

CLEVELAND ELECTRIC ILLUMINATING CO

Form 10-Q

October 26, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2010
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
1-2323	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.	34-4375005

**76 South Main Street
Akron, OH 44308
Telephone (800)736-3402**

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 ☐ 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 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.

Yes ☐ No ☐ 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 ☐ FirstEnergy Corp.

Accelerated Filer ☐ N/A

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

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reporting company) b Company, Metropolitan Edison Company and Pennsylvania Electric 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 b 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 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 OCTOBER 22, 2010
FirstEnergy Corp., \$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.	

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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.

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 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, 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.

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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 Pennsylvania.

- The impact of the regulatory process on the pending matters in Ohio, Pennsylvania and New Jersey.

- Business and regulatory impacts from ATSI's realignment into PJM.

- Economic or weather conditions affecting future sales and margins.

- Changes in markets for energy services.

- Changing energy and commodity market prices and availability.

- Financial derivative reforms that could increase our liquidity needs and collateral costs.

- Replacement power costs being higher than anticipated or inadequately hedged.

- The continued ability of FirstEnergy's regulated utilities to recover regulatory assets or increased costs.

- Operation and maintenance costs being higher than anticipated.

- Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission and coal combustion residual regulations.

- The potential impacts of the proposed rules promulgated by the EPA on July 6, 2010, in response to the U.S. Court of Appeals' July 11, 2008 decision requiring revisions to the CAIR rules or any final laws, rules or regulations that may ultimately replace CAIR.

- 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 similar regulatory initiatives or actions.

- 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.

- Ultimate resolution of Met-Ed's and Penelec's TSC 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 and energy efficiency mandates.

- 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 amounts that are 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 their costs and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.

- The state of the national and regional economies and associated impacts on the registrants' major industrial and commercial customers.

Issues concerning the soundness of financial institutions and counterparties with which the registrants do business.

The expected timing and likelihood of completion of the proposed merger with Allegheny Energy, Inc., including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed merger that could reduce anticipated benefits or cause the parties to abandon the merger, the diversion of management's time and attention from FirstEnergy's ongoing business during this time period, the ability to maintain relationships with customers, employees or suppliers as well as the ability to successfully integrate the businesses and realize cost savings and any other synergies and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.

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. A security rating is not a recommendation to buy, sell or hold securities that may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. 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 its current and former subsidiaries:

ATSI	American Transmission Systems, Incorporated, 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
Global Rail	A joint venture between FirstEnergy Ventures Corp. and WMB Loan Ventures II LLC, that owns coal transportation operations near Roundup, Montana
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
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
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 WMB Loan Ventures LLC, that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
Utilities	OE, CEI, TE, Penn, JCP&L, Met-Ed and Penelec

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

ALJ	Administrative Law Judge
AOCL	Accumulated Other Comprehensive Loss
AQC	Air Quality Control
ARO	Asset Retirement Obligation
BGS	Basic Generation Service
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CATR	Clean Air Transport Rule
CBP	Competitive Bid Process
CO ₂	Carbon Dioxide

CTC	Competitive Transition Charge
DOE	United States Department of Energy
DOJ	United States Department of Justice
DPA	Department of the Public Advocate, Division of Rate Counsel (New Jersey)
EE&C	Energy Efficiency and Conservation
EMP	Energy Master Plan
EPA	United States Environmental Protection Agency

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ESP	Electric Security Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMB	First Mortgage Bond
FPA	Federal Power Act
FRR	Fixed Resource Requirement
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gases
IRS	Internal Revenue Service
JOA	Joint Operating Agreement
kV	Kilovolt
KWH	Kilowatt-hours
LED	Light-Emitting Diode
LOC	Letter of Credit
MACT	Maximum Achievable Control Technology
MDPSC	Maryland Public Service Commission
MEIUG	Met-Ed Industrial users Group
MISO	Midwest Independent Transmission System Operator, Inc.
Moody's	Moody's Investors Service, Inc.
MRO	Market Rate Offer
MTEP	MISO Regional Transmission Expansion Plan
MW	Megawatts
MWH	Megawatt-hours
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NNSR	Non-Attainment New Source Review
NOAC	Northwest Ohio Aggregation Coalition
NOPEC	Northeast Ohio Public Energy Council
NOV	Notice of Violation
NO _x	Nitrogen Oxide
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NUGC	Non-Utility Generation Charge
NYSEG	New York State Electric and Gas
OCC	Ohio Consumers' Counsel
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OVEC	Ohio Valley Electric Corporation
PCRB	Pollution Control Revenue Bond
PICA	Pennsylvania Intergovernmental Cooperation Authority
PJM	PJM Interconnection L. L. C.
POLR	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
PSCWV	Public Service Commission of West Virginia

PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
RECs	Renewable Energy Credits
RFP	Request for Proposal
RTEP	Regional Transmission Expansion 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

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GLOSSARY OF TERMS, Cont d.

SEC	U.S. Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act
SNCR	Selective Non-Catalytic Reduction
SO ₂	Sulfur Dioxide
TBC	Transition Bond Charge
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2010	2009	2010	2009
	<i>(In millions, except per share amounts)</i>			
REVENUES:				
Electric utilities	\$ 2,757	\$ 2,940	\$ 7,673	\$ 8,751
Unregulated businesses	936	468	2,449	1,262
Total revenues*	3,693	3,408	10,122	10,013
EXPENSES:				
Fuel	400	302	1,084	890
Purchased power	1,284	1,313	3,574	3,480
Other operating expenses	738	665	2,112	2,103
Provision for depreciation	182	188	565	550
Amortization of regulatory assets	176	261	549	903
Deferral of new regulatory assets				(136)
General taxes	206	192	587	587
Impairment of long-lived assets	292		294	
Total expenses	3,278	2,921	8,765	8,377
OPERATING INCOME	415	487	1,357	1,636
OTHER INCOME (EXPENSE):				
Investment income	46	191	93	207
Interest expense	(208)	(355)	(628)	(755)
Capitalized interest	41	35	122	96
Total other expense	(121)	(129)	(413)	(452)
INCOME BEFORE INCOME TAXES	294	358	944	1,184
INCOME TAXES	119	128	364	430
NET INCOME	175	230	580	754
Loss attributable to noncontrolling interest	(4)	(4)	(19)	(14)

EARNINGS AVAILABLE TO FIRSTENERGY CORP.	\$	179	\$	234	\$	599	\$	768
BASIC EARNINGS PER SHARE OF COMMON STOCK	\$	0.59	\$	0.77	\$	1.97	\$	2.52
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING		304		304		304		304
DILUTED EARNINGS PER SHARE OF COMMON STOCK	\$	0.59	\$	0.77	\$	1.96	\$	2.51
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING		305		306		305		306
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$	1.10	\$	1.10	\$	1.65	\$	1.65

* Includes excise tax collections of \$120 million and \$106 million in the three months ended September 30, 2010 and 2009, respectively, and \$328 million and \$310 million in the nine months ended September 30, 2010 and 2009, respectively.

The accompanying Combined Notes to the 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		Nine Months	
	Ended September 30		Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>			
NET INCOME	\$ 175	\$ 230	\$ 580	\$ 754
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and other postretirement benefits	17	(480)	47	24
Unrealized gain on derivative hedges	6	19	16	57
Change in unrealized gain on available-for-sale securities	20	(108)	32	(76)
Other comprehensive income (loss)	43	(569)	95	5
Income tax expense (benefit) related to other comprehensive income	14	(216)	30	26
Other comprehensive income (loss), net of tax	29	(353)	65	(21)
COMPREHENSIVE INCOME (LOSS)	204	(123)	645	733
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(4)	(4)	(19)	(14)
COMPREHENSIVE INCOME (LOSS) AVAILABLE TO FIRSTENERGY CORP.	\$ 208	\$ (119)	\$ 664	\$ 747

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

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FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	<i>(In millions)</i>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 632	\$ 874
Receivables-		
Customers (less allowances of \$39 million in 2010 and \$33 million in 2009)	1,414	1,244
Other (less allowances of \$7 million in 2010 and 2009)	150	153
Materials and supplies, at average cost	652	647
Prepaid taxes	291	248
Other	252	154
	3,391	3,320
PROPERTY, PLANT AND EQUIPMENT:		
In service	27,590	27,826
Less Accumulated provision for depreciation	11,206	11,397
	16,384	16,429
Construction work in progress	3,154	2,735
	19,538	19,164
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,965	1,859
Investments in lease obligation bonds	486	543
Other	564	621
	3,015	3,023
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	5,575	5,575
Regulatory assets	2,246	2,356
Power purchase contract asset	116	200
Other	826	666
	8,763	8,797
	\$ 34,707	\$ 34,304

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

Currently payable long-term debt	\$	1,590	\$	1,834
Short-term borrowings		1,000		1,181
Accounts payable		813		829
Accrued taxes		230		314
Other		1,339		1,130
		4,972		5,288

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		5,445		5,448
Accumulated other comprehensive loss		(1,350)		(1,415)
Retained earnings		4,591		4,495
Total common stockholders' equity		8,717		8,559
Noncontrolling interest		(26)		(2)
Total equity		8,691		8,557
Long-term debt and other long-term obligations		12,104		11,908
		20,795		20,465

NONCURRENT LIABILITIES:

Accumulated deferred income taxes		2,824		2,468
Retirement benefits		1,541		1,534
Asset retirement obligations		1,394		1,425
Deferred gain on sale and leaseback transaction		968		993
Power purchase contract liability		756		643
Lease market valuation liability		228		262
Other		1,229		1,226
		8,940		8,551

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

\$	34,707	\$	34,304
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2010	2009
	<i>(In millions)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 580	\$ 754
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	565	550
Amortization of regulatory assets	549	903
Deferral of new regulatory assets		(136)
Nuclear fuel and lease amortization	123	92
Deferred purchased power and other costs	(192)	(235)
Deferred income taxes and investment tax credits, net	259	421
Impairment of long-lived assets	294	
Investment impairment	21	39
Gain on investment securities held in trusts	(39)	(172)
Loss on debt redemption		142
Deferred rents and lease market valuation liability	(21)	(20)
Accrued compensation and retirement benefits	48	20
Interest rate swap transactions	129	
Commodity derivative transactions, net	(40)	26
Cash collateral paid, net	(54)	(85)
Pension trust contribution		(500)
Decrease (increase) in operating assets-		
Receivables	(172)	78
Materials and supplies	(6)	30
Prepayments and other current assets	(4)	(349)
Increase (decrease) in operating liabilities-		
Accounts payable	(16)	(103)
Accrued taxes	(18)	(97)
Accrued interest	63	121
Other	4	(15)
Net cash provided from operating activities	2,073	1,464
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	251	4,151
Redemptions and Repayments-		
Long-term debt	(422)	(2,213)
Short-term borrowings, net	(171)	(764)
Common stock dividend payments	(503)	(503)
Other	(25)	(54)

Net cash provided from (used for) financing activities	(870)	617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,467)	(1,575)
Proceeds from asset sales	117	19
Sales of investment securities held in trusts	2,577	3,039
Purchases of investment securities held in trusts	(2,610)	(3,101)
Customer acquisition costs	(110)	
Cash investments	56	(4)
Restricted funds for debt redemption		(150)
Other	(8)	(16)
Net cash used for investing activities	(1,445)	(1,788)
Net change in cash and cash equivalents	(242)	293
Cash and cash equivalents at beginning of period	874	545
Cash and cash equivalents at end of period	\$ 632	\$ 838

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

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
	<i>(In thousands)</i>			
REVENUES:				
Electric sales to affiliates	\$ 599,695	\$ 616,300	\$ 1,745,542	\$ 2,348,741
Electric sales to non-affiliates	904,752	443,819	2,302,240	928,944
Other	49,230	44,453	208,662	394,145
Total revenues	1,553,677	1,104,572	4,256,444	3,671,830
EXPENSES:				
Fuel	391,087	294,693	1,061,719	871,160
Purchased power from affiliates	116,381	35,290	246,232	149,746
Purchased power from non-affiliates	411,084	205,200	1,160,119	551,155
Other operating expenses	309,793	305,935	916,366	891,555
Provision for depreciation	59,298	66,041	185,535	192,962
General taxes	21,804	21,700	70,822	66,361
Impairment of long-lived assets	291,934		293,767	
Total expenses	1,601,381	928,859	3,934,560	2,722,939
OPERATING INCOME (LOSS)	(47,704)	175,713	321,884	948,891
OTHER INCOME (EXPENSE):				
Investment income	29,895	158,857	43,978	135,723
Miscellaneous income	4,765	2,804	10,468	12,840
Interest expense affiliates	(2,497)	(2,209)	(7,362)	(8,503)
Interest expense other	(49,544)	(42,187)	(150,560)	(90,985)
Capitalized interest	22,955	17,869	66,550	41,975
Total other income (expense)	5,574	135,134	(36,926)	91,050
INCOME (LOSS) BEFORE INCOME TAXES	(42,130)	310,847	284,958	1,039,941
INCOME TAXES	(5,404)	111,164	107,833	372,175
NET INCOME (LOSS)	(36,726)	199,683	177,125	667,766

OTHER COMPREHENSIVE INCOME (LOSS):

Pension and other postretirement benefits	886	(61,085)	(8,063)	13,604
Unrealized gain on derivative hedges	2,818	790	7,109	26,847
Change in unrealized gain on available-for-sale securities	17,445	(89,401)	28,533	(51,374)
Other comprehensive income (loss)	21,149	(149,696)	27,579	(10,923)
Income taxes related to other comprehensive income (loss)	7,694	(58,883)	9,898	(3,549)
Other comprehensive income (loss), net of tax	13,455	(90,813)	17,681	(7,374)

