FIRSTENERGY CORP
Form 10-Q
November 08, 2012

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

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from ____________________ to ____________________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
000-53742	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186
1-2578	OHIO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0437786
1-3141	JERSEY CENTRAL POWER & LIGHT COMPANY (A New Jersey Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	21-0485010

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

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

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

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

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

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

CLASS	OUTSTANDING AS OF NOVEMBER 7, 2012
FirstEnergy Corp., $.10 par value	418,216,437
FirstEnergy Solutions Corp., no par value	7
Ohio Edison Company, no par value	60
Jersey Central Power & Light Company, $10 par value	13,628,447

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

This combined Form 10-Q is separately filed by FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to any of the FirstEnergy subsidiary registrants is also attributed to FirstEnergy Corp.

FirstEnergy Web Site

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

These reports are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post important information on FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site shall not be deemed incorporated into, or to be part of, this report.

OMISSION OF CERTAIN INFORMATION

FirstEnergy Solutions Corp., Ohio Edison Company and Jersey Central Power & Light Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

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

Actual results may differ materially due to:

- The speed and nature of increased competition in the electric utility industry.
- The impact of the regulatory process on the pending matters before FERC and in the various states in which we do business including, but not limited to, matters related to rates.
- The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.
- Economic or weather conditions affecting future sales and margins.
- Changing energy, capacity and commodity market prices and availability.
- Financial derivative reforms that could increase our liquidity needs and collateral costs.
- The continued ability of our regulated utilities to collect transition and other costs.
- Operation and maintenance costs being higher than anticipated.
- Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water intake and coal combustion residual regulations, the potential impacts of CAIR, and any laws, rules or regulations that ultimately replace CAIR, and the effects of the EPA's MATS rules.
- The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to deactivate or idle certain generating units).
- The uncertainties associated with our plans to deactivate our older unscrubbed regulated and competitive fossil units and our plans to change the operations of certain fossil plants, including the impact on vendor commitments, and the timing of those deactivations and operational changes as they relate to, among other things, the RMR arrangements and the reliability of the transmission grid.
- Issues that could result from the NRC's review of the indications of cracking in the Davis Besse Plant shield building.
- Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).
- Adverse legal decisions and outcomes related to ME's and PN's ability to recover certain transmission costs through their transmission service charge riders.
- The continuing availability of generating units, changes in their operational status and any related impacts on vendor commitments.
- Replacement power costs being higher than anticipated or inadequately hedged.
- The ability to comply with applicable state and federal reliability standards and energy efficiency mandates.
- Changes in customers' demand for power, including but not limited to, changes resulting from the implementation of state and federal energy efficiency mandates.
- The ability to accomplish or realize anticipated benefits from strategic goals.
- Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.
- The ability to experience growth in the Regulated Distribution and Competitive Energy Services segments.
- Changing market conditions that could affect the measurement of liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.
- The impact of changes to material accounting policies.
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- The ability to access the public securities and other capital and credit markets in accordance with our financing plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.
- Changes in general economic conditions affecting us and our subsidiaries.
- Interest rates and any actions taken by credit rating agencies that could negatively affect us and our subsidiaries' access to financing, increased costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.
- The state of the national and regional economy and its impact on our major industrial and commercial customers.
- Issues concerning the soundness of domestic and foreign financial institutions and counterparties with which we do business.
- The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

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

Each rating should be evaluated independently of any other rating.

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

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GLOSSARY OF TERMS

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

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary of AE
AGC	Allegheny Generating Company, a generation subsidiary of AE
Allegheny	Allegheny Energy, Inc., together with its consolidated subsidiaries
Allegheny Utilities	MP, PE and WP
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities.
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FE	FirstEnergy Corp., a public utility holding company
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC, a subsidiary of AE, which is the parent of ATSI and TrAIL and has a joint venture in PATH.
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FGCO	FirstEnergy Generation Corp., a subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC that owns Global Rail and Signal Peak
Global Rail	A subsidiary of Global Holdings that owns coal transportation operations near Roundup, Montana
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary of AE
NGC	FirstEnergy Nuclear Generation Corp., a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between Allegheny and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary of AE
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Shippingport	Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997
Signal Peak	An indirect subsidiary of Global Holdings that owns mining operations near Roundup, Montana

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

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

ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income
AEP	American Electric Power Company, Inc.
ARR	Auction Revenue Right
ASLB	Atomic Safety and Licensing Board
BGS	Basic Generation Service

GLOSSARY OF TERMS, Continued

BTU	British Thermal Units
CAA	Clean Air Act
CAL	Confirmatory Action Letter
CAIR	Clean Air Interstate Rule
CBP	Competitive Bid Process
CCB	Coal Combustion By-products
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CO_2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
DCR	Delivery Capital Recovery Rider
DOE	United States Department of Energy
DOJ	United States Department of Justice
DSP	Default Service Plan
EDC	Electric Distribution Company
EDCP	Executive Deferred Compensation Plan
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
EHB	Environmental Hearing Board
EIS	Environmental Impact Statement
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
GWH	Gigawatt-hour
HCL	Hydrochloric Acid
ICG	International Coal Group Inc.
ILP	Integrated License Application Process
IRS	Internal Revenue Service
IT	Information Technology
kV	Kilovolt
KWH	Kilowatt-hour
LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LOC	Letter of Credit
LSE	Load Serving Entity
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midwest Independent Transmission System Operator, Inc.

