FIRSTENERGY CORP
Form 10-Q
October 29, 2015

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

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from ____________________ to ____________________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
000-53742	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer þ FirstEnergy Corp.

Accelerated Filer o	N/A
Non-accelerated Filer (Do not check if a smaller reporting company) þ	FirstEnergy Solutions Corp.
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 Exchange Act).
Yes o No þ FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AS OF SEPTEMBER 30, 2015
FirstEnergy Corp., $0.10 par value	423,041,782
FirstEnergy Solutions Corp., no par value	7

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp. common stock.
This combined Form 10-Q is separately filed by FirstEnergy Corp. and FirstEnergy Solutions Corp. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to FirstEnergy Solutions Corp. is also attributed to FirstEnergy Corp.
FirstEnergy Web Site and Other Social Media Sites and Applications

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

These SEC filings are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post additional important information including press releases, investor presentations and notices of upcoming events, under the "Investors" section of FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Investors may be notified of postings to the web site by signing up for email alerts and RSS feeds on the "Investors" page of FirstEnergy's Internet web site or through push alerts from FirstEnergy Investor Relations apps for Apple Inc.'s iPad® and iPhone® devices, which can be installed for free at the Apple® online store. FirstEnergy also uses Twitter® and Facebook® as additional channels of distribution to reach public investors and as a supplemental means of disclosing material non-public information for complying with its disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site or its Twitter® or Facebook® site, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.
OMISSION OF CERTAIN INFORMATION
FirstEnergy Solutions Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

Forward-Looking Statements: This Form 10-Q includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms “anticipate,” “potential,” “expect,” "forecast," "target," "will," "intend," “believe,” "project," “estimate," "plan" 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, which may include the following:

- The speed and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular.
- The ability to experience growth in the Regulated Distribution and Regulated Transmission segments and to successfully implement our revised sales strategy for the CES segment.
- The accomplishment of our regulatory and operational goals in connection with our transmission investment plan, including but not limited to, our pending transmission rate case, the proposed transmission asset transfer, and the effectiveness of our repositioning strategy to reflect a more regulated business profile.
- Changes in assumptions regarding economic conditions within our territories, assessment of the reliability of our transmission system, or the availability of capital or other resources supporting identified transmission investment opportunities.
- The impact of the regulatory process on the pending matters at the federal level and in the various states in which we do business including, but not limited to, matters related to rates and the ESP IV in Ohio.
- The impact of the federal regulatory process on FERC-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM markets and FERC-jurisdictional wholesale transactions; FERC regulation of cost-of-service rates, including FERC Opinion No. 531's revised ROE methodology for FERC-jurisdictional wholesale generation and transmission utility service; and FERC’s compliance and enforcement activity, including compliance and enforcement activity related to NERC’s mandatory reliability standards.
- The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.
- Economic or weather conditions affecting future sales and margins such as a polar vortex or other significant weather events, and all associated regulatory events or actions.
- Changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil, and their availability and impact on margins and asset valuations.
- The continued ability of our regulated utilities to recover their costs.
- Costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices.
- Other legislative and regulatory changes, and revised environmental requirements, including, but not limited to, the effects of the EPA's CPP, CCR, CSAPR and MATS programs, including our estimated costs of compliance, CWA waste water effluent limitations for power plants, and CWA 316(b) water intake regulation.
- The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation, or potential regulatory initiatives or rulemakings (including that such initiatives or rulemakings could result in our decision to deactivate or idle certain generating units).
- The uncertainties associated with the deactivation of certain older regulated and competitive fossil units, including the impact on vendor commitments, and as they relate to the reliability of the transmission grid, the timing thereof.
- The impact of other future changes to the operational status or availability of our generating units and any capacity performance charges associated with unit unavailability.
- Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).
- Issues arising from the indications of cracking in the shield building at Davis-Besse.

- The risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments.
- The impact of labor disruptions by our unionized workforce.
- Replacement power costs being higher than anticipated or not fully hedged.
- The ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates.
- Changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates.
- The ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet through, among other actions, our previously-implemented dividend reduction, our cash flow improvement plan and our other proposed capital raising initiatives.
- Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.
- Changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.
- The impact of changes to material accounting policies.