TOTAL COMPREHENSIVE INCOME (LOSS) \$ (23,271) \$ 108,870 \$ 194,806 \$ 660,392

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

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FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10	\$ 12
Receivables-		
Customers (less accumulated provisions of \$16,277,000 and \$12,041,000, respectively, for uncollectible accounts)	325,265	195,107
Associated companies	269,986	318,561
Other (less accumulated provisions of \$6,702,000 for uncollectible accounts)	57,407	51,872
Notes receivable from associated companies	501,648	805,103
Materials and supplies, at average cost	554,043	539,541
Prepayments and other	204,065	107,782
	1,912,424	2,017,978
PROPERTY, PLANT AND EQUIPMENT:		
In service	9,663,264	10,357,632
Less Accumulated provision for depreciation	4,114,381	4,531,158
	5,548,883	5,826,474
Construction work in progress	2,736,635	2,423,446
	8,285,518	8,249,920
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,158,376	1,088,641
Other	7,400	22,466
	1,165,776	1,111,107
DEFERRED CHARGES AND OTHER ASSETS:		
Accumulated deferred income tax benefits	3,357	86,626
Customer intangibles	127,420	16,566
Goodwill	24,248	24,248
Property taxes	50,125	50,125
Unamortized sale and leaseback costs	61,934	72,553
Other	164,332	121,665
	431,416	371,783
	\$ 11,795,134	\$ 11,750,788

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 1,396,792	\$ 1,550,927
Short-term borrowings-		
Associated companies	9,642	9,237
Other	100,000	100,000
Accounts payable-		
Associated companies	472,018	466,078
Other	204,928	245,363
Accrued taxes	59,422	83,158
Other	430,824	359,057
	2,673,626	2,813,820

CAPITALIZATION:

Common stockholders' equity-		
Common stock, without par value, authorized 750 shares, 7 shares outstanding	1,490,010	1,468,423
Accumulated other comprehensive loss	(85,320)	(103,001)
Retained earnings	2,326,274	2,149,149
Total common stockholders' equity	3,730,964	3,514,571
Long-term debt and other long-term obligations	2,819,150	2,711,652
	6,550,114	6,226,223

NONCURRENT LIABILITIES:

Deferred gain on sale and leaseback transaction	967,583	992,869
Accumulated deferred investment tax credits	55,267	58,396
Asset retirement obligations	877,522	921,448
Retirement benefits	228,779	204,035
Property taxes	50,125	50,125
Lease market valuation liability	228,119	262,200
Other	163,999	221,672
	2,571,394	2,710,745

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

\$ 11,795,134	\$ 11,750,788
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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

	Nine Months Ended September 30	
	2010	2009
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 177,125	\$ 667,766
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	185,535	192,962
Nuclear fuel and lease amortization	126,071	94,244
Deferred rents and lease market valuation liability	(41,493)	(40,143)
Deferred income taxes and investment tax credits, net	96,152	268,812
Impairment of long-lived assets	293,767	
Investment impairment	21,089	36,169
Accrued compensation and retirement benefits	15,887	5,860
Commodity derivative transactions, net	(40,048)	25,794
Gain on asset sales	(2,213)	(9,832)
Gain on investment securities held in trusts	(34,292)	(154,723)
Cash collateral, net	(53,900)	(92,618)
Decrease (increase) in operating assets-		
Receivables	(91,134)	(55,774)
Materials and supplies	(15,324)	38,543
Prepayments and other current assets	36,004	(35,315)
Increase (decrease) in operating liabilities-		
Accounts payable	(50,114)	(72,181)
Accrued taxes	(8,404)	23,846
Accrued interest	(14,130)	31,770
Other	23,349	(43,369)
Net cash provided from operating activities	623,927	881,811
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	249,520	2,356,762
Short-term borrowings, net	405	
Redemptions and Repayments-		
Long-term debt	(296,339)	(618,213)
Short-term borrowings, net		(1,164,823)
Other	(798)	(20,006)
Net cash provided from (used for) financing activities	(47,212)	553,720

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Property additions	(801,238)	(842,600)
Proceeds from asset sales	117,213	16,129
Sales of investment securities held in trusts	1,478,086	2,152,717
Purchases of investment securities held in trusts	(1,511,273)	(2,175,135)
Loans from (to) associated companies, net	303,455	(298,841)
Customer acquisition costs	(110,073)	
Leasehold improvement payments to associated companies	(51,204)	
Other	(1,683)	(20,882)
Net cash used for investing activities	(576,717)	(1,168,612)
Net change in cash and cash equivalents	(2)	266,919
Cash and cash equivalents at beginning of period	12	39
Cash and cash equivalents at end of period	\$ 10	\$ 266,958

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

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

	Three Months Ended September 30 2010	2009	Nine Months Ended September 30 2010	2009
	<i>(In thousands)</i>			

STATEMENTS OF INCOME**REVENUES:**

Electric sales	\$ 456,531	\$ 575,377	\$ 1,351,893	\$ 1,942,612
Excise and gross receipts tax collections	30,058	27,127	82,482	81,055
 Total revenues	 486,589	 602,504	 1,434,375	 2,023,667

EXPENSES:

Purchased power from affiliates	136,804	200,506	424,530	847,712
Purchased power from non-affiliates	84,264	161,732	257,322	397,875
Other operating expenses	94,804	102,463	271,934	372,231
Provision for depreciation	21,990	22,407	65,884	65,916
Amortization of regulatory assets, net	9,704	17,404	48,473	59,910
General taxes	48,909	45,164	139,763	138,187
 Total expenses	 396,475	 549,676	 1,207,906	 1,881,831

OPERATING INCOME

	90,114	52,828	226,469	141,836
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OTHER INCOME (EXPENSE):

Investment income	5,438	20,285	16,991	39,796
Miscellaneous income	1,673	237	2,676	2,108
Interest expense	(21,975)	(22,961)	(66,440)	(67,717)
Capitalized interest	335	231	838	730
 Total other expense	 (14,529)	 (2,208)	 (45,935)	 (25,083)

INCOME BEFORE INCOME TAXES

	75,585	50,620	180,534	116,753
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INCOME TAXES

	29,332	15,885	60,797	36,742
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NET INCOME

	46,253	34,735	119,737	80,011
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Income from noncontrolling interest	124	140	386	429
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EARNINGS AVAILABLE TO PARENT	\$	46,129	\$	34,595	\$	119,351	\$	79,582
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STATEMENTS OF COMPREHENSIVE INCOME

NET INCOME	\$	46,253	\$	34,735	\$	119,737	\$	80,011
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OTHER COMPREHENSIVE INCOME LOSS:

Pension and other postretirement benefits	321	(49,043)	4,658	46,559
Change in unrealized gain on available-for-sale securities	2,178	(7,695)	2,989	(9,676)
Other comprehensive income (loss)	2,499	(56,738)	7,647	36,883
Income tax expense (benefit) related to other comprehensive income	562	(21,924)	1,229	15,915
Other comprehensive income (loss), net of tax	1,937	(34,814)	6,418	20,968

COMPREHENSIVE INCOME (LOSS)	48,190	(79)	126,155	100,979
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COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST

	124	140	386	429
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COMPREHENSIVE INCOME (LOSS) AVAILABLE TO PARENT

	\$	48,066	\$	(219)	\$	125,769	\$	100,550
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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OHIO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 288,092	\$ 324,175
Receivables-		
Customers (less accumulated provisions of \$4,951,000 and \$5,119,000, respectively, for uncollectible accounts)	182,894	209,384
Associated companies	38,499	98,874
Other	20,777	14,155
Notes receivable from associated companies	16,234	118,651
Prepayments and other	9,490	15,964
	555,986	781,203
UTILITY PLANT:		
In service	3,118,239	3,036,467
Less Accumulated provision for depreciation	1,199,401	1,165,394
	1,918,838	1,871,073
Construction work in progress	38,915	31,171
	1,957,753	1,902,244
OTHER PROPERTY AND INVESTMENTS:		
Investment in lease obligation bonds	204,707	216,600
Nuclear plant decommissioning trusts	129,685	120,812
Other	96,897	96,861
	431,289	434,273
DEFERRED CHARGES AND OTHER ASSETS:		
Regulatory assets	413,596	465,331
Pension assets	39,271	19,881
Property taxes	67,037	67,037
Unamortized sale and leaseback costs	31,376	35,127
Other	17,540	39,881
	568,820	627,257
	\$ 3,513,848	\$ 3,744,977

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 1,479	\$ 2,723
Short-term borrowings-		
Associated companies	47,648	92,863
Other	320	807
Accounts payable-		
Associated companies	32,084	102,763
Other	23,994	40,423
Accrued taxes	55,236	81,868
Accrued interest	25,354	25,749
Other	133,060	81,424
	319,175	428,620

CAPITALIZATION:

Common stockholder s equity-		
Common stock, without par value, authorized 175,000,000 shares - 60 shares outstanding	951,839	1,154,797
Accumulated other comprehensive loss	(157,159)	(163,577)
Retained earnings	104,241	29,890
Total common stockholder s equity	898,921	1,021,110
Noncontrolling interest	6,225	6,442
Total equity	905,146	1,027,552
Long-term debt and other long-term obligations	1,152,370	1,160,208
	2,057,516	2,187,760

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	678,815	660,114
Accumulated deferred investment tax credits	10,521	11,406
Retirement benefits	169,070	174,925
Asset retirement obligations	83,194	85,926
Other	195,557	196,226
	1,137,157	1,128,597

COMMITMENTS AND CONTINGENCIES (Note 9)

\$ 3,513,848 \$ 3,744,977

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

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OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended
September 30
2010 2009
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	\$ 119,737	\$ 80,011
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	65,884	65,916
Amortization of regulatory assets, net	48,473	59,910
Purchased power cost recovery reconciliation	3,906	15,372
Amortization of lease costs	28,314	28,394
Deferred income taxes and investment tax credits, net	7,612	32,658
Accrued compensation and retirement benefits	(16,659)	(3,542)
Accrued regulatory obligations	1,301	19,172
Electric service prepayment programs		(4,634)
Cash collateral from suppliers	23,286	6,469
Pension trust contributions		(103,035)
Decrease (increase) in operating assets-		
Receivables	91,971	128,688
Prepayments and other current assets	10,331	(2,553)
Decrease in operating liabilities-		
Accounts payable	(87,108)	(60,125)
Accrued taxes	(26,425)	(17,196)
Accrued interest	(395)	(59)
Other	(9,695)	(8,596)
Net cash provided from operating activities	260,533	236,850

CASH FLOWS FROM FINANCING ACTIVITIES:

New Financing-		
Long-term debt		100,000
Short-term borrowings, net		74,514
Redemptions and Repayments-		
Long-term debt	(9,628)	(101,088)
Short-term borrowings, net	(45,702)	
Common stock dividend payments	(250,000)	(150,000)
Other	(892)	(2,138)
Net cash used for financing activities	(306,222)	(78,712)

CASH FLOWS FROM INVESTING ACTIVITIES:

Property additions	(110,645)	(108,253)
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Leasehold improvement payments from associated companies	18,375	
Sales of investment securities held in trusts	78,599	207,280
Purchases of investment securities held in trusts	(83,725)	(214,592)
Loan repayments from associated companies, net	102,417	134,975
Cash investments	12,296	7,070
Other	(7,711)	(1,216)
Net cash provided from investing activities	9,606	25,264
Net change in cash and cash equivalents	(36,083)	183,402
Cash and cash equivalents at beginning of period	324,175	146,343
Cash and cash equivalents at end of period	\$ 288,092	\$ 329,745

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

Three Months Ended **Nine Months Ended**
September 30 **September 30**
2010 **2009** **2010** **2009**
(In thousands)

STATEMENTS OF INCOME**REVENUES:**

Electric sales	\$ 309,236	\$ 417,900	\$ 901,913	\$ 1,307,592
Excise tax collections	19,480	17,629	52,548	52,748
Total revenues	328,716	435,529	954,461	1,360,340

EXPENSES:

Purchased power from affiliates	89,389	153,556	298,204	635,927
Purchased power from non-affiliates	35,151	87,689	105,200	208,849
Other operating expenses	36,441	37,822	96,613	141,829
Provision for depreciation	18,057	17,753	54,504	53,885
Amortization of regulatory assets	45,136	39,313	121,082	325,630
Deferral of new regulatory assets				(134,587)
General taxes	39,878	37,752	107,207	112,749
Total expenses	264,052	373,885	782,810	1,344,282

OPERATING INCOME

64,664 61,644 171,651 16,058

OTHER INCOME (EXPENSE):

Investment income	6,604	7,565	20,756	23,599
Miscellaneous income	533	645	1,790	3,437
Interest expense	(33,384)	(34,740)	(100,267)	(100,819)
Capitalized interest	10	27	43	145
Total other expense	(26,237)	(26,503)	(77,678)	(73,638)

INCOME (LOSS) BEFORE INCOME TAXES

38,427 35,141 93,973 (57,580)

INCOME TAX EXPENSE (BENEFIT)

13,479 9,755 33,107 (25,290)

NET INCOME (LOSS)

24,948 25,386 60,866 (32,290)

Income from noncontrolling interest	366	418	1,151	1,295
EARNINGS (LOSS) AVAILABLE TO PARENT	\$ 24,582	\$ 24,968	\$ 59,715	\$ (33,585)
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME (LOSS)	\$ 24,948	\$ 25,386	\$ 60,866	\$ (32,290)
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and other postretirement benefits	3,228	(48,024)	(16,129)	(154)
Unrealized loss on derivative hedges		(1,451)		(1,451)
Other comprehensive income (loss)	3,228	(49,475)	(16,129)	(1,605)
Income tax expense (benefit) related to other comprehensive income	976	(17,854)	(6,325)	1,452
Other comprehensive income (loss), net of tax	2,252	(31,621)	(9,804)	(3,057)
COMPREHENSIVE INCOME (LOSS)	27,200	(6,235)	51,062	(35,347)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	366	418	1,151	1,295
COMPREHENSIVE INCOME (LOSS) AVAILABLE TO PARENT	\$ 26,834	\$ (6,653)	\$ 49,911	\$ (36,642)