Moody’s	Moody’s Investors Service, Inc.
MTEP	MISO Regional Transmission Expansion Plan
MVP	Multi-value Project
MW	Megawatt

GLOSSARY OF TERMS, Continued

MWH	Megawatt-hour
NCEA	NERC Compliance Enforcement Authority
NDT	Nuclear Decommissioning Trust
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NNSR	Non-Attainment New Source Review
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
NYSEG	New York State Electric and Gas
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection LLC
PM	Particulate Matter
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
REC	Renewable Energy Credit
RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
RMI	Retail Markets Investigation
RMR	Reliability Must-Run
RPM	Reliability Pricing Model
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor’s Ratings Service
SAMA	Severe Accident Mitigation Alternatives
SB221	Amended Substitute Senate Bill 221
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act
SMIP	Smart Meter Implementation Plan
SO_2	Sulfur Dioxide

SOS	Standard Offer Service
SREC	Solar Renewable Energy Credit
TDS	Total Dissolved Solid
TMDL	Total Maximum Daily Load

GLOSSARY OF TERMS, Continued

TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(In millions, except per share amounts)	2012	2011	2012	2011
REVENUES:				
Electric utilities	$2,624	$3,041	$7,414	$7,966
Unregulated businesses	1,687	1,678	4,844	4,389
Total revenues*	4,311	4,719	12,258	12,355
OPERATING EXPENSES:				
Fuel	636	632	1,833	1,720
Purchased power	1,312	1,349	3,815	3,755
Other operating expenses	856	993	2,582	3,051
Provision for depreciation	282	297	859	809
Amortization of regulatory assets, net	61	122	198	344
General taxes	257	269	761	748
Total operating expenses	3,404	3,662	10,048	10,427
OPERATING INCOME	907	1,057	2,210	1,928
OTHER INCOME (EXPENSE):				
Investment income	39	48	63	100
Interest expense	(230)	(267)	(750)	(763)
Capitalized interest	18	17	54	55
Total other expense	(173)	(202)	(633)	(608)
INCOME BEFORE INCOME TAXES	734	855	1,577	1,320
INCOME TAXES	309	325	658	550
NET INCOME	425	530	919	770
Income (loss) attributable to noncontrolling interest	—	(2)	1	(17)
EARNINGS AVAILABLE TO FIRSTENERGY CORP.	$425	$532	$918	$787
EARNINGS PER SHARE OF COMMON STOCK:				
Basic	$1.02	$1.27	$2.20	$2.01
Diluted	$1.01	$1.27	$2.19	$2.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	417	418	418	392
Diluted	419	420	419	394
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$1.10	$1.10	$1.65	$1.65

* Includes excise tax collections of $123 million and $137 million in the three months ended September 30, 2012 and 2011, respectively, and $351 million and $371 million in the nine months ended September 30, 2012 and 2011, respectively.

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

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(In millions)	2012	2011	2012	2011
NET INCOME	$425	$530	$919	$770
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(47)	(48)	(148)	(44)
Amortized losses on derivative hedges	—	2	1	13
Change in unrealized gain on available-for-sale securities	1	(26)	13	(7)
Other comprehensive loss	(46)	(72)	(134)	(38)
Income tax benefits on other comprehensive loss	(24)	(26)	(75)	(12)
Other comprehensive loss, net of tax	(22)	(46)	(59)	(26)
COMPREHENSIVE INCOME	403	484	860	744
Comprehensive income (loss) attributable to noncontrolling interest	—	(2)	1	(17)
COMPREHENSIVE INCOME AVAILABLE TO FIRSTENERGY CORP.	$403	$486	$859	$761

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 150	$ 202
Receivables-		
Customers, net of allowance for uncollectible accounts of $43 in 2012 and $37 in 2011	1,604	1,525
Other, net of allowance for uncollectible accounts of $2 in 2012 and $3 in 2011	227	269
Materials and supplies	875	811
Prepaid taxes	227	191
Derivatives	212	235
Accumulated deferred income taxes	224	—
Other	190	122
	3,709	3,355
PROPERTY, PLANT AND EQUIPMENT:		
In service	41,756	40,122
Less — Accumulated provision for depreciation	12,434	11,839
	29,322	28,283
Construction work in progress	2,119	2,054
	31,441	30,337
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,203	2,112
Investments in lease obligation bonds	210	402
Other	1,038	1,008
	3,451	3,522
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,444	6,441
Regulatory assets	2,113	2,030
Other	1,580	1,641
	10,137	10,112
	$ 48,738	$ 47,326
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 1,473	$ 1,621
Short-term borrowings	1,604	—
Accounts payable	925	1,174
Accrued taxes	508	558
Accrued compensation and benefits	313	384
Derivatives	155	218
Other	942	900
	5,920	4,855
CAPITALIZATION:		
Common stockholders' equity-		
Common stock, $0.10 par value, authorized 490,000,000 shares - 418,216,437 shares outstanding	42	42

Other paid-in capital	9,758	9,765
Accumulated other comprehensive income	367	426
Retained earnings	3,266	3,047
Total common stockholders’ equity	13,433	13,280
Noncontrolling interest	16	19
Total equity	13,449	13,299
Long-term debt and other long-term obligations	15,627	15,716
	29,076	29,015
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	6,543	5,670
Retirement benefits	2,271	2,823
Asset retirement obligations	1,574	1,497
Deferred gain on sale and leaseback transaction	900	925
Adverse power contract liability	550	469
Other	1,904	2,072
	13,742	13,456
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$48,738	$47,326