- The ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.
- Actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries' access to financing, increase the costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.
- Changes in national and regional economic conditions affecting us, our subsidiaries and/or our major industrial and commercial customers, and other counterparties with which we do business, including fuel suppliers.
- The impact of any changes in tax laws or regulations or adverse tax audit results or rulings.
- Issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business.
- The risks associated with cyber-attacks on our electronic data centers that could compromise the information stored on our networks, including proprietary information and customer data.
- The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

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

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

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GLOSSARY OF TERMS

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

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011. As of January 1, 2014, AE merged with and into FirstEnergy Corp.
AESC	Allegheny Energy Service Corporation, a subsidiary of FirstEnergy Corp.
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply and equity method investee of MP.
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities.
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
CES	Competitive Energy Services, a reportable operating segment of FirstEnergy
FE	FirstEnergy Corp., a public utility holding company
FELHC	FirstEnergy License Holding Company, Inc.
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC which is the parent of ATSI, TrAIL and MAIT, and has a joint venture in PATH.
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	FirstEnergy Generation, LLC, a wholly owned subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	A subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
MAIT	Mid-Atlantic Interstate Transmission, LLC, a subsidiary of FET, formed to own and operate transmission facilities
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	FirstEnergy Nuclear Generation, LLC, a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP

PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Signal Peak	An indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

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

AAA	American Arbitration Association
AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AOCI	Accumulated Other Comprehensive Income
Apple®	Apple®, iPad® and iPhone® are registered trademarks of Apple Inc.

GLOSSARY OF TERMS, Continued

ARR	Auction Revenue Right
ASU	Accounting Standards Update
ASLB	Atomic Safety and Licensing Board
BGS	Basic Generation Service
BNSF	BNSF Railway Company
BRA	PJM RPM Base Residual Auction
CAA	Clean Air Act
CCB	Coal Combustion By-Product
CCR	Coal Combustion Residuals
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO_2	Carbon Dioxide
CONE	Cost-of-New-Entry
CPP	EPA's Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
CSX	CSX Transportation, Inc.
CTA	Consolidated Tax Adjustment
CWA	Clean Water Act
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DR	Demand Response
DSIC	Distribution System Improvement Charge
DSP	Default Service Plan
EDC	Electric Distribution Company
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
ELPC	Environmental Law & Policy Center
EmPOWER Maryland	EmPower Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
Facebook®	Facebook is a registered trademark of Facebook, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
GWH	Gigawatt-hour
HCL	Hydrochloric Acid
ICE	IntercontinentalExchange, Inc.
IRS	Internal Revenue Service
ISO	Independent System Operator

kV	Kilovolt
KWH	Kilowatt-hour
LBR	Little Blue Run
LMP	Locational Marginal Price
LOC	Letter of Credit

GLOSSARY OF TERMS, Continued

LSE	Load Serving Entity
LTIIPs	Long-Term Infrastructure Improvement Plans
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
MLP	Master Limited Partnership
mmBTU	One Million British Thermal Units
Moody’s	Moody’s Investors Service, Inc.
MVP	Multi-Value Project
MW	Megawatt
MWD	Megawatt-day
MWH	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NGO	Non-Governmental Organization
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal Purchases and Normal Sales
NRC	Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
NSR	New Source Review
NUG	Non-Utility Generation
NYISO	New York Independent System Operator, Inc.
NYPSC	New York State Public Service Commission
OCA	Office of Consumer Advocate
OCC	Ohio Consumers' Counsel
OEPA	Ohio Environmental Protection Agency
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection, L.L.C.
PJM Region	The aggregate of the zones within PJM
PJM Tariff	PJM Open Access Transmission Tariff
PM	Particulate Matter
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPB	Parts Per Billion
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration

PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RCRA	Resource Conservation and Recovery Act
REC	Renewable Energy Credit
REIT	Real Estate Investment Trust