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 247	\$ 86,230
Receivables-		
Customers (less accumulated provisions of \$5,271,000 and \$5,239,000, respectively, for uncollectible accounts)	186,044	209,335
Associated companies	59,339	98,954
Other	4,910	11,661
Notes receivable from associated companies	23,905	26,802
Prepayments and other	4,362	9,973
	278,807	442,955
UTILITY PLANT:		
In service	2,373,419	2,310,074
Less Accumulated provision for depreciation	921,040	888,169
	1,452,379	1,421,905
Construction work in progress	30,482	36,907
	1,482,861	1,458,812
OTHER PROPERTY AND INVESTMENTS:		
Investment in lessor notes	340,031	388,641
Other	10,084	10,220
	350,115	398,861
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,688,521	1,688,521
Regulatory assets	420,144	545,505
Pension assets (Note 6)		13,380
Property taxes	77,319	77,319
Other	12,897	12,777
	2,198,881	2,337,502
	\$ 4,310,664	\$ 4,638,130

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

Currently payable long-term debt	\$ 148	\$ 117
Short-term borrowings-		
Associated companies	129,912	339,728
Accounts payable-		
Associated companies	14,803	68,634
Other	13,725	17,166
Accrued taxes	64,492	90,511
Accrued interest	39,261	18,466
Other	63,732	45,440
	326,073	580,062

CAPITALIZATION:

Common stockholders' equity-		
Common stock, without par value, authorized 105,000,000 shares, 67,930,743 shares outstanding	886,927	884,897
Accumulated other comprehensive loss	(147,962)	(138,158)
Retained earnings	556,963	597,248
Total common stockholders' equity	1,295,928	1,343,987
Noncontrolling interest	17,651	20,592
Total equity	1,313,579	1,364,579
Long-term debt and other long-term obligations	1,852,511	1,872,750
	3,166,090	3,237,329

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	628,244	644,745
Accumulated deferred investment tax credits	11,205	11,836
Retirement benefits	82,070	69,733
Other	96,982	94,425
	818,501	820,739

COMMITMENTS AND CONTINGENCIES (Note 9)

\$ 4,310,664 \$ 4,638,130

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2010	2009
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 60,866	\$ (32,290)
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Provision for depreciation	54,504	53,885
Amortization of regulatory assets, net	121,082	325,630
Deferral of new regulatory assets		(134,587)
Purchased power cost recovery reconciliation		(3,478)
Deferred income taxes and investment tax credits, net	(24,283)	(41,939)
Accrued compensation and retirement benefits	10,467	10,311
Pension trust contribution		(89,789)
Electric service prepayment programs		(3,510)
Cash collateral from suppliers, net	19,245	5,404
Decrease (increase) in operating assets-		
Receivables	86,725	30,977
Prepayments and other current assets	5,421	(633)
Increase (decrease) in operating liabilities-		
Accounts payable	(57,272)	(32,240)
Accrued taxes	(23,876)	(17,003)
Accrued interest	20,795	29,816
Other	740	11,489
Net cash provided from operating activities	274,414	112,043
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt		298,398
Redemptions and Repayments-		
Long-term debt	(84)	(558)
Short-term borrowings, net	(230,132)	(111,128)
Common stock dividend payments	(100,000)	(93,000)
Other	(4,100)	(6,161)
Net cash provided from (used for) financing activities	(334,316)	87,551
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(70,812)	(73,577)
Restricted cash		(155,573)
Loan repayments from (to) associated companies, net	2,897	(4,638)

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Redemptions of lessor notes	48,610	37,072
Other	(6,776)	(2,871)
Net cash used for investing activities	(26,081)	(199,587)
Net change in cash and cash equivalents	(85,983)	7
Cash and cash equivalents at beginning of period	86,230	226
Cash and cash equivalents at end of period	\$ 247	\$ 233

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

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THE TOLEDO EDISON COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	(In thousands)			
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 136,058	\$ 206,086	\$ 376,180	\$ 663,082
Excise tax collections	7,979	7,422	21,079	21,448
Total revenues	144,037	213,508	397,259	684,530
EXPENSES:				
Purchased power from affiliates	42,338	86,278	144,062	342,166
Purchased power from non-affiliates	16,663	56,494	50,377	115,275
Other operating expenses	28,746	30,238	79,790	110,722
Provision for depreciation	7,800	7,847	23,763	23,136
Amortization (deferral) of regulatory assets, net	6,591	9,253	(3,708)	30,921
General taxes	14,023	13,205	39,766	39,804
Total expenses	116,161	203,315	334,050	662,024
OPERATING INCOME	27,876	10,193	63,209	22,506
OTHER INCOME (EXPENSE):				
Investment income	3,018	9,302	11,875	22,315
Miscellaneous expense	(502)	(1,725)	(2,853)	(1,690)
Interest expense	(10,479)	(10,854)	(31,421)	(25,649)
Capitalized interest	94	46	252	138
Total other expense	(7,869)	(3,231)	(22,147)	(4,886)
INCOME BEFORE INCOME TAXES	20,007	6,962	41,062	17,620
INCOME TAX EXPENSE (BENEFIT)	6,911	(138)	13,241	3,123
NET INCOME	13,096	7,100	27,821	14,497
Income from noncontrolling interest	(4)	14	1	17

EARNINGS AVAILABLE TO PARENT	\$	13,100	\$	7,086	\$	27,820	\$	14,480
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**STATEMENTS OF COMPREHENSIVE
INCOME**

NET INCOME	\$	13,096	\$	7,100	\$	27,821	\$	14,497
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**OTHER COMPREHENSIVE INCOME
(LOSS):**

Pension and other postretirement benefits	713	(24,201)	1,723	(5,052)
Change in unrealized gain on available-for-sale securities	427	(11,633)	466	(15,181)
Other comprehensive income (loss)	1,140	(35,834)	2,189	(20,233)
Income tax expense (benefit) related to other comprehensive income	330	(13,187)	565	(5,982)
Other comprehensive income (loss), net of tax	810	(22,647)	1,624	(14,251)

COMPREHENSIVE INCOME (LOSS)	13,906	(15,547)	29,445	246
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**COMPREHENSIVE INCOME
(LOSS) ATTRIBUTABLE TO
NONCONTROLLING INTEREST**

(4)	14	1	17
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**COMPREHENSIVE INCOME
(LOSS) AVAILABLE TO PARENT**

\$	13,910	\$	(15,561)	\$	29,444	\$	229
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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**THE TOLEDO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 134,158	\$ 436,712
Receivables-		
Customers	30	75
Associated companies	44,075	90,191
Other (less accumulated provisions of \$224,000 and \$208,000, respectively, for uncollectible accounts)	19,146	20,180
Notes receivable from associated companies	81,254	85,101
Prepayments and other	4,272	7,111
	282,935	639,370
UTILITY PLANT:		
In service	938,532	912,930
Less Accumulated provision for depreciation	440,510	427,376
	498,022	485,554
Construction work in progress	9,946	9,069
	507,968	494,623
OTHER PROPERTY AND INVESTMENTS:		
Investment in lessor notes	103,848	124,357
Nuclear plant decommissioning trusts	76,051	73,935
Other	1,514	1,580
	181,413	199,872
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	500,576	500,576
Regulatory assets	74,297	69,557
Property taxes	23,658	23,658
Other	27,215	55,622
	625,746	649,413
	\$ 1,598,062	\$ 1,983,278

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

Currently payable long-term debt	\$ 208	\$ 222
Accounts payable-		
Associated companies	8,644	78,341
Other	6,212	8,312
Notes payable to associated companies		225,975
Accrued taxes	17,904	25,734
Lease market valuation liability	36,900	36,900
Other	44,745	29,273
	114,613	404,757

CAPITALIZATION:

Common stockholders' equity-		
Common stock, \$5 par value, authorized 60,000,000 shares, 29,402,054 shares outstanding	147,010	147,010
Other paid-in-capital	178,170	178,181
Accumulated other comprehensive loss	(48,179)	(49,803)
Retained earnings	112,310	214,490
Total common stockholders' equity	389,311	489,878
Noncontrolling interest	2,587	2,696
Total equity	391,898	492,574
Long-term debt and other long-term obligations	600,478	600,443
	992,376	1,093,017

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	116,090	80,508
Accumulated deferred investment tax credits	6,039	6,367
Retirement benefits	67,953	65,988
Asset retirement obligations	28,287	32,290
Lease market valuation liability	208,525	236,200
Other	64,179	64,151
	491,073	485,504

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

\$ 1,598,062 \$ 1,983,278

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

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THE TOLEDO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2010	2009
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 27,821	\$ 14,497
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	23,763	23,136
Amortization (deferral) of regulatory assets, net	(3,708)	30,921
Deferred rents and lease market valuation liability	(36,123)	(34,556)
Deferred income taxes and investment tax credits, net	18,927	(2,242)
Accrued compensation and retirement benefits	4,529	3,039
Accrued regulatory obligations	40	4,841
Electric service prepayment programs		(1,458)
Pension trust contribution		(21,590)
Cash collateral from suppliers	9,874	2,830
Decrease in operating assets-		
Receivables	61,051	24,561
Prepayments and other current assets	2,839	109
Increase (decrease) in operating liabilities-		
Accounts payable	(69,846)	(13,440)
Accrued taxes	(6,172)	(5,057)
Accrued interest	10,050	14,033
Other	(10,971)	(3,694)
Net cash provided from operating activities	32,074	35,930
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt		297,422
Redemptions and Repayments-		
Long-term debt	(167)	(292)
Short-term borrowings, net	(225,975)	(101,569)
Common stock dividend payments	(130,000)	(25,000)
Other	(112)	(351)
Net cash provided from (used for) financing activities	(356,254)	170,210
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(29,592)	(33,005)
Leasehold improvement payments from associated companies	32,829	
Loan repayments from associated companies, net	3,847	10,256

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Redemptions of lessor notes	20,509	18,358
Sales of investment securities held in trusts	118,360	171,061
Purchases of investment securities held in trusts	(119,777)	(173,214)
Other	(4,550)	(2,776)
Net cash provided from (used for) investing activities	21,626	(9,320)
Net change in cash and cash equivalents	(302,554)	196,820
Cash and cash equivalents at beginning of period	436,712	14
Cash and cash equivalents at end of period	\$ 134,158	\$ 196,834

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In thousands)</i>			
REVENUES:				
Electric sales	\$ 952,420	\$ 854,108	\$ 2,353,418	\$ 2,312,089
Excise tax collections	16,080	14,128	39,444	37,890
Total revenues	968,500	868,236	2,392,862	2,349,979
EXPENSES:				
Purchased power	556,618	509,035	1,381,104	1,414,226
Other operating expenses	89,167	84,495	260,004	241,241
Provision for depreciation	26,614	26,565	81,678	76,969
Amortization of regulatory assets, net	100,476	96,051	251,250	262,900
General taxes	19,974	18,344	51,312	48,427
Total expenses	792,849	734,490	2,025,348	2,043,763
OPERATING INCOME	175,651	133,746	367,514	306,216
OTHER INCOME (EXPENSE):				
Miscellaneous income	1,662	1,301	5,144	4,113
Interest expense	(30,220)	(29,593)	(89,684)	(87,132)
Capitalized interest	199	139	488	419
Total other expense	(28,359)	(28,153)	(84,052)	(82,600)
INCOME BEFORE INCOME TAXES	147,292	105,593	283,462	223,616
INCOME TAXES	64,440	43,435	121,491	95,834
NET INCOME	82,852	62,158	161,971	127,782
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and other postretirement benefits	4,135	(51,932)	24,198	(26,893)
Unrealized gain on derivative hedges	69	69	207	207

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Other comprehensive income (loss)	4,204	(51,863)	24,405	(26,686)
Income tax expense (benefit) related to other comprehensive income	1,443	(21,295)	9,442	(8,806)
Other comprehensive income (loss), net of tax	2,761	(30,568)	14,963	(17,880)
TOTAL COMPREHENSIVE INCOME	\$ 85,613	\$ 31,590	\$ 176,934	\$ 109,902

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

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

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1	\$ 27
Receivables-		
Customers (less accumulated provisions of \$4,736,000 and \$3,506,000, respectively, for uncollectible accounts)	378,822	300,991
Associated companies	3,900	12,884
Other	26,024	21,877
Notes receivable associated companies	64,168	102,932
Prepaid taxes	71,153	34,930
Other	15,674	12,945
	559,742	486,586
UTILITY PLANT:		
In service	4,568,640	4,463,490
Less Accumulated provision for depreciation	1,666,918	1,617,639
	2,901,722	2,845,851
Construction work in progress	51,857	54,251
	2,953,579	2,900,102
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	175,254	166,768
Nuclear fuel disposal trust	208,870	199,677
Other	2,136	2,149
	386,260	368,594
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,810,936	1,810,936
Regulatory assets	722,086	888,143
Other	30,608	27,096
	2,563,630	2,726,175
	\$ 6,463,211	\$ 6,481,457

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

Currently payable long-term debt	\$ 31,947	\$ 30,639
Accounts payable-		
Associated companies	12,743	26,882
Other	154,872	168,093
Accrued taxes	24,798	12,594
Accrued interest	30,003	18,256
Other	78,903	111,156
	333,266	367,620

CAPITALIZATION:

Common stockholders' equity-		
Common stock, \$10 par value, authorized 16,000,000 shares, 13,628,447 shares outstanding	136,284	136,284
Other paid-in capital	2,508,852	2,507,049
Accumulated other comprehensive loss	(228,049)	(243,012)
Retained earnings	197,046	200,075
Total common stockholders' equity	2,614,133	2,600,396
Long-term debt and other long-term obligations	1,779,081	1,801,589
	4,393,214	4,401,985