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
(In millions)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$919	$770
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	859	809
Amortization of regulatory assets, net	198	344
Nuclear fuel and lease amortization	163	152
Deferred purchased power and other costs	(214)	(222)
Deferred income taxes and investment tax credits, net	712	696
Deferred rents and lease market valuation liability	(62)	(17)
Accrued compensation and retirement benefits	(168)	(25)
Commodity derivative transactions, net	(80)	(22)
Pension trust contributions	(600)	(375)
Asset impairments	10	59
Cash collateral, net	(3)	(66)
Decrease (increase) in operating assets-		
Receivables	(41)	139
Materials and supplies	(63)	62
Prepayments and other current assets	(151)	(1)
Increase (decrease) in operating liabilities-		
Accounts payable	(250)	(154)
Accrued taxes	(50)	20
Accrued interest	50	67
Other	47	(7)
Net cash provided from operating activities	1,276	2,229
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	660	603
Short-term borrowings, net	1,604	—
Redemptions and Repayments-		
Long-term debt	(870)	(1,581)
Short-term borrowings, net	—	(700)
Common stock dividend payments	(690)	(651)
Other	(42)	(73)
Net cash provided from (used for) financing activities	662	(2,402)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,686)	(1,464)
Nuclear fuel	(207)	(65)
Proceeds from asset sales	17	519
Sales of investment securities held in trusts	2,133	3,678
Purchases of investment securities held in trusts	(2,188)	(3,801)
Cash investments	100	51

Cash received in AE merger	—	590
Cost of removal	(119)	(57)
Other	(40)	(6)
Net cash used for investing activities	(1,990)	(555)
Net change in cash and cash equivalents	(52)	(728)
Cash and cash equivalents at beginning of period	202	1,019
Cash and cash equivalents at end of period	$150	$291
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: merger with AE, common stock issued	$—	$4,354

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
(In millions)	2012	2011	2012	2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales to non-affiliates	$1,339	$1,251	$3,964	$3,348
Electric sales to affiliates	155	143	385	574
Other	63	73	180	229
Total revenues	1,557	1,467	4,529	4,151
OPERATING EXPENSES:				
Fuel	303	386	978	1,045
Purchased power from affiliates	131	55	381	189
Purchased power from non-affiliates	499	328	1,420	954
Other operating expenses	343	390	1,031	1,268
Provision for depreciation	71	69	203	207
General taxes	35	31	104	91
Impairment of long-lived assets	—	2	—	22
Total operating expenses	1,382	1,261	4,117	3,776
OPERATING INCOME	175	206	412	375
OTHER INCOME (EXPENSE):				
Investment income	38	28	50	50
Miscellaneous income	1	9	25	17
Interest expense — affiliates	(3)	(2)	(7)	(5)
Interest expense — other	(51)	(51)	(140)	(156)
Capitalized interest	9	8	27	28
Total other expense	(6)	(8)	(45)	(66)
INCOME BEFORE INCOME TAXES	169	198	367	309
INCOME TAXES	68	78	145	115
NET INCOME	$101	$120	$222	$194
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	$101	$120	$222	$194
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(5)	(5)	(2)	(14)
Amortized gain (loss) on derivative hedges	(2)	(1)	(6)	4
Change in unrealized gain on available-for-sale securities	(2)	(22)	11	(7)
Other comprehensive income (loss)	(9)	(28)	3	(17)
Income taxes (benefits) on other comprehensive income (loss)	(3)	(11)	1	(7)

Other comprehensive income (loss), net of tax	(6)	(17)	2	(10)
COMPREHENSIVE INCOME	$95	$103	$224	$184

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

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$3	$7
Receivables-		
Customers, net of allowance for uncollectible accounts of $16 in 2012 and 2011	485	424
Affiliated companies	402	600
Other, net of allowance for uncollectible accounts of $2 in 2012 and $3 in 2011	103	61
Notes receivable from affiliated companies	438	383
Materials and supplies	533	492
Derivatives	209	219
Prepayments and other	137	38
	2,310	2,224
PROPERTY, PLANT AND EQUIPMENT:		
In service	11,638	10,983
Less — Accumulated provision for depreciation	4,312	4,110
	7,326	6,873
Construction work in progress	1,055	1,014
	8,381	7,887
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,286	1,223
Other	16	7
	1,302	1,230
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	114	123
Goodwill	24	24
Property taxes	43	43
Unamortized sale and leaseback costs	111	80
Derivatives	78	79
Other	181	129
	551	478
	$12,544	$11,819
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$1,074	$905
Accounts payable-		
Affiliated companies	787	436
Other	174	220
Accrued taxes	83	227
Derivatives	153	189
Other	244	261
	2,515	2,238
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares- 7 shares outstanding	1,571	1,570

Accumulated other comprehensive income	78	76
Retained earnings	2,153	1,931
Total common stockholder's equity	3,802	3,577
Long-term debt and other long-term obligations	3,085	2,799
	6,887	6,376
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	900	925
Accumulated deferred income taxes	501	286
Asset retirement obligations	950	904
Retirement benefits	183	356
Lease market valuation liability	87	171
Other	521	563
	3,142	3,205
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$12,544	$11,819