GLOSSARY OF TERMS, Continued

RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
ROE	Return on Equity
RPM	Reliability Pricing Model
RSS	Rich Site Summary
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor’s Ratings Service
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SB221	Amended Substitute Senate Bill No. 221
SB310	Substitute Senate Bill No. 310
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SEC Regulation FD	SEC Regulation Fair Disclosure
SERTP	Southeastern Regional Transmission Planning
Seventh Circuit	United States Court of Appeals for the Seventh Circuit
SIP	State Implementation Plan(s) Under the Clean Air Act
SO_2	Sulfur Dioxide
SOS	Standard Offer Service
SPE	Special Purpose Entity
SREC	Solar Renewable Energy Credit
SSO	Standard Service Offer
TDS	Total Dissolved Solid
TMI-2	Three Mile Island Unit 2
TTS	Temporary Transaction Surcharge
Twitter®	Twitter is a registered trademark of Twitter, Inc.
U.S. Court of Appeals for the D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
VIE	Variable Interest Entity
VRR	Variable Resource Requirement
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2015	2014	2015	2014
REVENUES:				
Electric utilities	$2,872	$2,554	$8,180	$7,542
Unregulated businesses	1,251	1,334	3,305	4,024
Total revenues*	4,123	3,888	11,485	11,566
OPERATING EXPENSES:				
Fuel	482	544	1,378	1,711
Purchased power	1,209	1,188	3,311	3,726
Other operating expenses	850	858	2,823	3,061
Provision for depreciation	328	308	969	904
Amortization of regulatory assets, net	110	35	201	27
General taxes	236	239	747	738
Total operating expenses	3,215	3,172	9,429	10,167
OPERATING INCOME	908	716	2,056	1,399
OTHER INCOME (EXPENSE):				
Loss on debt redemptions	—	—	—	(8)
Investment income (loss)	(28)	16	(14)	67
Interest expense	(285)	(275)	(846)	(802)
Capitalized financing costs	26	28	93	89
Total other expense	(287)	(231)	(767)	(654)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	621	485	1,289	745
INCOME TAXES	226	152	485	226
INCOME FROM CONTINUING OPERATIONS	395	333	804	519
Discontinued operations (net of income taxes of $69) (Note 14)	—	—	—	86
NET INCOME	$395	$333	$804	$605
EARNINGS PER SHARE OF COMMON STOCK:				
Basic - Continuing Operations	$0.94	$0.79	$1.91	$1.24
Basic - Discontinued Operations (Note 14)	—	—	—	0.20

Basic - Net Earnings per Basic Share	$0.94	$0.79	$1.91	$1.44
Diluted - Continuing Operations	$0.93	$0.79	$1.90	$1.24
Diluted - Discontinued Operations (Note 14)	—	—	—	0.20
Diluted - Net Earnings per Diluted Share	$0.93	$0.79	$1.90	$1.44
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	423	420	422	419
Diluted	424	421	423	420
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.72	$0.72	$1.44	$1.44

* Includes excise tax collections of $109 million and $105 million in the three months ended September 30, 2015 and 2014, respectively, and $320 million and $321 million in the nine months ended September 30, 2015 and 2014, respectively.

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

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
NET INCOME	$395	$333	$804	$605
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and OPEB prior service costs	(31)	(42)	(94)	(126)
Amortized losses (gains) on derivative hedges	2	—	4	(1)
Change in unrealized gains on available-for-sale securities	(11)	(11)	(21)	40
Other comprehensive loss	(40)	(53)	(111)	(87)
Income tax benefits on other comprehensive loss	(15)	(21)	(42)	(35)
Other comprehensive loss, net of tax	(25)	(32)	(69)	(52)
COMPREHENSIVE INCOME	$370	$301	$735	$553

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$86	$85
Receivables-		
Customers, net of allowance for uncollectible accounts of $64 in 2015 and $59 in 2014	1,592	1,554
Other, net of allowance for uncollectible accounts of $5 in 2015 and 2014	180	225
Materials and supplies	738	817
Prepaid taxes	148	128
Derivatives	156	159
Accumulated deferred income taxes	639	518
Collateral	123	230
Other	171	160
	3,833	3,876
PROPERTY, PLANT AND EQUIPMENT:		
In service	49,200	47,484
Less — Accumulated provision for depreciation	14,917	14,150
	34,283	33,334
Construction work in progress	2,327	2,449
	36,610	35,783
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,279	2,341
Other	875	881
	3,154	3,222
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,418	6,418
Regulatory assets	1,430	1,411
Other	1,218	1,456
	9,066	9,285
	$52,663	$52,166
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$1,148	$804
Short-term borrowings	1,933	1,799
Accounts payable	994	1,279
Accrued taxes	508	490
Accrued compensation and benefits	345	329
Derivatives	124	167
Other	824	693
	5,876	5,561
CAPITALIZATION:		
Common stockholders' equity-		
	42	42

Common stock, $0.10 par value, authorized 490,000,000 shares - 423,041,782 and 421,102,570 shares outstanding as of September 30, 2015 and December 31, 2014, respectively		
Other paid-in capital	9,926	9,847
Accumulated other comprehensive income	177	246
Retained earnings	2,482	2,285
Total common stockholders' equity	12,627	12,420
Noncontrolling interest	1	2
Total equity	12,628	12,422
Long-term debt and other long-term obligations	19,093	19,176
	31,721	31,598
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	7,581	7,057
Retirement benefits	3,861	3,932
Asset retirement obligations	1,429	1,387
Deferred gain on sale and leaseback transaction	799	824
Adverse power contract liability	205	217
Other	1,191	1,590
	15,066	15,007
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	$52,663	$52,166