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	720,825	687,545
Nuclear fuel disposal costs	196,703	196,511
Retirement benefits	133,579	150,603
Asset retirement obligations	106,573	101,568
Power purchase contract liability	386,273	399,105
Other	192,778	176,520
	1,736,731	1,711,852

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

\$ 6,463,211	\$ 6,481,457
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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

	Nine Months Ended September 30	
	2010	2009
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 161,971	\$ 127,782
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	81,678	76,969
Amortization of regulatory assets, net	251,250	262,900
Deferred purchased power and other costs	(85,136)	(106,340)
Deferred income taxes and investment tax credits, net	14,984	40,989
Accrued compensation and retirement benefits	11,621	7,308
Cash collateral paid, net	(23,400)	(210)
Pension trust contribution		(100,000)
Decrease (increase) in operating assets-		
Receivables	(72,994)	18,984
Prepayments and other current assets	(36,573)	(83,538)
Increase (decrease) in operating liabilities-		
Accounts payable	(37,668)	(40,670)
Accrued taxes	35,326	(13,399)
Accrued interest	11,747	20,946
Tax collections payable		(9,714)
Other	(13,953)	12,606
Net cash provided from operating activities	298,853	214,613
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt		299,619
Redemptions and Repayments-		
Common stock		(150,000)
Long-term debt	(21,703)	(20,570)
Short-term borrowings, net		(114,766)
Common stock dividend payments	(165,000)	(88,000)
Other	(2)	(2,275)
Net cash used for financing activities	(186,705)	(75,992)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(130,008)	(121,342)
Loans from (to) associated companies, net	38,764	(660)
Sales of investment securities held in trusts	340,368	338,684

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Purchases of investment securities held in trusts	(353,028)	(351,216)
Other	(8,270)	(4,152)
Net cash used for investing activities	(112,174)	(138,686)
Net change in cash and cash equivalents	(26)	(65)
Cash and cash equivalents at beginning of period	27	66
Cash and cash equivalents at end of period	\$ 1	\$ 1

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In thousands)</i>			
REVENUES:				
Electric sales	\$ 460,864	\$ 424,901	\$ 1,334,454	\$ 1,194,609
Gross receipts tax collections	23,049	20,612	65,245	58,181
Total revenues	483,913	445,513	1,399,699	1,252,790
EXPENSES:				
Purchased power from affiliates	166,039	94,768	476,119	273,497
Purchased power from non-affiliates	87,561	142,495	264,765	389,705
Other operating expenses	141,761	63,654	333,895	221,320
Provision for depreciation	12,978	13,262	39,176	38,320
Amortization of regulatory assets, net	15,480	84,631	112,869	173,770
General taxes	25,029	22,540	66,663	66,509
Total expenses	448,848	421,350	1,293,487	1,163,121
OPERATING INCOME	35,065	24,163	106,212	89,669
OTHER INCOME (EXPENSE):				
Interest income	581	2,169	2,678	8,124
Miscellaneous income	1,539	1,068	5,093	2,982
Interest expense	(13,037)	(14,380)	(39,812)	(42,502)
Capitalized interest	176	47	461	124
Total other expense	(10,741)	(11,096)	(31,580)	(31,272)
INCOME BEFORE INCOME TAXES	24,324	13,067	74,632	58,397
INCOME TAXES	10,084	2,324	30,968	21,027
NET INCOME	14,240	10,743	43,664	37,370
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and other postretirement benefits	2,161	(31,365)	14,032	557

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Unrealized gain on derivative hedges	84	84	252	252
Other comprehensive income (loss)	2,245	(31,281)	14,284	809
Income tax expense (benefit) related to other comprehensive income	723	(13,112)	5,624	2,273
Other comprehensive income (loss), net of tax	1,522	(18,169)	8,660	(1,464)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 15,762	\$ (7,426)	\$ 52,324	\$ 35,906

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

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**METROPOLITAN EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 124	\$ 120
Receivables-		
Customers (less accumulated provisions of \$4,344,000 and \$4,044,000, respectively, for uncollectible accounts)	182,509	171,052
Associated companies	41,689	29,413
Other	13,654	11,650
Notes receivable from associated companies	11,201	97,150
Prepaid taxes	27,307	15,229
Other	2,523	1,459
	279,007	326,073
UTILITY PLANT:		
In service	2,213,765	2,162,815
Less Accumulated provision for depreciation	836,821	810,746
	1,376,944	1,352,069
Construction work in progress	31,488	14,901
	1,408,432	1,366,970
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	277,823	266,479
Other	877	890
	278,700	267,369
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	416,499	416,499
Regulatory assets	400,375	356,754
Power purchase contract asset	103,902	176,111
Other	64,084	36,544
	984,860	985,908
	\$ 2,950,999	\$ 2,946,320

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

Currently payable long-term debt	\$ 28,500	\$ 128,500
Short-term borrowings-		
Associated companies	6,296	
Accounts payable-		
Associated companies	34,204	40,521
Other	28,604	41,050
Accrued taxes	2,967	11,170
Accrued interest	11,717	17,362
Other	31,993	24,520
	144,281	263,123

CAPITALIZATION:

Common stockholders' equity-		
Common stock, without par value, authorized 900,000 shares, 859,500 shares outstanding	1,197,064	1,197,070
Accumulated other comprehensive loss	(134,891)	(143,551)
Retained earnings	48,064	4,399
Total common stockholders' equity	1,110,237	1,057,918
Long-term debt and other long-term obligations	713,941	713,873
	1,824,178	1,771,791

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	489,608	453,462
Accumulated deferred investment tax credits	6,978	7,313
Nuclear fuel disposal costs	44,434	44,391
Retirement benefits	28,268	33,605
Asset retirement obligations	189,489	180,297
Power purchase contract liability	175,259	143,135
Other	48,504	49,203
	982,540	911,406

COMMITMENTS AND CONTINGENCIES (Note 9)

	\$ 2,950,999	\$ 2,946,320
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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METROPOLITAN EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2010	2009
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 43,664	\$ 37,370
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	39,176	38,320
Amortization of regulatory assets, net	112,869	173,770
Deferred costs recoverable as regulatory assets	(49,646)	(70,044)
Deferred income taxes and investment tax credits, net	23,781	59,393
Accrued compensation and retirement benefits	(282)	6,712
Pension trust contribution		(123,521)
Cash collateral paid, net	(17,647)	(6,800)
Decrease (increase) in operating assets-		
Receivables	(18,444)	(23,370)
Prepayments and other current assets	(13,144)	(22,614)
Increase (decrease) in operating liabilities-		
Accounts payable	(18,763)	(17,293)
Accrued taxes	(8,203)	(11,095)
Accrued interest	(5,645)	5,001
Other	7,721	11,891
Net cash provided from operating activities	95,437	57,720
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt		300,000
Short-term borrowings, net	6,296	
Redemptions and Repayments-		
Long-term debt	(100,000)	
Short-term borrowings, net		(265,003)
Other		(2,268)
Net cash provided from (used for) financing activities	(93,704)	32,729
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(77,921)	(73,106)
Sales of investment securities held in trusts	420,116	88,802
Purchases of investment securities held in trusts	(427,150)	(95,982)
Loans from (to) associated companies, net	85,949	(6,586)
Other	(2,723)	(3,597)

Net cash used for investing activities	(1,729)	(90,469)
Net change in cash and cash equivalents	4	(20)
Cash and cash equivalents at beginning of period	120	144
Cash and cash equivalents at end of period	\$ 124	\$ 124

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

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PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In thousands)</i>			
REVENUES:				
Electric sales	\$ 372,480	\$ 340,246	\$ 1,108,751	\$ 1,028,420
Gross receipts tax collections	17,414	15,246	51,100	47,342
Total revenues	389,894	355,492	1,159,851	1,075,762
EXPENSES:				
Purchased power from affiliates	165,125	81,191	486,470	249,438
Purchased power from non-affiliates	92,648	144,777	270,900	397,260
Other operating expenses	58,832	47,785	198,296	171,375
Provision for depreciation	14,859	15,038	46,146	45,074
Amortization (deferral) of regulatory assets, net	(1,771)	17,201	(22,259)	44,090
General taxes	19,194	17,230	54,375	56,074
Total expenses	348,887	323,222	1,033,928	963,311
OPERATING INCOME	41,007	32,270	125,923	112,451
OTHER INCOME (EXPENSE):				
Miscellaneous income	1,508	1,156	4,431	2,865
Interest expense	(17,581)	(11,614)	(52,501)	(36,690)
Capitalized interest	193	23	516	74
Total other expense	(15,880)	(10,435)	(47,554)	(33,751)
INCOME BEFORE INCOME TAXES	25,127	21,835	78,369	78,700
INCOME TAXES	5,311	6,039	28,280	29,393
NET INCOME	19,816	15,796	50,089	49,307
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and other postretirement benefits	1,830	(79,579)	12,207	(47,224)
Unrealized gain on derivative hedges	16	17	48	49

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Change in unrealized gain on available-for-sale securities		19		3
Other comprehensive income (loss)	1,846	(79,543)	12,255	(47,172)
Income tax expense (benefit) related to other comprehensive income	484	(33,141)	4,251	(16,986)
Other comprehensive income (loss), net of tax	1,362	(46,402)	8,004	(30,186)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 21,178	\$ (30,606)	\$ 58,093	\$ 19,121

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

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PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8	\$ 14
Receivables-		
Customers (less accumulated provisions of \$3,481,000 and \$3,483,000, respectively, for uncollectible accounts)	135,416	139,302
Associated companies	95,355	77,338
Other	14,413	18,320
Notes receivable from associated companies	14,569	14,589
Prepaid taxes	48,264	18,946
Other	2,115	1,400
	310,140	269,909
UTILITY PLANT:		
In service	2,503,555	2,431,737
Less Accumulated provision for depreciation	925,894	901,990
	1,577,661	1,529,747
Construction work in progress	28,498	24,205
	1,606,159	1,553,952
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	147,675	142,603
Non-utility generation trusts	92,034	120,070
Other	294	289
	240,003	262,962
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	768,628	768,628
Regulatory assets	202,801	9,045
Power purchase contract asset	5,746	15,362
Other	28,780	19,143
	1,005,955	812,178
	\$ 3,162,257	\$ 2,899,001

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 69,310	\$ 69,310
Short-term borrowings-		
Associated companies	43,244	41,473
Accounts payable-		
Associated companies	40,747	39,884
Other	28,427	41,990
Accrued taxes	4,164	6,409
Accrued interest	24,513	17,598
Other	25,871	22,741
	236,276	239,405

CAPITALIZATION:

Common stockholders' equity-		
Common stock, \$20 par value, authorized 5,400,000 shares, 4,427,577 shares outstanding	88,552	88,552
Other paid-in capital	913,507	913,437
Accumulated other comprehensive loss	(154,100)	(162,104)
Retained earnings	141,590	91,501
Total common stockholders' equity	989,549	931,386
Long-term debt and other long-term obligations	1,072,207	1,072,181
	2,061,756	2,003,567

NONCURRENT LIABILITIES:

Accumulated deferred income taxes	356,536	242,040
Retirement benefits	167,542	174,306
Asset retirement obligations	96,519	91,841
Power purchase contract liability	194,102	100,849
Other	49,526	46,993
	864,225	656,029

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

\$ 3,162,257	\$ 2,899,001
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The accompanying Combined Notes to the Consolidated Financial Statements are an integral part of these financial statements.

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PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2010	2009
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 50,089	\$ 49,307
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	46,146	45,074
Amortization (deferral) of regulatory assets, net	(22,259)	44,090
Deferred costs recoverable as regulatory assets	(61,574)	(76,953)
Deferred income taxes and investment tax credits, net	94,015	56,144
Accrued compensation and retirement benefits	7,634	6,271
Cash collateral paid, net	(11,760)	
Pension trust contribution		(60,000)
Decrease (increase) in operating assets-		
Receivables	(2,584)	3,687
Prepayments and other current assets	(30,034)	(24,730)
Increase (decrease) in operating liabilities-		
Accounts payable	(12,766)	(8,988)
Accrued taxes	(2,245)	(7,015)
Accrued interest	6,915	(2,570)
Other	10,127	13,392
Net cash provided from operating activities	71,704	37,709
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt		498,583
Short-term borrowings, net	1,771	
Redemptions and Repayments-		
Long-term debt		(100,000)
Short-term borrowings, net		(239,770)
Common stock dividend payments		(85,000)
Other	(125)	(3,865)
Net cash provided from financing activities	1,646	69,948
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(91,924)	(92,070)
Sales of investment securities held in trusts	141,392	80,986
Purchases of investment securities held in trusts	(116,240)	(91,105)
Other	(6,584)	(5,482)

Net cash used for investing activities	(73,356)	(107,671)
Net change in cash and cash equivalents	(6)	(14)
Cash and cash equivalents at beginning of period	14	23
Cash and cash equivalents at end of period	\$ 8	\$ 9

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

Table of Contents**COMBINED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. ORGANIZATION AND BASIS OF PRESENTATION**

FirstEnergy is a diversified energy 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), ATSI, JCP&L, Met-Ed, Penelec, FENOC, FES and its subsidiaries FGCO and NGC, and FESC.

FirstEnergy and its subsidiaries follow GAAP and comply with the regulations, orders, policies and practices prescribed by the SEC, the FERC and, as applicable, the PUCO, the PPUC and the NJBPU. 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. In preparing the financial statements, FirstEnergy and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

These 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, 2009 for FirstEnergy, FES and the Utilities, as applicable. The consolidated unaudited financial statements of FirstEnergy, FES and each of the Utilities reflect all normal recurring adjustments that, in the opinion of management, are necessary to fairly present results of operations for the interim periods. Certain prior year amounts have been reclassified to conform to the current year presentation. Unless otherwise indicated, defined terms used herein have the meanings set forth in the accompanying Glossary of Terms.

FirstEnergy and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary (see Note 7). Investments in affiliates over which FirstEnergy and its subsidiaries have the ability to exercise significant influence, but are not the primary beneficiary and do not exercise control, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage share of the entity's earnings is reported in the Consolidated Statements of Income.