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

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

(In millions)	Nine Months Ended September 30 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$222	$194
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	203	207
Nuclear fuel and lease amortization	159	151
Deferred rents and lease market valuation liability	(144)	(37)
Deferred income taxes and investment tax credits, net	123	246
Asset impairments	8	40
Accrued compensation and retirement benefits	11	(31)
Pension trust contribution	(209)	—
Commodity derivative transactions, net	(67)	(54)
Cash collateral, net	(4)	(81)
Decrease (increase) in operating assets-		
Receivables	95	(34)
Materials and supplies	(40)	72
Prepayments and other current assets	5	8
Increase (decrease) in operating liabilities-		
Accounts payable	292	(113)
Accrued taxes	(144)	24
Other	(9)	(55)
Net cash provided from operating activities	501	537
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	560	247
Short-term borrowings, net	3	—
Redemptions and repayments-		
Long-term debt	(246)	(791)
Short-term borrowings, net	—	(12)
Other	(9)	(10)
Net cash provided from (used for) financing activities	308	(566)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(535)	(408)
Nuclear fuel	(207)	(65)
Proceeds from asset sales	17	519
Sales of investment securities held in trusts	1,167	1,613
Purchases of investment securities held in trusts	(1,194)	(1,654)
Loans to affiliated companies, net	(55)	57
Other	(6)	(36)
Net cash provided from (used for) investing activities	(813)	26

Net change in cash and cash equivalents	(4)	(3)
Cash and cash equivalents at beginning of period	7	9
Cash and cash equivalents at end of period	$3	$6

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

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

(In millions)	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	$426	$441	$1,149	$1,165
Excise and gross receipts tax collections	28	29	79	82
Total revenues	454	470	1,228	1,247
OPERATING EXPENSES:				
Purchased power from affiliates	38	57	128	220
Purchased power from non-affiliates	79	80	215	203
Other operating expenses	124	114	364	316
Provision for depreciation	26	23	75	69
Amortization of regulatory assets, net	42	46	57	49
General taxes	52	51	148	146
Total operating expenses	361	371	987	1,003
OPERATING INCOME	93	99	241	244
OTHER INCOME (EXPENSE):				
Investment income	8	11	17	20
Interest expense	(23)	(22)	(68)	(66)
Capitalized interest	—	—	2	1
Total other expense	(15)	(11)	(49)	(45)
INCOME BEFORE INCOME TAXES	78	88	192	199
INCOME TAXES	34	34	76	72
NET INCOME	$44	$54	$116	$127
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	$44	$54	$116	$127
OTHER COMPREHENSIVE LOSS:				
Pensions and OPEB prior service costs	(7)	(6)	(24)	(21)
Change in unrealized gain on available-for-sale securities	—	(3)	—	(1)
Other comprehensive loss	(7)	(9)	(24)	(22)
Income tax benefits on other comprehensive loss	(4)	(4)	(13)	(11)
Other comprehensive loss, net of tax	(3)	(5)	(11)	(11)
COMPREHENSIVE INCOME	$41	$49	$105	$116

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

OHIO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$50	$26
Receivables-		
Customers, net of allowance for uncollectible accounts of $4 in 2012 and 2011	179	163
Affiliated companies	52	86
Other	20	41
Notes receivable from affiliated companies	258	181
Prepayments and other	9	17
	568	514
UTILITY PLANT:		
In service	3,490	3,358
Less — Accumulated provision for depreciation	1,308	1,267
	2,182	2,091
Construction work in progress	96	91
	2,278	2,182
OTHER PROPERTY AND INVESTMENTS:		
Investment in lease obligation bonds	148	163
Nuclear plant decommissioning trusts	141	137
Other	91	90
	380	390
DEFERRED CHARGES AND OTHER ASSETS:		
Regulatory assets	293	363
Property taxes	81	81
Unamortized sale and leaseback costs	21	25
Other	27	19
	422	488
	$3,648	$3,574
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$3	$2
Accounts payable-		
Affiliated companies	81	119
Other	30	35
Accrued taxes	94	88
Accrued interest	25	25
Other	111	79
	344	348
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 175,000,000 shares – 60 shares outstanding	698	747
Accumulated other comprehensive income	43	54
Retained earnings (accumulated deficit)	32	(84)

Total common stockholder's equity	773	717
Noncontrolling interest	5	5
Total equity	778	722
Long-term debt and other long-term obligations	1,157	1,155
	1,935	1,877
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	812	787
Retirement benefits	208	213
Asset retirement obligations	75	71
Other	274	278
	1,369	1,349
COMMITMENTS AND CONTINGENCIES (Note 10)		
	$3,648	$3,574

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

OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
(In millions)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$116	$127
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	75	69
Amortization of regulatory assets, net	57	49
Amortization of lease costs	28	28
Deferred income taxes and investment tax credits, net	41	72
Accrued compensation and retirement benefits	(35)	(25)
Pension trust contribution	—	(27)
Decrease (increase) in operating assets-		
Receivables	42	50
Prepayments and other current assets	8	(30)
Increase (decrease) in operating liabilities-		
Accounts payable	(43)	(23)
Accrued taxes	7	—
Other	7	(6)
Net cash provided from operating activities	303	284
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Long-term debt	(1)	(1)
Short-term borrowings, net	—	(142)
Common stock dividend payments	(50)	(268)
Other	(1)	(2)
Net cash used for financing activities	(52)	(413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(147)	(123)
Sales of investment securities held in trusts	57	154
Purchases of investment securities held in trusts	(63)	(161)
Loans to affiliated companies, net	(77)	(163)
Cash investments	13	12
Other	(10)	(10)
Net cash used for investing activities	(227)	(291)
Net change in cash and cash equivalents	24	(420)
Cash and cash equivalents at beginning of period	26	420
Cash and cash equivalents at end of period	$50	$—

