
|----------------------------|----|--------|----|--------|
| TOTAL COMPREHENSIVE INCOME | \$ | 19,466 | \$ | 21,056 |
|----------------------------|----|--------|----|--------|

The accompanying Notes to Consolidated Financial Statements as they relate to Metropolitan Edison Company are an integral part of these statements.

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| | | |
|--|--------------|--------------|
| Other | 46,216 | 55,330 |
| Accrued taxes | 8,489 | 16,238 |
| Accrued interest | 11,557 | 6,755 |
| Other | 29,506 | 30,647 |
| | 504,032 | 431,180 |
| CAPITALIZATION: | | |
| Common stockholder's equity- | | |
| Common stock, without par value, authorized 900,000 shares- | | |
| 859,500 shares outstanding | 1,196,090 | 1,196,172 |
| Accumulated other comprehensive loss | (138,140) | (140,984) |
| Accumulated deficit | (34,502) | (51,124) |
| Total common stockholder's equity | 1,023,448 | 1,004,064 |
| Long-term debt and other long-term obligations | | |
| | 713,782 | 513,752 |
| | 1,737,230 | 1,517,816 |
| NONCURRENT LIABILITIES: | | |
| Accumulated deferred income taxes | 390,448 | 387,757 |
| Accumulated deferred investment tax credits | | |
| | 7,653 | 7,767 |
| Nuclear fuel disposal costs | 44,334 | 44,328 |
| Asset retirement obligations | 171,561 | 170,999 |
| Retirement benefits | 144,459 | 145,218 |
| Power purchase contract liability | 172,520 | 150,324 |
| Other | 65,778 | 67,020 |
| | 996,753 | 973,413 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | \$ 3,238,015 | \$ 2,922,409 |

The accompanying Notes to Consolidated Financial Statements as they relate to Metropolitan Edison Company are an integral part of these balance sheets.

METROPOLITAN EDISON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | 2009 | Three Months Ended March 31 2008 |
|--|----------------|--|
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 16,622 | \$ 22,235 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 12,139 | 11,112 |
| Amortization of regulatory assets | 35,432 | 35,575 |
| Deferred costs recoverable as regulatory assets | (19,633) | (10,628) |
| Deferral of new regulatory assets | (7,841) | (37,772) |
| Deferred income taxes and investment tax credits, net | 4,657 | 17,307 |
| Accrued compensation and retirement benefits | 1,029 | (9,655) |
| Cash collateral to suppliers | (9,500) | - |
| Increase in operating assets- | | |
| Receivables | (9,860) | (30,863) |
| Prepayments and other current assets | (50,422) | (41,088) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | (8,058) | (14,196) |
| Accrued taxes | (7,749) | (14,519) |
| Accrued interest | 4,803 | 281 |
| Other | 2,460 | 3,892 |
| Net cash used for operating activities | (35,921) | (68,319) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 300,000 | - |
| Short-term borrowings, net | - | 131,743 |
| Redemptions and Repayments- | | |
| Long-term debt | - | (28,500) |
| Short-term borrowings, net | (15,003) | - |
| Other | (2,150) | (15) |
| Net cash provided from financing activities | 282,847 | 103,228 |

CASH FLOWS FROM
INVESTING ACTIVITIES:

| | | |
|---|-----------|----------|
| Property additions | (25,922) | (31,296) |
| Sales of investment securities held in trusts | 27,800 | 40,513 |
| Purchases of investment securities held in trusts | (29,821) | (43,391) |
| Loans to associated companies, net | (218,168) | (254) |
| Other | (832) | (484) |
| Net cash used for investing activities | (246,943) | (34,912) |
| Net change in cash and cash equivalents | (17) | (3) |
| Cash and cash equivalents at beginning of period | 144 | 135 |
| Cash and cash equivalents at end of period | \$ 127 | \$ 132 |

The accompanying Notes to Consolidated Financial Statements as they relate to Metropolitan Edison Company are an integral part of these statements.

PENNSYLVANIA ELECTRIC COMPANY

MANAGEMENT'S NARRATIVE
ANALYSIS OF RESULTS OF OPERATIONS

Penelec is a wholly owned electric utility subsidiary of FirstEnergy. Penelec conducts business in northern and south central Pennsylvania, providing regulated transmission and distribution services. Penelec also provides generation services to those customers electing to retain Penelec as their power supplier. Penelec has a partial requirements wholesale power sales agreement with FES, to supply a portion of each of its default service obligations at fixed prices through 2009. This sales agreement is renewed annually unless cancelled by either party with at least a sixty day written notice prior to the end of the calendar year.