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(In millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$804	$605
Adjustments to reconcile net income to net cash from operating activities-		
Income from discontinued operations (Note 14)	—	(86)
Provision for depreciation	969	904
Amortization of regulatory assets, net	201	27
Nuclear fuel amortization	166	160
Amortization of debt related costs	31	40
Deferred purchased power and other costs	(73)	(89)
Deferred income taxes and investment tax credits, net	428	327
Investment impairments	70	10
Deferred costs on sale leaseback transaction, net	37	37
Amortization of customer intangibles and deferred advertising costs	16	50
Retirement benefits	(18)	(60)
Pension trust contributions	(143)	—
Commodity derivative transactions, net (Note 9)	(64)	60
Loss on debt redemptions	—	8
Lease payments on sale and leaseback transaction	(102)	(100)
Impairment of long lived assets	31	—
Changes in current assets and liabilities-		
Receivables	7	90
Materials and supplies	32	(19)
Prepayments and other current assets	(43)	42
Accounts payable	(285)	(47)
Accrued taxes	(68)	(145)
Accrued interest	37	66
Accrued compensation and benefits	16	(74)
Other current liabilities	26	3
Cash collateral, net	59	(71)
Other	183	(1)
Net cash provided from operating activities	2,317	1,737
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	1,084	3,778
Short-term borrowings, net	134	—
Redemptions and Repayments-		
Long-term debt	(781)	(1,062)
Short-term borrowings, net	—	(1,783)
Common stock dividend payments	(455)	(452)
Other	(11)	(37)
Net cash (used for) provided from financing activities	(29)	444

CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(2,025)	(2,473)
Nuclear fuel	(101)	(98)
Proceeds from asset sales	20	394
Sales of investment securities held in trusts	1,126	1,511
Purchases of investment securities held in trusts	(1,213)	(1,593)
Cash investments	19	42
Asset removal costs	(111)	(80)
Other	(2)	7
Net cash used for investing activities	(2,287)	(2,290)
Net change in cash and cash equivalents	1	(109)
Cash and cash equivalents at beginning of period	85	218
Cash and cash equivalents at end of period	$86	$109

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

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

(In millions)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
REVENUES:				
Electric sales to non-affiliates	$1,157	$1,315	$3,146	$3,989
Electric sales to affiliates	135	164	547	689
Other	46	42	141	124
Total revenues	1,338	1,521	3,834	4,802
OPERATING EXPENSES:				
Fuel	245	270	666	923
Purchased power from affiliates	103	64	250	203
Purchased power from non-affiliates	401	627	1,336	2,274
Other operating expenses	246	356	1,012	1,276
Provision for depreciation	79	83	240	236
General taxes	24	31	78	99
Total operating expenses	1,098	1,431	3,582	5,011
OPERATING INCOME (LOSS)	240	90	252	(209)
OTHER INCOME (EXPENSE):				
Loss on debt redemptions	—	(1)	—	(6)
Investment income (loss)	(21)	13	(7)	57
Miscellaneous income	1	1	5	5
Interest expense — affiliates	(2)	(1)	(6)	(5)
Interest expense — other	(36)	(37)	(110)	(110)
Capitalized interest	8	7	26	27
Total other expense	(50)	(18)	(92)	(32)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES (BENEFITS)	190	72	160	(241)
INCOME TAXES (BENEFITS)	70	28	64	(95)
INCOME (LOSS) FROM CONTINUING OPERATIONS	120	44	96	(146)
Discontinued operations (net of income taxes of $70) (Note 14)	—	—	—	116
NET INCOME (LOSS)	$120	$44	$96	$(30)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)				
NET INCOME (LOSS)	$120	$44	$96	$(30)

OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and OPEB prior service costs	(4)	(4)	(12)	(14)
Amortized gains on derivative hedges	—	(2)	(2)	(7)
Change in unrealized gain on available-for-sale securities	(11)	(9)	(20)	35
Other comprehensive income (loss)	(15)	(15)	(34)	14
Income taxes (benefits) on other comprehensive income (loss)	(6)	(6)	(13)	5
Other comprehensive income (loss), net of tax	(9)	(9)	(21)	9
COMPREHENSIVE INCOME (LOSS)	$111	$35	$75	$(21)