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
(In millions)	2012	2011	2012	2011
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	$625	$762	$1,579	$1,973
Excise tax collections	11	15	29	39
Total revenues	636	777	1,608	2,012
OPERATING EXPENSES:				
Purchased power	331	429	849	1,127
Other operating expenses	84	126	246	279
Provision for depreciation	33	33	95	87
Amortization (deferral) of regulatory assets, net	2	(4)	30	118
General taxes	17	20	44	53
Total operating expenses	467	604	1,264	1,664
OPERATING INCOME	169	173	344	348
OTHER INCOME (EXPENSE):				
Miscellaneous income	1	4	3	9
Interest expense	(31)	(32)	(92)	(93)
Capitalized interest	—	1	1	2
Total other expense	(30)	(27)	(88)	(82)
INCOME BEFORE INCOME TAXES	139	146	256	266
INCOME TAXES	62	61	114	113
NET INCOME	$77	$85	$142	$153
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	$77	$85	$142	$153
OTHER COMPREHENSIVE LOSS:				
Pensions and OPEB prior service costs	(6)	(6)	(18)	(17)
Other comprehensive loss	(6)	(6)	(18)	(17)
Income tax benefits on other comprehensive loss	(4)	(2)	(11)	(7)
Other comprehensive loss, net of tax	(2)	(4)	(7)	(10)
COMPREHENSIVE INCOME	$75	$81	$135	$143

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

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

(In millions, except share amounts)	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of $4 in 2012 and $3 in 2011	$250	$235
Affiliated companies	40	—
Other	18	17
Prepaid taxes	71	33
Other	43	19
	422	304
UTILITY PLANT:		
In service	5,124	4,872
Less — Accumulated provision for depreciation	1,797	1,743
	3,327	3,129
Construction work in progress	114	227
	3,441	3,356
OTHER PROPERTY AND INVESTMENTS:		
Nuclear fuel disposal trust	229	219
Nuclear plant decommissioning trusts	199	193
Other	2	2
	430	414
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,811	1,811
Regulatory assets	526	408
Other	29	32
	2,366	2,251
	$6,659	$6,325
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$35	$34
Short-term borrowings-		
Affiliated companies	350	259
Accounts payable-		
Affiliated companies	1	19
Other	95	101
Accrued compensation and benefits	35	41
Customer deposits	24	24
Accrued interest	30	18
Other	29	36
	599	532
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, $10 par value, authorized 16,000,000 shares, 13,628,447 shares outstanding	136	136
Other paid-in capital	2,011	2,011

Accumulated other comprehensive income	32	39
Retained earnings	173	121
Total common stockholder's equity	2,352	2,307
Long-term debt and other long-term obligations	1,711	1,736
	4,063	4,043
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	1,023	859
Power purchase contract liability	267	147
Nuclear fuel disposal costs	197	197
Retirement benefits	163	170
Asset retirement obligations	121	115
Other	226	262
	1,997	1,750
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$6,659	$6,325

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

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

	Nine Months Ended September 30	
(In millions)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$142	$153
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	95	87
Amortization of regulatory assets, net	30	118
Deferred purchased power and other costs	(95)	(84)
Deferred income taxes and investment tax credits, net	156	83
Accrued compensation and retirement benefits	(31)	(12)
Pension trust contribution	—	(105)
Decrease (increase) in operating assets-		
Receivables	(57)	85
Prepaid taxes	(38)	(59)
Decrease in operating liabilities-		
Accounts payable	(24)	(60)
Accrued taxes	(6)	(1)
Accrued interest	12	12
Other	24	10
Net cash provided from operating activities	208	227
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	91	312
Redemptions and Repayments-		
Long-term debt	(24)	(23)
Common stock dividend payments	(90)	(500)
Other	—	(2)
Net cash used for financing activities	(23)	(213)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(157)	(160)
Loans to affiliated companies, net	—	177
Sales of investment securities held in trusts	376	610
Purchases of investment securities held in trusts	(387)	(624)
Other	(17)	(17)
Net cash used for investing activities	(185)	(14)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$—	$—

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

FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2011.

The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair presentation of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period.

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

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

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

New Accounting Pronouncements

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

2. GOODWILL

On January 1, 2012, FirstEnergy adopted the amendment to the authoritative accounting guidance regarding the testing for goodwill impairment that provides the option to apply a qualitative assessment to determine whether or not it is necessary to apply the traditional two-step quantitative goodwill impairment test.

In a business combination, the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is recognized as goodwill. Goodwill is evaluated for impairment at least annually and more frequently if indicators of impairment arise. In evaluating goodwill for impairment, FirstEnergy first assesses qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If FirstEnergy concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of goodwill assigned to its reporting units is required. However, if FirstEnergy concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impaired to be recognized, if any.

The 2012 annual goodwill impairment test was performed during the third quarter primarily using a qualitative assessment approach. FirstEnergy assessed economic, industry and market considerations in addition to overall financial performance of its reporting units. FirstEnergy's reporting units are consistent with its operating entities, which aggregate to reportable segments and consist of Regulated Distribution, Regulated Transmission and Competitive Energy Services. Goodwill is allocated to these reportable segments based on the original purchase price allocation for acquisitions within the various reporting units.

As of September 30, 2012, goodwill balances for the Regulated Distribution, Regulated Transmission and Competitive Energy Services segments were $5,025 million, $526 million and $893 million, respectively. It was determined that the fair values of FirstEnergy's reporting units were, more likely than not, greater than their carrying values. No further goodwill testing was completed and no impairment was recognized.