Results of Operations

Net income decreased to \$19 million in the first quarter of 2009, compared to \$21 million in the same period of 2008. The decrease was primarily due to lower revenues, partially offset by an increase in the deferral of new regulatory assets.

Revenues

Revenues decreased by \$7 million, or 1.7%, in the first quarter of 2009 as compared to the same period of 2008, primarily due to lower retail generation revenues and PJM transmission revenues, partially offset by increased distribution throughput revenues and wholesale generation revenues. Wholesale generation revenues increased \$7 million in the first quarter of 2009 as compared to the same period of 2008, primarily reflecting higher PJM capacity prices.

In the first quarter of 2009, retail generation revenues decreased \$8 million primarily due to lower KWH sales to the commercial and industrial customer classes due to weakened economic conditions, partially offset by a slight increase in KWH sales to the residential customer class.

Changes in retail generation sales and revenues in the first quarter of 2009 compared to the same period of 2008 are summarized in the following tables:

| Retail Generation KWH Sales | Increase (Decrease) |
|---|------------------------|
| Residential | 0.4 % |
| Commercial | (3.2) % |
| Industrial | (13.9) % |
| Net Decrease in Retail Generation Sales | (4.9) % |

| | |
|---|----------------------------------|
| Retail Generation Revenues | Decrease (In millions) |
| Residential | \$ - |
| Commercial | (2) |
| Industrial | (6) |
| Decrease in Retail Generation Revenues | \$ (8) |

Revenues from distribution throughput increased \$5 million in the first quarter of 2009 compared to the same period of 2008, primarily due to an increase in transmission rates, resulting from the annual update of Penelec's TSC rider effective June 1, 2008, and a slight increase in usage in the residential sector. Partially offsetting this increase was lower usage in the commercial and industrial sectors, reflecting economic conditions in Penelec's service territory.

Changes in distribution KWH deliveries and revenues in the first quarter of 2009 compared to the same period of 2008 are summarized in the following tables:

| | |
|--|------------------------|
| Distribution KWH Deliveries | Increase (Decrease) |
| Residential | 0.4 % |
| Commercial | (3.2) % |
| Industrial | (12.0) % |
| Net Decrease in Distribution Deliveries | (4.6) % |

| | |
|--------------------------------------|------------------------------|
| Distribution Revenues | Increase (In millions) |
| Residential | \$ 4 |
| Commercial | 1 |
| Industrial | - |
| Increase in Distribution Revenues | \$ 5 |

PJM transmission revenues decreased by \$13 million in the first quarter of 2009 compared to the same period of 2008, primarily due to lower revenues related to Penelec's Financial Transmission Rights. Penelec defers the difference between transmission revenues and transmission costs incurred, resulting in no material effect to current period earnings.

Operating Expenses

Total operating expenses increased by \$5 million in the first quarter of 2009 as compared with the same period of 2008. The following table presents changes from the prior year by expense category:

| | |
|--|--|
| Expenses – Changes | Increase (Decrease) (In millions) |
| Purchased power costs | \$ 2 |
| Other operating costs | 6 |
| Provision for depreciation | 2 |
| Deferral of new regulatory assets | (4) |

| | |
|--------------------------|------|
| General taxes | (1) |
| Net Increase in Expenses | \$ 5 |

Purchased power costs increased by \$2 million, or 0.9%, in the first quarter of 2009 compared to the same period of 2008, primarily due to increased composite unit prices, partially offset by reduced volume as a result of lower KWH sales requirements. Other operating costs increased by \$6 million in the first quarter of 2009 primarily due to higher employee benefit expenses. Depreciation expense increased \$2 million in the first quarter of 2009 primarily due to an increase in depreciable property in service since the first quarter of 2008. The deferral of new regulatory assets increased \$4 million in the first quarter of 2009 primarily due to an increase in transmission cost deferrals as a result of increased net congestion costs.

Other Income

In the first quarter of 2009, other income increased primarily due to lower interest expense on reduced borrowings from the regulated money pool.