2. EARNINGS PER SHARE

Basic earnings per share of common stock is computed using the weighted average of actual common shares outstanding during the respective 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	
	2010	2009	2010	2009
	<i>(In millions, except per share amounts)</i>			
Earnings available to FirstEnergy Corp.	\$ 179	\$ 234	\$ 599	\$ 768
Weighted average number of basic shares outstanding	304	304	304	304
Assumed exercise of dilutive stock options and awards	1	2	1	2
Weighted average number of diluted shares outstanding	305	306	305	306
Basic earnings per share of common stock	\$ 0.59	\$ 0.77	\$ 1.97	\$ 2.52

Diluted earnings per share of common stock	\$	0.59	\$	0.77	\$	1.96	\$	2.51
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3. GOODWILL

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 accordance with the accounting standards, if the fair value of a reporting unit is less than its carrying value (including goodwill), the goodwill is tested for impairment. Impairment is indicated and a loss is recognized if the implied fair value of a reporting unit's goodwill is less than the carrying value of its goodwill.

FirstEnergy's goodwill primarily relates to its energy delivery services segment. FirstEnergy's aggregated reporting units are consistent with its operating segments, which are energy delivery services and competitive energy. Goodwill is allocated to these operating segments based on the original purchase price allocation for acquisitions within the various reporting units. The goodwill allocated to competitive energy is insignificant to that segment and to FirstEnergy.

Annual impairment testing is conducted during the third quarter of each year and for 2010 the analysis indicated no impairment of goodwill. For purposes of annual testing the estimated fair values of energy delivery services and the utilities were determined using a discounted cash flow approach.

The discounted cash flow model of the reporting units, which are aggregated into operating segments, is based on the forecasted operating cash flow for the current year, projected operating cash flows for the next five years (determined using forecasted amounts as well as an estimated growth rate) and a terminal value beyond five years. Discounted cash flows consist of the operating cash flows for each reporting unit less an estimate for capital expenditures. The key assumptions incorporated in the discounted cash flow approach include growth rates, projected operating income, changes in working capital, projected capital expenditures, planned funding of pension plans, anticipated funding of nuclear decommissioning trusts, expected results of future rate proceedings and a discount rate equal to our assumed long term cost of capital. Cash flows may be adjusted to exclude certain non-recurring or unusual items. Reporting unit income, which excludes non-recurring or unusual items, was the starting point for determining operating cash flow and there were no non-recurring or unusual items excluded from the calculations of operating cash flow in any of the periods included in the determination of fair value.

Unanticipated changes in assumptions could have a significant effect on FirstEnergy's evaluation of goodwill. At the time of annual impairment testing, fair value would have to have declined in excess of 52% for energy delivery services to indicate a potential goodwill impairment. Fair value would have to have declined more than 26% for CEI, 64% for TE, 38% for JCP&L, 56% for Met-Ed, and 57% for Penelec to indicate potential goodwill impairment.

Table of Contents**4. FAIR VALUE OF FINANCIAL INSTRUMENTS****(A) LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported on the Consolidated Balance Sheets at cost, which approximates their fair market value, in the caption short-term borrowings. The following table provides the approximate fair value and related carrying amounts of long-term debt and other long-term obligations as of September 30, 2010 and December 31, 2009:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In millions)</i>			
FirstEnergy (Consolidated)	\$ 13,592	\$ 14,920	\$ 13,753	\$ 14,502
FES	4,181	4,228	4,224	4,306
OE	1,159	1,409	1,169	1,299
CEI	1,853	2,144	1,873	2,032
TE	600	706	600	638
JCP&L	1,819	2,076	1,840	1,950
Met-Ed	742	849	842	909
Penelec	1,144	1,269	1,144	1,177

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FES and the Utilities.

(B) INVESTMENTS

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

Available-For-Sale Securities

The following table summarizes the amortized cost basis, unrealized gains and losses and fair values of investments held in nuclear decommissioning trusts, nuclear fuel disposal trusts and NUG trusts as of September 30, 2010 and December 31, 2009:

	September 30, 2010⁽¹⁾				December 31, 2009⁽²⁾			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	<i>(In millions)</i>							
Debt securities								
FirstEnergy	\$ 1,795	\$ 73	\$	\$ 1,868	\$ 1,727	\$ 22	\$	\$ 1,749
FES	1,079	39		1,118	1,043	3		1,046
OE	124	4		128	55			55
TE	31	1		32	72			72
JCP&L	277	15		292	271	9		280
Met-Ed	129	8		137	120	5		125
Penelec	155	6		161	166	5		171
Equity securities								
FirstEnergy	\$ 261	\$ 44	\$	\$ 305	\$ 252	\$ 43	\$	\$ 295
JCP&L	78	9		87	74	11		85

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Met-Ed	122	23	145	117	23	140
Penelec	62	10	72	61	9	70

(1) Excludes cash balances: FirstEnergy \$93 million; FES \$40 million; OE \$2 million; TE \$44 million; JCP&L \$5 million; Met-Ed \$(5) million and Penelec \$6 million.

(2) Excludes cash balances: FirstEnergy \$137 million; FES \$43 million; OE \$66 million; TE \$2 million; JCP&L \$3 million and Penelec \$23 million.

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Proceeds from the sale of investments in available-for-sale securities, realized gains and losses on those sales, and interest and dividend income for the nine-month period ended September 30, 2010 and 2009 were as follows:

September 30, 2010	FirstEnergy	FES	OE	TE	JCP&L	Met-Ed	Penelec
	<i>(In millions)</i>						
Proceeds from sales	\$ 2,577	\$ 1,478	\$ 79	\$ 118	\$ 340	\$ 420	\$ 141
Realized gains	132	101	2	3	10	10	6
Realized losses	118	88		1	10	12	7
Interest and dividend income	56	33	2	1	10	5	5

September 30, 2009	FirstEnergy	FES	OE	TE	JCP&L	Met-Ed	Penelec
	<i>(In millions)</i>						
Proceeds from sales	\$ 3,040	\$ 2,153	\$ 207	\$ 171	\$ 339	\$ 89	\$ 81
Realized gains	186	162	11	7	4	1	1
Realized losses	96	62	3		11	13	7
Interest and dividend income	47	22	4	2	10	5	4

Held-To-Maturity Securities

The following table provides the amortized cost basis, unrealized gains and losses, and approximate fair values of investments in held-to-maturity securities as of September 30, 2010 and December 31, 2009:

	September 30, 2010				December 31, 2009			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	<i>(In millions)</i>							
Debt Securities								
FirstEnergy	\$ 486	\$ 99	\$	\$ 585	\$ 544	\$ 72	\$	\$ 616
OE	205	60		265	217	29		246
CEI	340	31		371	389	43		432

Investments in emission allowances, employee benefits and cost and equity method investments totaling \$256 million as of September 30, 2010, and \$264 million as of December 31, 2009 are not required to be disclosed and are therefore excluded from the amounts reported above.

Notes Receivable

The table below provides the approximate fair value and related carrying amounts of notes receivable as of September 30, 2010 and December 31, 2009. The fair value of notes receivable represents the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms.

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In millions)</i>			
Notes Receivable				
FirstEnergy	\$ 7	\$ 8	\$ 36	\$ 35
FES			2	1
TE	104	114	124	141

The fair value of notes receivable represents the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms.

(C) RECURRING FAIR VALUE MEASUREMENTS

Fair value is the price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. A fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. FirstEnergy's Level 1 assets and liabilities primarily consist of exchange-traded derivatives and equity securities listed on active exchanges that are held in various trusts.

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Level 2 Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. FirstEnergy's Level 2 assets and liabilities consist primarily of investments in debt securities held in various trusts and commodity forwards. Additionally, Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These 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. Instruments in this category include non-exchange-traded derivatives such as forwards and certain interest rate swaps.

Level 3 Pricing inputs include inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. FirstEnergy develops its view of the future market price of key commodities through a combination of market observation and assessment (generally for the short term) and fundamental modeling (generally for the long term). Key fundamental electricity model inputs are generally directly observable in the market or derived from publicly available historic and forecast data. Some key inputs reflect forecasts published by industry leading consultants who generally employ similar fundamental modeling approaches. Fundamental model inputs and results, as well as the selection of consultants, reflect the consensus of appropriate FirstEnergy management. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. FirstEnergy's Level 3 instruments consist exclusively of NUG contracts.

FirstEnergy utilizes market data and assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. 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.

The following tables set forth financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of September 30, 2010 and December 31, 2009. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. FirstEnergy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the fair valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures as of September 30, 2010

	Level 1						
	FirstEnergy	FES	OE	TE	JCP&L	Met-Ed	Penelec
	(In millions)						
Assets							
Nuclear Decommissioning Trust Investments equity securities ⁽¹⁾	\$ 305	\$	\$	\$	\$ 88	\$ 145	\$ 73
Total Assets ⁽²⁾	\$ 305	\$	\$	\$	\$ 88	\$ 145	\$ 73
Liabilities							
Derivatives commodity contracts	\$ 2	\$ 2	\$	\$	\$	\$	\$
Total Liabilities	\$ 2	\$ 2	\$	\$	\$	\$	\$

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	FirstEnergy	FES	OE	Level 2 TE (In millions)	JCP&L	Met-Ed	Penelec
Assets							
Nuclear							
Decommissioning Trust							
Investments							
U.S. government debt securities	\$ 619	\$ 337	\$ 127	\$ 26	\$ 37	\$ 82	\$ 10
U.S. state debt securities	88				29		59
Foreign government debt securities	285	285					
Corporate debt securities	580	496		6	23	47	8
Other	101	38	6	45	2	9	1
Total Nuclear Decommissioning Trust Investments	\$ 1,673	\$ 1,156	\$ 133	\$ 77	\$ 91	\$ 138	\$ 78
Rabbi Trust Investments							
Equity securities financial	\$ 1	\$	\$	\$	\$	\$	\$
Other	11						
Total Rabbi Trust Investments	\$ 12	\$	\$	\$	\$	\$	\$
Nuclear Fuel Disposal Trust Investments							
U.S. state debt securities	\$ 209	\$	\$	\$	\$ 209	\$	\$
Total Nuclear Fuel Disposal Trust Investments	\$ 209	\$	\$	\$	\$ 209	\$	\$
NUG Trust Investments							
U.S. state debt securities	\$ 86	\$	\$	\$	\$	\$	\$ 86
Other	6						6
Total NUG Trust Investments	\$ 92	\$	\$	\$	\$	\$	\$ 92
Derivatives							
Commodity contracts	\$ 183	\$ 174	\$	\$	\$ 2	\$ 5	\$ 2

Total Derivatives Contracts														
	\$	183	\$	174	\$		\$	2	\$	5	\$	2		
Total Assets⁽²⁾														
	\$	2,169	\$	1,330	\$	133	\$	77	\$	302	\$	143	\$	172
Liabilities														
Derivatives														
Commodity contracts	\$	329	\$	329	\$		\$		\$		\$			
Total Liabilities														
	\$	329	\$	329	\$		\$		\$		\$			

		FirstEnergy	FES	OE	Level 3 TE (In millions)	JCP&L	Met-Ed	Penelec
Assets								
Derivatives contracts ⁽³⁾	NUG	\$ 116	\$	\$	\$	\$ 7	\$ 104	\$ 6
Liabilities								
Derivatives contracts ⁽³⁾	NUG	\$ 756	\$	\$	\$	\$ 386	\$ 175	\$ 194

(1) NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index or Russell 3000 Index.

(2) Excludes \$(13) million of receivables, payables and accrued income.

(3) NUG contracts are subject to regulatory accounting and do not impact earnings.

Recurring Fair Value Measures as of December 31, 2009

	FirstEnergy	FES	OE	Level 1 TE (In millions)	JCP&L	Met-Ed	Penelec
Assets							
Nuclear Decommissioning Trust Investments equity securities ⁽¹⁾	\$ 294	\$	\$	\$	\$ 87	\$ 133	\$ 74
Total Assets⁽²⁾	\$ 294	\$	\$	\$	\$ 87	\$ 133	\$ 74
Liabilities							
Derivatives commodity contracts	\$ 11	\$ 11	\$	\$	\$	\$	\$
Total Liabilities	\$ 11	\$ 11	\$	\$	\$	\$	\$

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	FirstEnergy	FES	OE	Level 2 TE (In millions)	JCP&L	Met-Ed	Penelec
Assets							
Nuclear							
Decommissioning Trust							
Investments							
U.S. government debt securities	\$ 558	\$ 306	\$ 118	\$ 72	\$ 23	\$ 30	\$ 9
U.S. state debt securities	188	15			41	82	50
Foreign government debt securities	279	279					
Corporate debt securities	484	443			15	20	6
Other	35	29	2		1	2	1
Total Nuclear							
Decommissioning Trust							
Investments							
	\$ 1,544	\$ 1,072	\$ 120	\$ 72	\$ 80	\$ 134	\$ 66
Rabbi Trust Investments							
Equity securities financial	\$ 1	\$	\$	\$	\$	\$	\$
Other	9						
Total Rabbi Trust							
Investments							
	\$ 10	\$	\$	\$	\$	\$	\$
Nuclear Fuel Disposal							
Trust Investments							
U.S. state debt securities	\$ 189	\$	\$	\$	\$ 189	\$	\$
Other	11				11		
Total Nuclear Fuel							
Disposal Trust							
Investments							
	\$ 200	\$	\$	\$	\$ 200	\$	\$
NUG Trust Investments							
U.S. state debt securities	\$ 101	\$	\$	\$	\$	\$	\$ 101
Other	19						19
Total NUG Trust							
Investments							
	\$ 120	\$	\$	\$	\$	\$	\$ 120
Derivatives Commodity							
Contracts							
	\$ 34	\$ 15	\$	\$	\$ 5	\$ 9	\$ 5

Other	\$ 1	\$	\$	\$	\$	\$	\$
Total Assets⁽²⁾	\$ 1,909	\$ 1,087	\$ 120	\$ 72	\$ 285	\$ 143	\$ 191

Liabilities

Derivatives commodity contracts

Total Liabilities	\$ 224	\$ 224	\$	\$	\$	\$	\$
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	FirstEnergy	FES	OE	Level 3 TE (In millions)	JCP&L	Met-Ed	Penelec
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Assets

Derivatives NUG contracts⁽³⁾

\$ 200	\$	\$	\$	\$ 9	\$ 176	\$ 15
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Liabilities

Derivatives NUG contracts⁽³⁾

\$ 643	\$	\$	\$	\$ 399	\$ 143	\$ 101
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(1) NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index or Russell 3000 Index.