3. EARNINGS PER SHARE

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

Reconciliation of Basic and Diluted Earnings per Share of Common Stock	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions, except per share amounts)			
Weighted average number of basic shares outstanding	417	418	418	392
Assumed exercise of dilutive stock options and awards[1]	2	2	1	2
Weighted average number of diluted shares outstanding	419	420	419	394
Earnings Available to FirstEnergy Corp.	$425	$532	$918	$787
Basic earnings per share of common stock	$1.02	$1.27	$2.20	$2.01
Diluted earnings per share of common stock	$1.01	$1.27	$2.19	$2.00

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

4. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

FirstEnergy’s pensions and OPEB funding policy is based on actuarial computations using the projected unit credit method. During the nine months ended September 30, 2012, FirstEnergy made a voluntary $600 million contribution to its qualified pension plan. No additional contributions are expected to be made in 2012.

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

Components of Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Three Months Ended September 30,	2012	2011	2012	2011

	(In millions)			
Service cost	$40	$34	$3	$3
Interest cost	97	96	12	12
Expected return on plan assets	(121)	(115)	(9)	(10)
Amortization of prior service cost	3	4	(51)	(51)
Net periodic costs (credits)	$19	$19	$(45)	$(46)

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Components of Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Nine Months Ended September 30,	2012	2011	2012	2011
	(In millions)			
Service cost	$120	$97	$9	$9
Interest cost	291	276	36	35
Expected return on plan assets	(363)	(332)	(27)	(30)
Amortization of prior service cost	9	12	(153)	(150)
Other adjustments (settlements, curtailments, etc)	—	7	—	—
Net periodic costs (credits)	$57	$60	$(135)	$(136)

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

Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Three Months Ended September 30,	2012	2011	2012	2011
	(In millions)			
FirstEnergy	$14	$14	$(30)	$(31)
FES	12	7	(8)	(8)
OE	(1)	(2)	(5)	(5)
JCP&L	(2)	(3)	(3)	(2)

Net Periodic Benefit Costs (Credits)	Pensions		OPEB	
For the Nine Months Ended September 30,	2012	2011	2012	2011
	(In millions)			
FirstEnergy	$41	$48	$(92)	$(97)
FES	33	21	(24)	(24)
OE	(3)	(6)	(16)	(16)
JCP&L	(5)	(8)	(7)	(7)

5. INCOME TAXES

FirstEnergy accounts for uncertainty in income taxes recognized in its financial statements. Significant judgment is required in determining FirstEnergy's income taxes and in evaluating tax positions taken or expected to be taken on its tax returns. During the second quarter of 2012, FirstEnergy reached a settlement with state authorities related to state apportionment factors in Pennsylvania on an intercompany asset sale, which favorably affected FirstEnergy's effective tax rate by $3 million in the nine months ended September 30, 2012. Earlier in the year, the federal government issued further guidance related to the tax accounting of costs to repair and maintain fixed assets. This guidance provided a safe harbor method of tax accounting for the Allegheny companies and allowed these companies to reduce their amount of unrecognized tax benefits by $21 million, with a corresponding adjustment to accumulated deferred income taxes for this temporary tax item, with no resulting impact to FirstEnergy's effective tax rate for the first nine months of 2012. In the second quarter of 2011, FirstEnergy reached a settlement with the IRS on a research and development claim and recognized approximately $30 million of income tax benefits, including $5 million that favorably affected FirstEnergy's effective tax rate in the first nine months of 2011. There were no other material changes to FirstEnergy's unrecognized income tax benefits during the first nine months of 2012 or 2011.

As of September 30, 2012, it is reasonably possible that approximately $40 million of unrecognized income tax benefits may be resolved within the next twelve months, of which approximately $6 million, if recognized, would affect FirstEnergy's effective tax rate. The potential decrease in the amount of unrecognized income tax benefits is primarily associated with issues related to the capitalization of certain costs and various state tax items.

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

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

FirstEnergy has tax returns that are under review at the audit or appeals level by the IRS (2008-2011) and state tax authorities. FirstEnergy's tax returns for all state jurisdictions are open from 2009-2011, and additionally 2001 and 2008 for Pennsylvania. The IRS completed its audits of tax year 2008 in July 2010 and tax year 2009 in April 2011, with both tax years having one open item. Tax years 2010-2011 are under review by the IRS. Allegheny is currently under audit by the IRS for tax years 2009-2011. State tax returns for tax years 2009 through 2011 remain subject to review in Pennsylvania, West Virginia, Maryland and Virginia for certain subsidiaries of AE. Management believes that adequate reserves have been recognized and final settlement of these audits is not expected to have a material adverse effect on FirstEnergy's financial condition, results of operations, cash flow or liquidity.

6. VARIABLE INTEREST ENTITIES

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

VIEs included in FirstEnergy’s consolidated financial statements for the third quarter of 2012 are: the PNBV and Shippingport capital trusts that were created to refinance debt originally issued in connection with sale and leaseback transactions; wholly owned limited liability companies of JCP&L created to sell transition bonds to securitize the recovery of JCP&L’s bondable stranded costs associated with the previously divested Oyster Creek Nuclear Generating Station and JCP&L's supply of BGS, of which $253 million was outstanding as of September 30, 2012; and special purpose limited liability companies of MP and PE created to issue environmental control bonds that were used to construct environmental control facilities, of which $493 million was outstanding as of September 30, 2012.