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

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$2	$2
Receivables-		
Customers, net of allowance for uncollectible accounts of $14 in 2015 and $18 in 2014	303	415
Affiliated companies	510	525
Other, net of allowance for uncollectible accounts of $3 in 2015 and 2014	78	107
Materials and supplies	446	492
Derivatives	147	147
Collateral	122	229
Prepayments and other	138	95
	1,746	2,012
PROPERTY, PLANT AND EQUIPMENT:		
In service	14,003	13,596
Less — Accumulated provision for depreciation	5,519	5,208
	8,484	8,388
Construction work in progress	925	1,010
	9,409	9,398
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,323	1,365
Other	10	10
	1,333	1,375
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	65	78
Goodwill	23	23
Property taxes	10	41
Unamortized sale and leaseback costs	260	217
Derivatives	118	52
Other	123	114
	599	525
	$13,087	$13,310
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$537	$506
Short-term borrowings-		
Affiliated companies	17	35
Other	8	99
Accounts payable-		
Affiliated companies	297	416
Other	131	248
Accrued taxes	84	102
Derivatives	121	166

Other	161	184
	1,356	1,756
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares - 7 shares outstanding as of September 30, 2015 and December 31, 2014	3,609	3,594
Accumulated other comprehensive income	36	57
Retained earnings	2,030	1,934
Total common stockholder's equity	5,675	5,585
Long-term debt and other long-term obligations	2,530	2,608
	8,205	8,193
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	799	824
Accumulated deferred income taxes	672	511
Retirement benefits	334	324
Asset retirement obligations	861	841
Derivatives	60	14
Other	800	847
	3,526	3,361
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	$13,087	$13,310

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

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

(In millions)	Nine Months Ended September 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$96	$(30)
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Income from discontinued operations (Note 14)	—	(116)
Provision for depreciation	240	236
Nuclear fuel amortization	166	160
Deferred costs on sale and leaseback transaction, net	37	37
Amortization of customer intangibles and deferred advertising costs	16	50
Deferred income taxes and investment tax credits, net	139	(15)
Investment impairments	63	9
Commodity derivative transactions, net (Note 9)	(65)	61
Lease payments on sale and leaseback transaction	(102)	(100)
Loss on debt redemptions	—	6
Impairment of long lived assets	18	—
Changes in current assets and liabilities-		
Receivables	171	609
Materials and supplies	(1)	(23)
Prepayments and other current assets	—	26
Accounts payable	(241)	(383)
Accrued taxes	(28)	7
Accrued compensation and benefits	2	(15)
Other current liabilities	24	(3)
Cash collateral, net	107	(82)
Other	(6)	(6)
Net cash provided from operating activities	636	428
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	339	878
Equity contribution from parent	—	500
Redemptions and repayments-		
Long-term debt	(382)	(749)
Short-term borrowings, net	(109)	(414)
Other	(5)	(14)
Net cash (used for) provided from financing activities	(157)	201
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(341)	(586)
Nuclear fuel	(101)	(98)
Proceeds from asset sales	13	307
Sales of investment securities held in trusts	503	890

Purchases of investment securities held in trusts	(546)	(933)
Cash investments	(10)	—
Loans to affiliated companies, net	—	(214)
Other	3	5
Net cash used for investing activities	(479)	(629)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	2	2
Cash and cash equivalents at end of period	$2	$2

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

FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

FirstEnergy Corp. was organized under the laws of the State of Ohio in 1996. FE’s principal business is the holding, directly or indirectly, of all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, FES and its principal subsidiaries (FG and NG), AE Supply, MP, PE, WP, FET and its principal subsidiaries (ATSI and TrAIL), and AESC. In addition, FE holds all of the outstanding common stock of other direct subsidiaries including: FirstEnergy Properties, Inc., FEV, FENOC, FELHC, Inc., GPU Nuclear, Inc., and AE Ventures, Inc.

FirstEnergy and its subsidiaries are principally involved in the generation, transmission, and distribution of electricity. FirstEnergy’s ten utility operating companies comprise one of the nation’s largest investor-owned electric systems, based on serving six million customers in the Midwest and Mid-Atlantic regions. Its generation subsidiaries control nearly 17,000 MW of capacity from a diverse mix of non-emitting nuclear, scrubbed coal, natural gas, hydroelectric and other renewables. FirstEnergy’s transmission operations include approximately 24,000 miles of lines and three regional transmission operation centers.
These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2014.

FirstEnergy follows GAAP and complies with the related regulations, orders, policies and practices prescribed by the SEC, FERC, and, as applicable, the PUCO, the PPUC, the MDPSC, the NYPSC, the WVPSC, the VSCC and the NJBPU. The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair statement of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period. FE and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

FE 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 as appropriate. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary (see Note 7 Variable Interest Entities). Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but with respect to which they 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 and Comprehensive Income. These Notes to the Consolidated Financial Statements are combined for FirstEnergy and FES.