(2) Excludes \$21 million of receivables, payables and accrued income.

(3) NUG contracts are subject to regulatory accounting and do not impact earnings.

The determination of the above fair value measures takes into consideration various factors. These factors include nonperformance risk, including counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

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The following tables set forth a reconciliation of changes in the fair value of NUG contracts classified as Level 3 in the fair value hierarchy for the three and nine months ended September 30, 2010 and 2009 (in millions):

	FirstEnergy	JCP&L	Met-Ed	Penelec
Balance as of January 1, 2010	\$ (444)	\$ (391)	\$ 33	\$ (86)
Settlements ⁽¹⁾	209	99	60	50
Unrealized losses ⁽¹⁾	(405)	(88)	(164)	(153)
Balance as of September 30, 2010	\$ (640)	\$ (380)	\$ (71)	\$ (189)
Balance as of July 1, 2010	\$ (557)	\$ (371)	\$ (38)	\$ (148)
Settlements ⁽¹⁾	63	29	23	11
Unrealized losses ⁽¹⁾	(146)	(38)	(56)	(52)
Balance as of September 30, 2010	\$ (640)	\$ (380)	\$ (71)	\$ (189)
Balance as of January 1, 2009	\$ (332)	\$ (518)	\$ 150	\$ 36
Settlements ⁽¹⁾	273	132	63	78
Unrealized losses ⁽¹⁾	(406)	(30)	(178)	(198)
Balance as of September 30, 2009	\$ (465)	\$ (416)	\$ 35	\$ (84)
Balance as of July 1, 2009	\$ (536)	\$ (466)	\$ 23	\$ (93)
Settlements ⁽¹⁾	93	42	20	31
Unrealized gains (losses) ⁽¹⁾	(22)	8	(8)	(22)
Balance as of September 30, 2009	\$ (465)	\$ (416)	\$ 35	\$ (84)

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

5. DERIVATIVE INSTRUMENTS

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

FirstEnergy accounts for derivative instruments on its Consolidated Balance Sheets at fair value unless they meet the normal purchases and normal sales criteria. Derivatives that meet those criteria are accounted for at cost under the accrual method of accounting. The changes in the fair value of derivative instruments that do not meet the normal purchases and normal sales criteria are included in purchased power, other expense, unrealized gain (loss) on derivative hedges in other comprehensive income (loss), or as part of the value of the hedged item. Based on derivative contracts held as of September 30, 2010, an adverse 10% change in commodity prices would decrease net income by approximately \$6 million (\$4 million net of tax) during the next twelve months. A hypothetical 10%

increase in the interest rates associated with variable-rate debt would decrease net income by approximately \$1 million for the three and nine months ended September 30, 2010.

Cash Flow Hedges

FirstEnergy has used forward starting swap agreements to hedge a portion of the consolidated interest rate risk associated with anticipated issuances of fixed-rate, long-term debt securities of its subsidiaries. These derivatives were treated as cash flow hedges, protecting against the risk of changes in future interest payments resulting from changes in benchmark U.S. Treasury rates between the date of hedge inception and the date of the debt issuance. As of September 30, 2010, no forward starting swap agreements were outstanding.

Total unamortized losses included in AOCL associated with prior interest rate cash flow hedges totaled \$95 million (\$62 million net of tax) as of September 30, 2010. Based on current estimates, approximately \$11 million will be amortized to interest expense during the next twelve months. The table below provides the activity of AOCL related to interest rate cash flow hedges as of September 30, 2010 and 2009.

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>		<i>(In millions)</i>	
Effective Portion				
Gain (Loss) Recognized in AOCL	\$	\$ (17)	\$	\$ (18)
Reclassification from AOCL into Interest Expense	(3)	(26)	(9)	(37)

Table of Contents*Fair Value Hedges*

FirstEnergy has used fixed-for-floating interest rate swap agreements to hedge a portion of the consolidated interest rate risk associated with the debt portfolio of its subsidiaries. These derivatives were treated as fair value hedges of fixed-rate, long-term debt issues, protecting against the risk of changes in the fair value of fixed-rate debt instruments due to lower interest rates. As of September 30, 2010, no fixed-for-floating interest rate swap agreements were outstanding.

Total unamortized gains included in long-term debt associated with prior fixed-for-floating interest rate swap agreements totaled \$129 million (\$84 million net of tax) as of September 30, 2010. Based on current estimates, approximately \$22 million will be amortized to interest expense during the next twelve months. Reclassifications from long-term debt into interest expense totaled \$5 million and \$7 million for the three and nine months ended September 30, 2010.

Commodity Derivatives

FirstEnergy uses both physically and financially settled derivatives to manage its exposure to volatility in commodity prices. Commodity derivatives are used for risk management purposes to hedge exposures when it makes economic sense to do so, including circumstances where the hedging relationship does not qualify for hedge accounting.

The following tables summarize the fair value of commodity derivatives in FirstEnergy's Consolidated Balance Sheets:

Cash Flow Hedges					
Derivative Assets			Derivative Liabilities		
Fair Value			Fair Value		
September	December		September	December	
30,	31,		30,	31,	
2010	2009		2010	2009	
<i>(In millions)</i>			<i>(In millions)</i>		
Electricity Forwards			Electricity Forwards		
Current Assets	\$ 77	\$ 3	Current Liabilities	\$ 87	\$ 7
NonCurrent Assets	73	11	NonCurrent Liabilities	70	12
Natural Gas Futures			Natural Gas Futures		
Current Assets			Current Liabilities	1	9
NonCurrent Assets			NonCurrent Liabilities		
Other			Other		
Current Assets			Current Liabilities		2
NonCurrent Assets			NonCurrent Liabilities		
	\$ 150	\$ 14		\$ 158	\$ 30

Economic Hedges					
Derivative Assets			Derivative Liabilities		
Fair Value			Fair Value		
September	December		September	December	
30,	31,		30,	31,	
2010	2009		2010	2009	
<i>(In millions)</i>			<i>(In millions)</i>		
NUG Contracts			NUG Contracts		
Power Purchase					

Contract Asset	\$	116	\$	200	Power Purchase Contract Liability	\$	756	\$	643
Other					Other				
Current Assets		17			Current Liabilities		138		106
NonCurrent Assets		15		19	NonCurrent Liabilities		34		97
		148		219			928		846
Total Commodity Derivatives	\$	298	\$	233	Total Commodity Derivatives	\$	1,086	\$	876

Electricity forwards are used to balance expected sales with expected generation and purchased power. Natural gas futures are entered into based on expected consumption of natural gas, primarily used in FirstEnergy's peaking units. Heating oil futures are entered into based on expected consumption of oil and the financial risk in FirstEnergy's coal transportation contracts. Derivative instruments are not used in quantities greater than forecasted needs. The following table summarizes the volume of FirstEnergy's outstanding derivative transactions as of September 30, 2010:

	Purchases	Sales	Net	Units
		<i>(In thousands)</i>		
Electricity Forwards	28,456	(32,604)	(4,148)	MWH
Heating Oil Futures	840		840	Gallons
Natural Gas Futures	500	(500)		mmBtu

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The effect of derivative instruments on the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2010 and 2009, are summarized in the following tables:

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30,				Total
	Electricity	Natural	Heating		
	Forwards	Gas	Oil		
		Futures	Futures		
(In millions)					
2010					
Gain (Loss) Recognized in AOCL (Effective Portion)	\$ (2)	\$	\$		\$ (2)
Effective Gain (Loss) Reclassified to:(1)					
Purchased Power Expense	(1)				(1)
Fuel Expense		(3)	(1)		(4)
2009					
Gain (Loss) Recognized in AOCL (Effective Portion)	\$ 15	\$ (2)	\$		\$ 13
Effective Gain (Loss) Reclassified to:(1)					
Purchased Power Expense	11				11
Fuel Expense		(4)	(2)		(6)

Derivatives in Cash Flow Hedging Relationships	Nine Months Ended September 30,				Total	
	Electricity	Natural	Heating			
	Forwards	Gas	Oil			
		Futures	Futures			
	(In millions)					
2010						
Gain (Loss) Recognized in AOCL (Effective Portion)	\$	(15)	\$	(1)	\$	(16)
Effective Gain (Loss) Reclassified to:(1)						
Purchased Power Expense		(12)				(12)
Fuel Expense			(9)		(2)	(11)
2009						
Gain (Loss) Recognized in AOCL (Effective Portion)	\$	19	\$	(9)	\$	10
Effective Gain (Loss) Reclassified to:(1)						
Purchased Power Expense		(6)				(6)
Fuel Expense			(9)		(10)	(19)

⁽¹⁾ The ineffective portion was immaterial.

Derivatives Not in Hedging Relationships	Three Months Ended September 30, NUG		
	Contracts	Other	Total
	<i>(In millions)</i>		
2010			
Unrealized Gain (Loss) Recognized in:			
Purchased Power Expense	\$	\$ (13)	\$ (13)

Regulatory Assets ⁽²⁾	(145)			(145)
	\$ (145)	\$ (13)	\$ (158)	

Realized Gain (Loss) Reclassified to:

Purchased Power Expense	\$	\$ (30)	\$ (30)	
Regulatory Assets ⁽²⁾	(63)		(63)	

\$ (63)	\$ (30)	\$ (93)	
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2009

Unrealized Gain (Loss) Recognized in:

Fuel Expense ⁽¹⁾	\$	\$ (1)	\$ (1)	
Regulatory Assets ⁽²⁾	(22)		(22)	

\$ (22)	\$ (1)	\$ (23)	
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Realized Gain (Loss) Reclassified to:

Fuel Expense ⁽¹⁾	\$	\$ 1	\$ 1	
Regulatory Assets ⁽²⁾	(93)		(93)	

\$ (93)	\$ 1	\$ (92)	
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Derivatives Not in Hedging Relationships	Nine Months Ended September 30,		
	NUG Contracts	Other (In millions)	Total
2010			
Unrealized Gain (Loss) Recognized in:			
Purchased Power Expense	\$	\$	\$
Regulatory Assets ⁽²⁾	(405)	(30)	(405)
	\$	\$	\$
	(405)	(30)	(435)
Realized Gain (Loss) Reclassified to:			
Purchased Power Expense	\$	\$	\$
Regulatory Assets ⁽²⁾	(209)	(86)	(86)
	\$	9	(200)
	\$	(77)	(286)
2009			
Unrealized Gain (Loss) Recognized in:			
Fuel Expense ⁽¹⁾	\$	\$	\$
Regulatory Assets ⁽²⁾	(406)	2	2
	\$	\$	\$
	(406)	2	(404)
Realized Gain (Loss) Reclassified to:			
Fuel Expense ⁽¹⁾	\$	\$	\$
Regulatory Assets ⁽²⁾	(273)	11	(262)
	\$	\$	\$
	(273)	11	(262)

⁽¹⁾ The realized gain (loss) is reclassified upon termination of the derivative instrument.

⁽²⁾ Changes in the fair value of NUG contracts are deferred for future recovery from (or refund to) customers. Total unamortized losses included in AOCL associated with commodity derivatives were \$8 million (\$5 million net of tax) as of September 30, 2010, as compared to \$15 million (\$9 million net of tax) as of December 31, 2009. The net of tax change resulted from a net \$14 million increase related to current hedging activity and a \$10 million decrease due to net hedge losses reclassified to earnings during the first nine months of 2010. Based on current estimates, approximately \$7 million (net of tax) of the net deferred losses on derivative instruments in AOCL as of September 30, 2010 are expected to be reclassified to earnings during the next twelve months as hedged transactions occur. The fair value of these derivative instruments fluctuates from period to period based on various market factors. Many of FirstEnergy's commodity derivatives contain credit risk features. As of September 30, 2010, FirstEnergy posted \$158 million of collateral related to net liability positions and held no counterparties' funds related to asset positions. The collateral FirstEnergy has posted relates to both derivative and non-derivative contracts. FirstEnergy's largest derivative counterparties fully collateralize all derivative transactions. Certain commodity derivative contracts include credit risk-related contingent features that would require FirstEnergy to post additional collateral if the credit

rating for its debt were to fall below investment grade. The aggregate fair value of derivative instruments with credit risk-related contingent features that are in a liability position on September 30, 2010 was \$158 million, for which \$192 million in collateral has been posted. If FirstEnergy's credit rating were to fall below investment grade, it would be required to post \$22.5 million of additional collateral related to commodity derivatives.

Table of Contents**6. PENSION AND OTHER POSTRETIREMENT 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.