The caption "noncontrolling interest" within the consolidated financial statements is used to reflect the portion of a VIE that FirstEnergy consolidates, but does not own. The change in noncontrolling interest within the Consolidated Balance Sheets during the nine months ended September 30, 2012, was primarily due to net income attributable to noncontrolling interests of $1 million, offset by $4 million in distributions to owners.

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

Mining Operations

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

PATH-WV

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

On August 24, 2012, PJM officially removed the PATH project from its long-range expansion plans. Citing a slow economy for reducing the projected growth in electricity use, PJM said its updated analysis no longer indicates a need for the $2.1 billion, 275-mile transmission line to maintain grid stability. A joint venture between Allegheny and AEP, the project was suspended by PJM in February 2011. PATH expects to recover approximately $121 million of costs associated with the project with a proposed return on equity of 10.9% (10.4% base plus 0.5% RTO Membership) over the next 5 years, of which $62 million relates to PATH-Allegheny and approximately $59 million relates to PATH-WV. See Note 9, Regulatory Matters, of the Combined Notes to the Consolidated Financial Statements for additional information on the abandonment of PATH.

Power Purchase Agreements

FirstEnergy evaluated its power purchase agreements and determined that certain NUG entities may be VIEs to the extent that they own a plant that sells substantially all of its output to the applicable utilities if the contract price for power is correlated with the plant's variable costs of production. FirstEnergy, through its subsidiaries JCP&L, ME, PN, PE, WP and MP, maintains 21 long-term power purchase agreements with NUG entities that were entered into pursuant to PURPA as of September 30, 2012. In October 2012, one of JCP&L's long-term power purchase agreements with a NUG entity ended. FirstEnergy was not involved in the creation of, and has no equity or debt invested in, any of these entities.

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

Because JCP&L, PE and WP have no equity or debt interests in the NUG entities, their maximum exposure to loss relates primarily to the above-market costs incurred for power. FirstEnergy expects any above-market costs incurred by its subsidiaries to be recovered from customers, except as described further below. Purchased power costs related to the three contracts that may contain a variable interest that were held by FE subsidiaries during the three months ended September 30, 2012, were $19 million, $30 million and $16 million for JCP&L, PE and WP, respectively, and $46 million, $89 million and $49 million for the nine months ended September 30, 2012, respectively. Purchased power costs related to the four contracts that may contain a variable interest that were held by JCP&L, PE and WP, during the three months ended September 30, 2011, were $44 million, $31 million, and $14 million, respectively, and $164 million, $89 million and $40 million for the nine months ended September 30, 2011, respectively.

In 1998 the PPUC issued an order approving a transition plan for WP that disallowed certain costs, including an estimated amount for an adverse power purchase commitment related to the NUG entity wherein WP may hold a variable interest, for which WP has taken the scope exception. As of September 30, 2012, WP's reserve for this adverse purchase power commitment was $45 million, including a current liability of $11 million, and is being amortized over the life of the commitment.

Loss Contingencies

FirstEnergy has variable interests in certain sale and leaseback transactions. FirstEnergy is not the primary beneficiary of these interests as it does not have control over the significant activities affecting the economics of the arrangement.

On August 24, 2012, NGC repurchased lessor equity interests in OE's existing sale and leaseback of Beaver Valley Unit 2 for $108 million. Additionally, during the third quarter of 2012, FGCO acquired certain lessor equity interests in connection with the 1987 Bruce Mansfield Plant sale and leaseback transactions for an aggregate purchase price of approximately $95.4 million; during the fourth quarter of 2012, additional equity purchases of $37.6 million, as well as an early buyout for $23.6 million occurred.

FES, OE and other FE subsidiaries are exposed to losses under their applicable sale and leaseback agreements upon the occurrence of certain contingent events. The maximum exposure under these provisions represents the net amount of casualty value payments due upon the occurrence of specified casualty events. Net discounted lease payments would not be payable if the casualty loss payments were made. The following table discloses each company's net exposure to loss based upon the casualty value provisions as of September 30, 2012:

	Maximum Exposure	Discounted Lease Payments, net(1)	Net Exposure
	(In millions)		
FES	$1,339	$1,123	$216
OE	551	390	161
Other FE subsidiaries	561	326	235

(1) The net present value of FirstEnergy's consolidated sale and leaseback operating lease commitments is $1.4 billion.

7. FAIR VALUE MEASUREMENTS
RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

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

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

Level 1 - Quoted prices for identical instruments in active market

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

Models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and current market and contractual prices for the underlying instruments, as well as other relevant economic measures.
Level 3 - Valuation inputs are unobservable and significant to the fair value measurement

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

FTRs are financial instruments that entitle the holder to a stream of revenues (or charges) based on the hourly day-ahead congestion price differences across transmission paths. FTRs are acquired by FirstEnergy in the annual, monthly and long-term RTO auctions and are initially recorded using the auction clearing price less cost. After initial recognition, FTRs' carrying values are subsequently adjusted to fair value using a mark-to-model methodology on a monthly basis, which approximates market. The primary inputs into the model, which are generally less observable from objective sources, are the most recent RTO auction clearing prices and the FTRs' remaining hours. The model calculates the fair value by multiplying the most recent auction clearing price by the remaining FTR hours less the prorated FTR cost. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement. See Note 8, Derivative Instruments, for additional information regarding FirstEnergy's FTRs.