For the three months ended September 30, 2015 and 2014, capitalized financing costs on FirstEnergy's Consolidated Statements of Income include $10 million and $14 million, respectively of allowance for equity funds used during construction and $16 million and $14 million, respectively, of capitalized interest. For the nine months ended

September 30, 2015 and 2014, capitalized financing costs on FirstEnergy's Consolidated Statements of Income include $40 million and $35 million, respectively, of allowance for equity funds used during construction, and $53 million and $54 million, respectively, of capitalized interest.

During the first nine months of 2015, FirstEnergy recognized an impairment of $31 million associated with certain non-core assets, including equipment and facilities. The charges are classified as a component of Other operating expenses in the Consolidated Statement of Income.

New Accounting Pronouncements

In May 2014, the FASB issued "Revenue from Contracts with Customers", requiring entities to recognize revenue by applying a five-step model in accordance with the core principle to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the accounting for costs to obtain or fulfill a contract with a customer is specified and disclosure requirements for revenue recognition are expanded. In August 2015, the FASB issued a final Accounting Standards Update deferring the effective date until fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, (the original effective date). The standard shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard.

In February 2015, the FASB issued, "Consolidations: Amendments to the Consolidation Analysis", which amends current consolidation guidance including changes to both the variable and voting interest models used by companies to evaluate whether an entity should be consolidated. This standard is effective for interim and annual periods beginning after December 15, 2015, and early adoption is permitted. A reporting entity must apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the period of adoption or apply the amendments retrospectively. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard.

In April 2015, the FASB issued, "Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. FirstEnergy does not expect this amendment to have a material effect on its financial statements.

In August 2015, the FASB issued ASU 2015-13, "Application of the NPNS Scope Exception to Certain Electricity Contracts within Nodal Energy Markets", which confirmed that forward physical contracts for the sale or purchase of electricity meet the physical delivery criterion within the NPNS scope exception when the electricity is transmitted through a grid managed by an ISO. As a result, an entity can elect the NPNS exception within the derivative accounting guidance for such contracts, provided that the other NPNS criteria are also met. The ASU was effective on issuance and requires prospective application. FirstEnergy does not expect this to have a material effect on its financial statements.

2. GOODWILL

In a business combination, the excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed is recognized as goodwill. FirstEnergy's reporting units are consistent with its reportable segments and consist of Regulated Distribution, Regulated Transmission, and CES. The following table presents goodwill by reporting unit (there have been no changes in goodwill for any reporting unit during 2015):

Goodwill	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Consolidated
	(In millions)			
Balance as of September 30, 2015	$5,092	$526	$800	$6,418

FirstEnergy evaluates goodwill for impairment annually on July 31 and more frequently if indicators of impairment arise. For 2015, FirstEnergy performed a qualitative assessment of the Regulated Distribution and Regulated Transmission reporting units, assessing economic, industry and market considerations in addition to the reporting unit's overall financial performance. It was determined that the fair value of these reporting units were, more likely than not, greater than their carrying value and a quantitative analysis was not necessary for 2015.

FirstEnergy performed a quantitative assessment of the CES reporting unit as of July 31, 2015. Key assumptions incorporated into the CES discounted cash flow analysis requiring significant management judgment included the following:

- Future Energy and Capacity Prices: FirstEnergy used observable market information for near term forward power prices, PJM auction results for near term capacity pricing, and a longer-term pricing model for energy and capacity that considered the impact of key factors such as load growth, plant retirements, carbon and other environmental regulations, and natural gas pipeline construction, as well as coal and natural gas pricing.
- Retail Sales and Margin: FirstEnergy used CES' current retail targeted portfolio to estimate future retail sales volume as well as historical financial results to estimate retail margins.
-

Operating and Capital Costs: FirstEnergy used estimated future operating and capital costs, including the estimated impact on costs of pending carbon and other environmental regulations, as well as costs associated with capacity performance reforms in the PJM market.

- Discount Rate: A discount rate of 8.25%, based on a capital structure, return on debt and return on equity of selected comparable companies.
- Terminal Value: A terminal value of 7.0x earnings before interest, taxes, depreciation and amortization based on consideration of peer group data and analyst consensus expectations.

Based on the results of the quantitative analysis, the fair value of the CES reporting unit exceeded its carrying value by approximately 10%. Continued weak economic conditions, lower than expected power and capacity prices, a higher cost of capital, and revised environmental requirements could have a negative impact on future goodwill assessments.