FirstEnergy's net pension and OPEB expense for the three months ended September 30, 2010 and 2009 was \$20 million and \$36 million, respectively. FirstEnergy's net pension and OPEB expense for the nine months ended September 30, 2010 and 2009 was \$65 million and \$117 million, respectively. The components of FirstEnergy's net pension and other postretirement benefit costs (including amounts capitalized) for the three and nine months ended September 30, 2010 and 2009, consisted of the following:

Pension Benefit Cost (Credit)	Three Months Ended September		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>			
Service cost	\$ 25	\$ 23	\$ 74	\$ 66
Interest cost	79	79	236	239
Expected return on plan assets	(90)	(86)	(271)	(248)
Amortization of prior service cost	3	3	10	10
Recognized net actuarial loss	47	45	141	129
Net periodic cost	\$ 64	\$ 64	\$ 190	\$ 196

Other Postretirement Benefit Cost (Credit)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>			
Service cost	\$ 2	\$ 15	\$ 7	\$ 23
Interest cost	11	13	33	51
Expected return on plan assets	(9)	(9)	(27)	(27)
Amortization of prior service cost	(48)	(48)	(144)	(127)
Recognized net actuarial loss	15	15	45	46
Net periodic cost	\$ (29)	\$ (14)	\$ (86)	\$ (34)

Pension and other postretirement benefit obligations are allocated to FirstEnergy's subsidiaries employing the plan participants. The net periodic pension costs and net periodic other postretirement benefit costs (including amounts capitalized) recognized by FirstEnergy's subsidiaries for the three and nine months ended September 30, 2010 and 2009 were as follows:

Pension Benefit Cost	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>			
FES	\$ 22	\$ 19	\$ 66	\$ 56
OE	6	6	17	20
CEI	5	5	16	14
TE	2	2	5	5
JCP&L	6	8	19	26

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Met-Ed	3	5	8	16
Penelec	5	4	14	13
Other FirstEnergy Subsidiaries	15	15	45	46
	\$ 64	\$ 64	\$ 190	\$ 196

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Other Postretirement Benefit Cost (Credit)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	<i>(In millions)</i>			
FES	\$ (7)	\$ (4)	\$ (20)	\$ (8)
OE	(6)	(3)	(19)	(8)
CEI	(1)		(4)	1
TE		1	(1)	2
JCP&L	(2)	(2)	(5)	(4)
Met-Ed	(2)	(1)	(6)	(3)
Penelec	(2)	(1)	(6)	(2)
Other FirstEnergy Subsidiaries	(9)	(4)	(25)	(12)
	\$ (29)	\$ (14)	\$ (86)	\$ (34)

7. VARIABLE INTEREST ENTITIES

FirstEnergy's consolidated financial statements include the accounts of entities in which it has a controlling financial interest. FirstEnergy consolidates certain VIEs in which it has financial control through disproportionate economics in its equity and debt investments in the entities. These VIEs include: FEV's joint venture in the Signal Peak mining and coal transportation operations; the PNBV and Shippingport bond trusts that were created to refinance debt originally issued in connection with sale and leaseback transactions; and 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, of which \$319 million was outstanding as of September 30, 2010.

FirstEnergy and its subsidiaries reflect the portion of VIEs not owned by them in the caption noncontrolling interest within the consolidated financial statements. The change in noncontrolling interest within the consolidated balance sheets is the result of net losses of the noncontrolling interests (\$19 million) and distributions to owners (\$5 million) for the nine months ended September 30, 2010.

On January 1, 2010, FirstEnergy adopted the amendments to the consolidation topic addressing VIEs. This standard requires that FirstEnergy and its subsidiaries perform a qualitative analysis to determine whether a variable interest gives FirstEnergy or its subsidiaries 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. This standard also requires an ongoing reassessment of the primary beneficiary of a VIE and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. There was no impact to FirstEnergy or its subsidiaries as a result of the adoption of this standard.

In order to evaluate contracts under the consolidation guidance, FirstEnergy aggregated contracts into two categories based on similar risk characteristics and significance as follows:

Power Purchase Agreements

FirstEnergy evaluated its power purchase agreements and determined that certain NUG entities may be VIEs to the extent they own a plant that sells substantially all of its output to the Utilities and the contract price for power is correlated with the plant's variable costs of production. FirstEnergy, through its subsidiaries JCP&L, Met-Ed and Penelec, maintains 21 long-term power purchase agreements with NUG entities. The agreements were entered into pursuant to the Public Utility Regulatory Policies Act of 1978. FirstEnergy was not involved in the creation of, and has no equity or debt invested in, these entities.

FirstEnergy has determined that for all but two of these NUG entities, neither JCP&L, nor Met-Ed nor Penelec have variable interests in the entities or the entities are governmental or not-for-profit organizations that are not within the

scope of consolidation consideration for VIEs. JCP&L may hold variable interests in the remaining two entities, which sell their output at variable prices that correlate to some extent with the operating costs of the plants. However, FirstEnergy applied the scope exception that exempts enterprises unable to obtain the necessary information to evaluate entities.

Since JCP&L has no equity or debt interests in the NUG entities, its maximum exposure to loss relates primarily to the above-market costs it incurs for power. FirstEnergy expects any above-market costs it incurs to be recovered from customers. Purchased power costs related to the two contracts that may contain a variable interest were \$73 million and \$58 million for the three months ended September 30, 2010, and 2009, respectively and \$190 million and \$173 million for the nine months ended September 30, 2010 and 2009, respectively.

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FirstEnergy has variable interests in certain sale-leaseback transactions. FirstEnergy is not the primary beneficiary of these interests as it does not have control over the significant activities affecting the economics of the arrangement. FES and the Ohio Companies are exposed to losses under their applicable sale-leaseback agreements upon the occurrence of certain contingent events that each company considers unlikely to occur. The maximum exposure under these provisions represents the net amount of casualty value payments due upon the occurrence of specified casualty events that render the applicable plant worthless. Net discounted lease payments would not be payable if the casualty loss payments were made. The following table discloses each company's net exposure to loss based upon the casualty value provisions mentioned above as of September 30, 2010:

	Maximum Exposure	Discounted Lease Payments, net⁽¹⁾ (In millions)	Net Exposure
FES	\$ 1,376	\$ 1,185	\$ 191
OE	672	511	161
CEI ⁽²⁾	627	71	556
TE ⁽²⁾	627	346	281

(1) The net present value of FirstEnergy's consolidated sale and leaseback operating lease commitments is \$1.7 billion.

(2) CEI and TE are jointly and severally liable for the maximum loss amounts under certain sale-leaseback agreements.

8. INCOME TAXES

FirstEnergy accounts for uncertainty in income taxes recognized in its financial statements. Accounting guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. After reaching a settlement at appeals in the second quarter of 2010 related primarily to the capitalization of certain costs for the tax years 2005-2008 and a settlement in the third quarter of 2010 of an unrelated federal tax matter related to prior year gains and losses recognized from the disposition of assets, FirstEnergy recognized approximately \$78 million of net tax benefits, including \$21 million that favorably affected FirstEnergy's effective tax rate for the first nine months of 2010. The remaining portion of the tax benefit increased FirstEnergy's accumulated deferred income taxes. Upon completion of the federal tax examination for the 2007 tax year in the first quarter of 2009, FirstEnergy recognized \$13 million in tax benefits, which favorably affected FirstEnergy's effective tax rate. There were no material changes to FirstEnergy's unrecognized tax benefits in the third quarter of 2009.

As of September 30, 2010, it is reasonably possible that approximately \$44 million of unrecognized benefits may be resolved within the next twelve months, of which less than \$1 million, if recognized, would affect FirstEnergy's effective tax rate. The potential decrease in the amount of unrecognized tax benefits is primarily associated with issues related to gains and losses from the disposition of assets and the capitalization of certain costs.

In 2009, FirstEnergy, on behalf of the Utilities, filed a change in accounting method related to the costs to repair and maintain electric utility network (transmission and distribution) assets. In the third quarter of 2010, approximately \$325 million of costs were included as a repair deduction on FirstEnergy's 2009 consolidated tax return, which reduced taxable income and increased the amount of tax refunds that will be applied to FirstEnergy's 2010 estimated federal tax payments. Due to Pennsylvania's state flow through tax benefit for this change in accounting, FirstEnergy's effective tax rate was reduced by \$6 million in the third quarter of 2010. In connection with completing FirstEnergy's 2009 consolidated tax return, FES recognized an \$8 million adjustment that increased its income tax expense in the third quarter of 2010. The effects of the adjustment are not material to the quarterly and annual periods in 2009 or for the nine months ended September 30, 2010.

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. The reversal of accrued interest associated with the recognized tax benefits noted above favorably affected FirstEnergy's effective tax rate by \$13 million in the first nine months of 2010. During the first nine months of 2009, there were no material changes to the amount of interest accrued. The net amount of accumulated interest accrued as of September 30, 2010 was \$6 million, as compared to \$21 million as of December 31, 2009.

As a result of the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act signed into law on March 23, 2010 and March 30, 2010, respectively, beginning in 2013 the tax deduction available to FirstEnergy will be reduced to the extent that drug costs are reimbursed under the Medicare Part D retiree subsidy program. As retiree healthcare liabilities and related tax impacts are already reflected in FirstEnergy's consolidated financial statements, the change resulted in a charge to FirstEnergy's earnings in the first quarter of 2010 of approximately \$13 million and a reduction in accumulated deferred tax assets associated with these subsidies. This change reflects the anticipated increase in income taxes that will occur as a result of the change in tax law.

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On September 27, 2010, the Small Business Jobs Act was signed into law, which extends 50% bonus first-year depreciation for one year to 2010. Management is currently evaluating this tax election which could have a material impact on taxable income for 2010 and could increase the amount of tax refunds to be recognized in 2010 with a corresponding increase to accumulated deferred income taxes for this temporary tax item.

FirstEnergy has tax returns that are under review at the audit or appeals level by the IRS and state tax authorities. Tax returns for all state jurisdictions are open from 2006-2009. The IRS began reviewing returns for the years 2001-2003 in July 2004 and several items were under appeal. In the fourth quarter of 2009, these items were settled at appeals and sent to Joint Committee on Taxation for final review. The federal audits for years 2004-2006 were completed in the third quarter of 2008 and several items are under appeal. The IRS began auditing the year 2007 in February 2007 under its Compliance Assurance Process program and completed the audit in the first quarter of 2009 with two items under appeal. Items under appeal for tax years 2006 and 2007 were settled and sent to Joint Committee on Taxation for final review in the second quarter and subsequently approved in the third quarter of 2010. The IRS began auditing the year 2008 in February 2008 and the audit was completed in July 2010 with one item under appeal. The 2009 tax year audit began in February 2009 and the 2010 tax year audit began in February 2010. Neither audit is expected to close before December 2010. 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 or results of operations.

9. COMMITMENTS, GUARANTEES AND CONTINGENCIES**(A) 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. As of September 30, 2010, outstanding guarantees and other assurances aggregated approximately \$3.8 billion, consisting primarily of parental guarantees (\$0.8 billion), subsidiaries' guarantees (\$2.5 billion), surety bonds and LOCs (\$0.5 billion).

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 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 financing 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 other FirstEnergy assets. The likelihood is remote that such parental guarantees of \$0.3 billion (included in the \$0.8 billion discussed above) as of September 30, 2010 would increase amounts otherwise payable by FirstEnergy to meet its obligations incurred in connection with financings and 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 or material adverse event, the immediate posting of cash collateral, provision of an LOC or accelerated payments may be required of the subsidiary. As of September 30, 2010, FirstEnergy's maximum exposure under these collateral provisions was \$419 million consisting of \$374 million due to a below investment grade credit rating, of which \$175 million is due to an acceleration of payment or funding obligation, and \$45 million due to material adverse event contractual clauses. Additionally, stress case conditions of a credit rating downgrade or material adverse event and hypothetical adverse price movements in the underlying commodity markets would increase this amount to \$511 million consisting of \$463 million due to a below investment grade credit rating, of which \$175 million is related to an acceleration of payment or funding obligation, and \$48 million due to material adverse event contractual clauses.

Most of FirstEnergy's surety bonds are backed by various indemnities common within the insurance industry. Surety bonds and related guarantees of \$84 million 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 September 30, 2010, and forward prices as of that date, FES has posted collateral of \$244 million. Under a hypothetical adverse change in forward prices (95% confidence level change in forward prices over a one year time horizon), FES would be required to post an additional \$46 million. Depending on the volume of forward contracts and future price movements, FES could be required to post higher amounts for margining.

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In connection with FES' obligations to post and maintain collateral under the two-year PSA entered into by FES and the Ohio Companies following the CBP auction on May 13-14, 2009, NGC entered into a Surplus Margin Guaranty in an amount up to \$500 million. The Surplus Margin Guaranty is secured by an NGC FMB issued in favor of the Ohio Companies.

FES' debt obligations are generally guaranteed by its subsidiaries, FGCO and NGC, and FES guarantees the debt obligations of each of FGCO and NGC. Accordingly, present and future holders of indebtedness of FES, FGCO and NGC will have claims against each of FES, FGCO and NGC regardless of whether their primary obligor is FES, FGCO or NGC.

(B) ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality and other environmental matters. Compliance with environmental regulations could have a material adverse effect on FirstEnergy's earnings and competitive position to the extent that FirstEnergy 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.

CAA Compliance

FirstEnergy is required to meet federally-approved SO₂ and NO_x emissions regulations under the CAA. FirstEnergy complies with SO₂ and NO_x reduction requirements under the CAA and SIP(s) under the CAA by burning lower-sulfur fuel, combustion controls and post-combustion controls, generating more electricity from lower-emitting plants and/or using emission allowances. Violations can result in the shutdown of the generating unit involved and/or civil or criminal penalties.

The Sammis, Burger, Eastlake and Mansfield coal-fired plants are operated under a consent decree with the EPA and DOJ that requires reductions of NO_x and SO₂ emissions through the installation of pollution control devices or repowering. OE and Penn are subject to 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 consent decree, including repowering Burger Units 4 and 5 for biomass fuel combustion, are currently estimated to be approximately \$399 million for 2010-2012.

In 2007, PennFuture filed a citizen suit under the CAA, alleging violations of air pollution laws at the Bruce Mansfield Plant, including opacity limitations, in the U.S. District Court for the Western District of Pennsylvania. In July 2008, three additional complaints were filed against FGCO seeking damages based on Bruce Mansfield Plant air emissions. Two of these complaints also 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. A settlement was reached with PennFuture. FGCO believes the claims of the remaining plaintiffs are without merit and intends to defend itself against the allegations made in those three complaints.