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

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

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

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

Recurring Fair Value Measurements	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$1,012	$—	1,012	$—	$1,544	$—	$1,544
Derivative assets - commodity contracts	3	257	—	260	—	264	—	264
Derivative assets - FTRs	—	—	7	7	—	—	1	1
Derivative assets - NUG contracts(1)	—	—	18	18	—	—	56	56
Equity securities(2)	367	—	—	367	259	—	—	259
Foreign government debt securities	—	60	—	60	—	3	—	3
U.S. government debt securities	—	184	—	184	—	148	—	148
U.S. state debt securities	—	314	—	314	—	314	—	314
Other(3)	124	562	—	686	49	225	—	274
Total assets	494	2,389	25	2,908	308	2,498	57	2,863
Liabilities								
Derivative liabilities - commodity contracts	—	(177)	—	(177)	—	(247)	—	(247)
Derivative liabilities - FTRs	—	—	(11)	(11)	—	—	(23)	(23)
Derivative liabilities - NUG contracts(1)	—	—	(300)	(300)	—	—	(349)	(349)
Derivative liabilities - LCAPP contracts(1)	—	—	(142)	(142)	—	—	—	—
Total liabilities	—	(177)	(453)	(630)	—	(247)	(372)	(619)
Net assets (liabilities)(4)	$494	$2,212	$(428)	$2,278	$308	$2,251	$(315)	$2,244

(1) NUG and LCAPP contracts are generally subject to regulatory accounting treatment and do not impact earnings.
(2) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index.
(3) Primarily consists of short-term cash investments.
(4) Excludes $43 million and $(52) million as of September 30, 2012 and December 31, 2011, respectively, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

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Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG and LCAPP contracts and FTRs that are classified as Level 3 in the fair value hierarchy for the periods ended September 30, 2012 and December 31, 2011:

	NUG Contracts[1]			LCAPP Contracts[1]			FTRs		
	Derivative Assets (in millions)	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
January 1, 2011 Balance	$122	$(466)	$(344)	$—	$—	$—	$—	$—	$—
Realized gain (loss)	—	—	—	—	—	—	—	—	—
Unrealized gain (loss)	(58)	(144)	(202)	—	—	—	2	(27)	(25)
Purchases	—	—	—	—	—	—	13	(4)	9
Issuances	—	—	—	—	—	—	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Settlements	(7)	261	254	—	—	—	(14)	20	6
Transfers in (out) of Level 3	—	—	—	—	—	—	—	(12)	(12)
December 31, 2011 Balance	$57	$(349)	$(292)	$—	$—	$—	$1	$(23)	$(22)
Realized gain (loss)	—	—	—	—	—	—	—	—	—
Unrealized gain (loss)	(39)	(144)	(183)	—	3	3	1	(4)	(3)
Purchases	—	—	—	—	(145)	(145)	12	(10)	2
Issues	—	—	—	—	—	—	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Settlements	—	193	193	—	—	—	(7)	26	19
Transfers in (out) of Level 3	—	—	—	—	—	—	—	—	—
September 30, 2012 Balance	$18	$(300)	$(282)	$—	$(142)	$(142)	$7	$(11)	$(4)

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

Level 3 Quantitative Information

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

	Fair Value as of September 30, 2012 (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$(4)	Model	RTO auction clearing prices	($3.80) to $6.40	$0.50	Dollars/MWH
NUG Contracts	$(282)	Model	Generation Electricity regional prices	700 to 6,748,000 $43.40 to $57.30	3,211,000 $51.90	MWH Dollars/MWH
LCAPP Contracts	$(142)	Model	Regional capacity prices	$158.60 to $197.30	$174.50	Dollars/MW-Day

FES

Recurring Fair Value Measurements	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$437	$—	$437	$—	$1,010	$—	$1,010
Derivative assets - commodity contracts	3	252	—	255	—	248	—	248
Derivative assets - FTRs	—	—	5	5	—	—	1	1
Equity securities[1]	334	—	—	334	124	—	—	124
Foreign government debt securities	—	50	—	50	—	3	—	3
U.S. government debt securities	—	21	—	21	—	7	—	7
U.S. state debt securities	—	—	—	—	—	5	—	5
Other[2]	—	396	—	396	—	132	—	132
Total assets	337	1,156	5	1,498	124	1,405	1	1,530
Liabilities								
Derivative liabilities - commodity contracts	—	(177)	—	(177)	—	(234)	—	(234)
Derivative liabilities - FTRs	—	—	(7)	(7)	—	—	(7)	(7)
Total liabilities	—	(177)	(7)	(184)	—	(234)	(7)	(241)
Net assets (liabilities)[3]	$337	$979	$(2)	$1,314	$124	$1,171	$(6)	$1,289

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

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

(3) Excludes $47 million and $(58) million as of September 30, 2012 and December 31, 2011, respectively, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

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

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

Sales	—	—	—
Settlements	(5)	9	4
Transfers in (out) of Level 3	—	—	—
September 30, 2012 Balance	$5	$(7)	$(2)

Level 3 Quantitative Information

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

	Fair Value as of September 30, 2012 (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$(2)	Model	RTO auction clearing prices	($3.80) to $6.40	$0.30	Dollars/MWH

OE

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

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

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

JCP&L

Recurring Fair Value Measurements	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$139	$—	$139	$—	$144	$—	$144
Derivative assets - NUG contracts(1)	—	—	1	1	—	—	4	4
Equity securities(2)	—	—	—	—	30	—	—	30
Foreign government debt securities	—	2	—	2	—	—	—	—
U.S. government debt securities	—	8	—	8	—	2	—	2
U.S. state debt securities	—	230	—	230	—	219		