3. EARNINGS PER SHARE OF COMMON STOCK

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

The following table reconciles basic and diluted earnings per share of common stock:

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
Reconciliation of Basic and Diluted Earnings per Share of Common Stock	2015	2014	2015	2014
Income from continuing operations	$395	$333	$804	$519
Discontinued operations (Note 14)	—	—	—	86
Net income	$395	$333	$804	$605
Weighted average number of basic shares outstanding	423	420	422	419
Assumed exercise of dilutive stock options and awards[(1)]	1	1	1	1
Weighted average number of diluted shares outstanding	424	421	423	420
Earnings per share:				
Basic earnings per share:				
Income from continuing operations	$0.94	$0.79	$1.91	$1.24
Discontinued operations (Note 14)	—	—	—	0.20
Net earnings per basic share	$0.94	$0.79	$1.91	$1.44
Diluted earnings per share:				
Income from continuing operations	$0.93	$0.79	$1.90	$1.24
Discontinued operations (Note 14)	—	—	—	0.20
Net earnings per diluted share	$0.93	$0.79	$1.90	$1.44

(1) For both the three months ended September 30, 2015 and September 30, 2014, one million shares were excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive. For the nine months ended September 30, 2015 and September 30, 2014, one million and two million shares, respectively, were excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive.

4. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

In March 2015, FirstEnergy contributed $143 million to its qualified pension plan. The components of the consolidated net periodic cost (credits) for pension and OPEB (including amounts capitalized) were as follows:

Components of Net Periodic Benefit Costs (Credits)	Pension		OPEB	
For the Three Months Ended September 30,	2015	2014	2015	2014
	(In millions)			
Service costs	$49	$42	$2	$2
Interest costs	96	100	7	9
Expected return on plan assets	(111)	(116)	(9)	(8)
Amortization of prior service costs (credits)	2	2	(33)	(44)
Net periodic costs (credits)	$36	$28	$(33)	$(41)

Components of Net Periodic Benefit Costs (Credits)	Pension		OPEB	
For the Nine Months Ended September 30,	2015	2014	2015	2014
	(In millions)			
Service costs	$145	$125	$4	$6
Interest costs	288	301	21	29
Expected return on plan assets	(333)	(346)	(25)	(24)
Amortization of prior service costs (credits)	6	6	(100)	(132)
Net periodic costs (credits)	$106	$86	$(100)	$(121)

FES' share of the net periodic pension and OPEB costs (credits) were as follows:

	Pension		OPEB	
	2015	2014	2015	2014
	(In millions)			
For the Three Months Ended September 30,	$4	$5	$(5)	$(5)
For the Nine Months Ended September 30,	12	13	(15)	(15)

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

Net Periodic Benefit Expense (Credit)	Pension		OPEB	
For the Three Months Ended September 30,	2015	2014	2015	2014
	(In millions)			
FirstEnergy	$25	$19	$(21)	$(24)
FES	4	4	(4)	(4)

Net Periodic Benefit Expense (Credit)	Pension		OPEB	
For the Nine Months Ended September 30,	2015	2014	2015	2014
	(In millions)			
FirstEnergy	$74	$61	$(66)	$(78)
FES	12	12	(12)	(13)

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in AOCI, net of tax, in the three and nine months ended September 30, 2015 and 2014, for FirstEnergy are included in the following tables:
FirstEnergy

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of July 1, 2015	$(36)	$19	$219	$202
Other comprehensive loss before reclassifications	—	(8)	—	(8)
Amounts reclassified from AOCI	2	(3)	(31)	(32)
Other comprehensive income (loss)	2	(11)	(31)	(40)
Income tax (benefits) on other comprehensive income (loss)	1	(4)	(12)	(15)
Net other comprehensive income (loss)	1	(7)	(19)	(25)
AOCI Balance as of September 30, 2015	$(35)	$12	$200	$177
AOCI Balance as of July 1, 2014	$(36)	$41	$259	$264
Other comprehensive income before reclassifications	—	2	—	2
Amounts reclassified from AOCI	—	(13)	(42)	(55)
Other comprehensive loss	—	(11)	(42)	(53)
Income tax benefits on other comprehensive loss	—	(5)	(16)	(21)
Net other comprehensive loss	—	(6)	(26)	(32)
AOCI Balance as of September 30, 2014	$(36)	$35	$233	$232