The states of New Jersey and Connecticut filed CAA citizen suits in 2007 alleging NSR violations at the Portland Generation Station against RRI Energy, Inc. (the current owner and operator), Sithe Energy (the purchaser of the Portland Station from Met-Ed in 1999) and Met-Ed. Specifically, these suits allege that "modifications" at Portland Units 1 and 2 occurred between 1980 and 2005 without preconstruction NSR permitting in violation of the CAA's PSD program, and seek injunctive relief, penalties, attorney fees and mitigation of the harm caused by excess emissions. In September 2009, the Court granted Met-Ed's motion to dismiss New Jersey's and Connecticut's claims for injunctive relief against Met-Ed, but denied Met-Ed's motion to dismiss the claims for civil penalties. The parties dispute the scope of Met-Ed's indemnity obligation to and from Sithe Energy.

In January 2009, the EPA issued a NOV to Reliant alleging NSR violations at the Portland Generation Station based on "modifications" dating back to 1986 and also alleged NSR violations at the Keystone and Shawville Stations based on "modifications" dating back to 1984. Met-Ed, JCP&L, as the former owner of 16.67% of the Keystone Station, and Penelec, as former owner and operator of the Shawville Station, are unable to predict the outcome of this matter.

In June 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 permitting in violation of the CAA's PSD program. In May 2010, the EPA issued a second NOV to Mission Energy

Westside, Inc., Penelec, New York State Electric & Gas Corporation and others that have had an ownership interest in the Homer City Power Station containing in all material respects identical allegations as the June 2008 NOV. On July 20, 2010, the states of New York and Pennsylvania provided Mission Energy Westside, Inc., Penelec, NYSEG and others that have had an ownership interest in the Homer City Power Station a notification required 60 days prior to filing a citizen suit under the CAA. Mission Energy Westside, Inc. is seeking indemnification from Penelec, the co-owner 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 Westside, Inc. is under dispute and Penelec is unable to predict the outcome of this matter.

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In August 2009, the EPA issued a Finding of Violation and NOV alleging violations of the CAA and Ohio regulations, including the PSD, NNSR, and Title V regulations at the Eastlake, Lakeshore, Bay Shore and Ashtabula generating plants. The EPA's NOV alleges equipment replacements occurring during maintenance outages dating back to 1990 triggered the pre-construction permitting requirements under the PSD and NNSR programs. FGCO received a request for certain operating and maintenance information and planning information for these same generating plants and notification that the EPA is evaluating whether certain maintenance at the Eastlake generating plant may constitute a major modification under the NSR provision of the CAA. Later in 2009, FGCO also received another information request regarding emission projections for the Eastlake generating plant. FGCO intends to comply with the CAA, including the EPA's information requests, but, at this time, is unable to predict the outcome of this matter.

National Ambient Air Quality Standards

The EPA's CAIR requires reductions of NOX and SO₂ emissions in two phases (2009/2010 and 2015), ultimately capping SO₂ emissions in affected states to 2.5 million tons annually and NOX emissions to 1.3 million tons annually. In 2008, the U.S. Court of Appeals for the District of Columbia vacated CAIR in its entirety and directed the EPA to redo its analysis from the ground up. In December 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 opinion. The Court ruled in a different case that a cap-and-trade program similar to CAIR, called the NOX SIP Call, cannot be used to satisfy certain CAA requirements (known as reasonably available control technology) for areas in non-attainment under the 8-hour ozone NAAQS. In July 2010, the EPA proposed the Clean Air Transport Rule (CATR) to replace CAIR, which remains in effect until the EPA finalizes CATR. CATR requires reductions of NOX and SO₂ emissions in two phases (2012 and 2014), ultimately capping SO₂ emissions in affected states to 2.6 million tons annually and NOX emissions to 1.3 million tons annually. The EPA proposed a preferred regulatory approach that allows trading of NOX and SO₂ emission allowances between power plants located in the same state and severely limits interstate trading of NOX and SO₂ emission allowances. The EPA also requested comment on two alternative approaches: the first eliminates interstate trading of NOX and SO₂ emission allowances and the second eliminates trading of NOX and SO₂ emission allowances in its entirety. Depending on the actions taken by the EPA with respect to CATR, the proposed MACT regulations discussed below and any future regulations that are ultimately implemented, FGCO's future cost of compliance may be substantial. Management is currently assessing the impact of these environmental proposals and other factors on FGCO's facilities, particularly on the operation of its smaller, non-supercritical units. For example, as disclosed herein, management decided to idle certain units or operate them on a seasonal basis until developments clarify.

Hazardous Air Pollutant Emissions

The EPA's CAMR provides for a cap-and-trade program to reduce mercury emissions from coal-fired power plants in two phases; initially, capping nationwide emissions of mercury at 38 tons by 2010 (as a co-benefit from implementation of SO₂ and NO_x emission caps under the EPA's CAIR program) and 15 tons per year by 2018. The U.S. Court of Appeals for the District of Columbia, at the urging of several states and environmental groups, 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. On April 29, 2010, the EPA issued proposed maximum achievable control technology (MACT) regulations requiring emissions reductions of mercury and other hazardous air pollutants from non-electric generating unit boilers, including boilers which do not use fossil fuels such as the proposed Burger biomass repowering project. On September 1, 2010, the EPA classified Burger as an existing source for purposes of the industrial Boiler MACT. If finalized, the non-electric generating unit MACT regulations could also provide precedent for MACT standards applicable to electric generating units. The EPA entered into a consent decree requiring it to propose MACT regulations for mercury and other hazardous air pollutants from electric generating units by March 16, 2011, and to finalize the regulations by November 16, 2011. Depending on the action taken by the EPA and on how any future regulations are ultimately implemented, FGCO's future cost of compliance with MACT regulations may be substantial and changes to FGCO's operations may result.

Climate Change

There are a number of initiatives to reduce GHG emissions under consideration at the federal, state and international level. At the federal level, members of Congress have introduced several bills seeking to reduce emissions of GHG in

the United States, and the House of Representatives passed one such bill, the American Clean Energy and Security Act of 2009, on June 26, 2009. The Senate continues to consider a number of measures to regulate GHG emissions. President Obama has announced his Administration's New Energy for America Plan that includes, among other provisions, ensuring that 10% of electricity used in the United States comes from renewable sources by 2012, increasing to 25% by 2025, and implementing an economy-wide cap-and-trade program to reduce GHG emissions by 80% by 2050. 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.

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In September 2009, the EPA finalized a national GHG emissions collection and reporting rule that will require FirstEnergy to measure GHG emissions commencing in 2010 and submit reports commencing in 2011. In December 2009, the EPA released its final Endangerment and Cause or Contribute Findings for Greenhouse Gases under the Clean Air Act. The EPA's finding concludes that concentrations of several key GHGs increase the threat of climate change and may be regulated as air pollutants under the CAA. In April 2010, the EPA finalized new GHG standards for model years 2012 to 2016 passenger cars, light-duty trucks and medium-duty passenger vehicles and clarified that GHG regulation under the CAA would not be triggered for electric generating plants and other stationary sources until January 2, 2011, at the earliest. In May 2010, the EPA finalized new thresholds for GHG emissions that define when permits under the CAA's NSR program would be required. The EPA established an emissions applicability threshold of 75,000 tons per year (tpy) of carbon dioxide equivalents (CO₂e) effective January 2, 2011 for existing facilities under the CAA's PSD program, but until July 1, 2011 that emissions applicability threshold will only apply if PSD is triggered by non-carbon dioxide pollutants.

At the international level, the Kyoto Protocol, signed by the U.S. in 1998 but never submitted for ratification by the U.S. Senate, was intended to address global warming by reducing the amount of man-made GHG, including CO₂, emitted by developed countries by 2012. A December 2009 U.N. Climate Change Conference in Copenhagen did not reach a consensus on a successor treaty to the Kyoto Protocol, but did take note of the Copenhagen Accord, a non-binding political agreement which recognized the scientific view that the increase in global temperature should be below two degrees Celsius; include a commitment by developed countries to provide funds, approaching \$30 billion over the next three years with a goal of increasing to \$100 billion by 2020; and establish the Copenhagen Green Climate Fund to support mitigation, adaptation, and other climate-related activities in developing countries. Once they have become a party to the Copenhagen Accord, developed economies, such as the European Union, Japan, Russia and the United States, would commit to quantified economy-wide emissions targets from 2020, while developing countries, including Brazil, China and India, would agree to take mitigation actions, subject to their domestic measurement, reporting and verification.

On September 21, 2009, the U.S. Court of Appeals for the Second Circuit and on October 16, 2009, the U.S. Court of Appeals for the Fifth Circuit reversed and remanded lower court decisions that had dismissed complaints alleging damage from GHG emissions on jurisdictional grounds. However, a subsequent ruling from the U.S. Court of Appeals for the Fifth Circuit reinstated the lower court dismissal of a complaint alleging damage from GHG emissions. These cases involve common law tort claims, including public and private nuisance, alleging that GHG emissions contribute to global warming and result in property damages. While FirstEnergy is not a party to this litigation, FirstEnergy and/or one or more of its subsidiaries could be named in actions making similar allegations.

FirstEnergy cannot currently estimate the financial impact of climate change policies, although potential legislative or regulatory programs restricting CO₂ emissions, or litigation alleging damages from GHG emissions, could require significant capital and other expenditures or result in changes to its operations. 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.

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 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). The EPA has taken the position 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 U.S. Supreme Court reversed one significant aspect of the Second Circuit'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. The EPA is developing a new regulation under Section 316(b) of the Clean Water Act consistent with the opinions of the Supreme Court and the Court of Appeals which have created significant uncertainty about the specific nature, scope and timing of the final performance standard. FirstEnergy is studying various control options and their costs and effectiveness, including pilot testing of reverse louvers in a portion of the Bay Shore power plant's water intake channel to divert fish away from the plant's water intake system. On March 15, 2010, the EPA issued a draft permit for the Bay Shore power plant requiring installation of reverse louvers in its entire water intake channel by December 31, 2014. Depending on the results of such studies and the EPA's further rulemaking and any final action taken by the states exercising best professional judgment, the future costs of compliance with these standards may require material capital expenditures.

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In June 2008, the U.S. Attorney's Office in Cleveland, Ohio 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

Federal and state hazardous waste regulations have been promulgated as a result of the Resource Conservation and Recovery Act of 1976, as amended, and the Toxic Substances Control Act of 1976. Certain fossil-fuel combustion residuals, such as coal ash, were exempted from hazardous waste disposal requirements pending the EPA's evaluation of the need for future regulation. In February 2009, the EPA requested comments from the states on options for regulating coal combustion residuals, including whether they should be regulated as hazardous or non-hazardous waste.

On December 30, 2009, in an advanced notice of public rulemaking, the EPA said that the large volumes of coal combustion residuals produced by electric utilities pose significant financial risk to the industry. On May 4, 2010, the EPA proposed two options for additional regulation of coal combustion residuals, including the option of regulation as a special waste under the EPA's hazardous waste management program which could have a significant impact on the management, beneficial use and disposal of coal combustion residuals. FGCO's future cost of compliance with any coal combustion residuals regulations which may be promulgated could be substantial and would depend, in part, on the regulatory action taken by the EPA and implementation by the EPA or the states.

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 September 30, 2010, 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 \$105 million (JCP&L \$76 million, TE \$1 million, CEI \$1 million, FGCO \$1 million and FirstEnergy \$26 million) have been accrued through September 30, 2010. Included in the total are accrued liabilities of approximately \$67 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.

(C) 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. Two class action lawsuits (subsequently consolidated into a single proceeding) were filed in New Jersey Superior Court in July 1999 against JCP&L, GPU and other GPU companies, seeking compensatory and punitive damages due to the outages. 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. On July 29, 2010, the Appellate Division upheld the trial court's decision decertifying the class. Plaintiffs have filed, and JCP&L has opposed, a motion for leave to appeal to the New Jersey Supreme Court. JCP&L is waiting for the Court's decision.

Litigation Relating to the Proposed Allegheny Energy Merger

In connection with the proposed merger (Note 16), purported shareholders of Allegheny Energy have filed putative shareholder class action and/or derivative lawsuits against Allegheny Energy and its directors and certain officers, referred to as the Allegheny Energy defendants, FirstEnergy and Merger Sub. Four putative class action and derivative lawsuits were filed in the Circuit Court for Baltimore City, Maryland (Maryland Court). One was withdrawn. The Maryland Court has consolidated the remaining three cases under the caption: *In re Allegheny Energy Shareholder and Derivative Litigation*, C.A. No. 24-C-10-1301. Three shareholder lawsuits were filed in the Court of Common Pleas of Westmoreland County, Pennsylvania and the court has consolidated these actions under the caption: *In re Allegheny Energy, Inc. Shareholder Class and Derivative, Litigation*, Lead Case No. 1101 of 2010. One putative

shareholder class action was filed in the U.S. District Court for the Western District of Pennsylvania and is captioned Louisiana Municipal Police Employees Retirement System v. Evanson, et al., C.A. No. 10-319 NBF. In summary, the lawsuits allege, among other things, that the Allegheny Energy directors breached their fiduciary duties by approving the merger agreement, and that

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Allegheny Energy, FirstEnergy and Merger Sub aided and abetted in these alleged breaches of fiduciary duty. The complaints seek, among other things, jury trials, money damages and injunctive relief. While FirstEnergy believes the lawsuits are without merit and has defended vigorously against the claims, in order to avoid the costs associated with the litigation, the defendants have agreed to the terms of a disclosure-based settlement of all these shareholder lawsuits and have reached agreement with counsel for all of the plaintiffs concerning fee applications. Under the terms of the settlement, no payments are being made by FirstEnergy or Merger Sub. A formal stipulation of settl