Legal Proceedings

See the “Regulatory Matters,” “Environmental Matters” and “Other Legal Proceedings” sections within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of legal proceedings applicable to Penelec.

New Accounting Standards and Interpretations

See the “New Accounting Standards and Interpretations” section within the Combined Management’s Discussion and Analysis of Registrant Subsidiaries for discussion of new accounting standards and interpretations applicable to Penelec.

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of
Directors of Pennsylvania Electric Company:

We have reviewed the accompanying consolidated balance sheet of Pennsylvania Electric Company and its subsidiaries as of March 31, 2009 and the related consolidated statements of income, comprehensive income and cash flows for each of the three-month periods ended March 31, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, capitalization, common stockholder's equity, and cash flows for the year then ended (not presented herein), and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
Cleveland, Ohio
May 7, 2009

PENNSYLVANIA ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended March 31 | |
|--|--------------------------------|-----------------|
| | 2009 | 2008 |
| | (In thousands) | |
| REVENUES: | | |
| Electric sales | \$ 371,293 | \$ 376,028 |
| Gross receipts tax collections | 17,292 | 19,464 |
| Total revenues | 388,585 | 395,492 |
| EXPENSES: | | |
| Purchased power from affiliates | 96,081 | 83,464 |
| Purchased power from non-affiliates | 127,166 | 137,770 |
| Other operating costs | 77,289 | 71,077 |
| Provision for depreciation | 14,455 | 12,516 |
| Amortization of regulatory assets | 16,141 | 16,346 |
| Deferral of new regulatory assets | (7,365) | (3,526) |
| General taxes | 20,593 | 21,855 |
| Total expenses | 344,360 | 339,502 |
| OPERATING INCOME | 44,225 | 55,990 |
| OTHER INCOME (EXPENSE): | | |
| Miscellaneous income (expense) | 798 | (191) |
| Interest expense | (13,233) | (15,322) |
| Capitalized interest | 22 | (806) |
| Total other expense | (12,413) | (16,319) |
| INCOME BEFORE INCOME TAXES | 31,812 | 39,671 |
| INCOME TAXES | 13,122 | 18,279 |
| NET INCOME | 18,690 | 21,392 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and other postretirement benefits | 2,955 | (3,473) |
| Unrealized gain on derivative hedges | 16 | 16 |
| Change in unrealized gain on available-for-sale securities | (22) | 11 |
| Other comprehensive income (loss) | 2,949 | (3,446) |
| Income tax expense (benefit) related to other comprehensive income | 1,055 | (1,506) |

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| | | |
|---|-------|---------|
| Other comprehensive income (loss), net of tax | 1,894 | (1,940) |
|---|-------|---------|

| | | |
|-----------------------------------|------------------|------------------|
| TOTAL COMPREHENSIVE INCOME | \$ 20,584 | \$ 19,452 |
|-----------------------------------|------------------|------------------|

The accompanying Notes to Consolidated Financial Statements as they relate to Pennsylvania Electric Company are an integral part of these statements.

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| | | |
|---|-----------|-----------|
| Other | 42,004 | 48,633 |
| Accrued taxes | 4,053 | 13,264 |
| Accrued interest | 13,730 | 13,131 |
| Other | 26,591 | 31,730 |
| | 643,393 | 596,852 |
| CAPITALIZATION: | | |
| Common stockholder's equity- | | |
| Common stock, \$20 par value, authorized 5,400,000 shares- | | |
| 4,427,577 shares outstanding | 88,552 | 88,552 |
| Other paid-in capital | 912,380 | 912,441 |
| Accumulated other comprehensive loss | (126,103) | (127,997) |
| Retained earnings | 94,803 | 76,113 |
| Total common stockholder's equity | 969,632 | 949,109 |
| Long-term debt and other long-term obligations | | |
| | 633,355 | 633,132 |
| | 1,602,987 | 1,582,241 |
| NONCURRENT LIABILITIES: | | |
| Regulatory liabilities | 48,847 | 136,579 |
| Accumulated deferred income taxes | 183,906 | 169,807 |
| Retirement benefits | 172,544 | 172,718 |
| Asset retirement obligations | 87,395 | 87,089 |
| Power purchase contract liability | 112,462 | 83,600 |
| Other | 62,329 | |