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of January 1, 2015	$(37)	$25	$258	$246
Other comprehensive loss before reclassifications	—	(1)	—	(1)
Amounts reclassified from AOCI	4	(20)	(94)	(110)
Other comprehensive income (loss)	4	(21)	(94)	(111)
Income tax (benefits) on other comprehensive income (loss)	2	(8)	(36)	(42)
Net other comprehensive income (loss)	2	(13)	(58)	(69)
AOCI Balance as of September 30, 2015	$(35)	$12	$200	$177
AOCI Balance as of January 1, 2014	$(36)	$9	$311	$284

Other comprehensive income before reclassifications	—	86	—	86
Amounts reclassified from AOCI	(1)	(46)	(126)	(173)
Other comprehensive income (loss)	(1)	40	(126)	(87)
Income tax (benefits) on other comprehensive income (loss)	(1)	14	(48)	(35)
Net other comprehensive income (loss)	—	26	(78)	(52)
AOCI Balance as of September 30, 2014	$(36)	$35	$233	$232

The following amounts were reclassified from AOCI for FirstEnergy in the three and nine months ended September 30, 2015 and 2014:

Reclassifications from AOCI [2]	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Affected Line Item in Consolidated Statements of Income
	(In millions)				
Gains & losses on cash flow hedges					
Commodity contracts	$—	$(2)	$(2)	$(7)	Other operating expenses
Long-term debt	2	2	6	6	Interest expense
	2	—	4	(1)	Total before taxes
	(1)	—	(2)	—	Income taxes
	$1	$—	$2	$(1)	Net of tax
Unrealized gains on AFS securities					
Realized gains on sales of securities	$(3)	$(13)	$(20)	$(46)	Investment income (loss)
	1	5	7	17	Income taxes
	$(2)	$(8)	$(13)	$(29)	Net of tax
Defined benefit pension and OPEB plans					
Prior-service costs	$(31)	$(42)	$(94)	$(126)	[1]
	12	16	36	48	Income taxes
	$(19)	$(26)	$(58)	$(78)	Net of tax

[1] These AOCI components are included in the computation of net periodic pension cost. See Note 4, Pension and Other Postemployment Benefits for additional details.
[2] Amounts in parenthesis represent credits to the Consolidated Statements of Income from AOCI.

The changes in AOCI, net of tax, in the three and nine months ended September 30, 2015 and 2014, for FES are included in the following tables:
FES

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of July 1, 2015	$(9)	$16	$38	$45
Other comprehensive loss before reclassifications	—	(7)	—	(7)
Amounts reclassified from AOCI	—	(4)	(4)	(8)
Other comprehensive loss	—	(11)	(4)	(15)
Income tax benefits on other comprehensive loss	—	(5)	(1)	(6)
Net other comprehensive loss	—	(6)	(3)	(9)
AOCI Balance as of September 30, 2015	$(9)	$10	$35	$36
AOCI Balance as of July 1, 2014	$(5)	$36	$41	$72
Other comprehensive income before reclassifications	—	2	—	2
Amounts reclassified from AOCI	(2)	(11)	(4)	(17)
Other comprehensive loss	(2)	(9)	(4)	(15)
Income tax benefits on other comprehensive loss	(1)	(4)	(1)	(6)
Net other comprehensive loss	(1)	(5)	(3)	(9)
AOCI Balance as of September 30, 2014	$(6)	$31	$38	$63

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of January 1, 2015	$(7)	$21	$43	$57
Other comprehensive loss before reclassifications	—	(1)	—	(1)
Amounts reclassified from AOCI	(2)	(19)	(12)	(33)
Other comprehensive loss	(2)	(20)	(12)	(34)
Income tax benefits on other comprehensive loss	—	(9)	(4)	(13)
Net other comprehensive loss	(2)	(11)	(8)	(21)
AOCI Balance as of September 30, 2015	$(9)	$10	$35	$36
AOCI Balance as of January 1, 2014	$(1)	$8	$47	$54
Other comprehensive income before reclassifications	—	78	—	78
Amounts reclassified from AOCI	(7)	(43)	(14)	(64)
Other comprehensive income (loss)	(7)	35	(14)	14
	(2)	12	(5)	5

Income tax (benefits) on other comprehensive income (loss)				
Net other comprehensive income (loss)	(5)	23	(9)	9
AOCI Balance as of September 30, 2014	$(6)	$31	$38	$63

The following amounts were reclassified from AOCI for FES in the three and nine months ended September 30, 2015 and 2014:

Reclassifications from AOCI [2]	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014	Affected Line Item in Consolidated Statements of Operations
	(In millions)				
Gains & losses on cash flow hedges					
Commodity contracts	$—	$(2)	$(2)	$(7)	Other operating expenses
	—	1	—	3	Income taxes (benefits)
	$—	$(1)	$(2)	$(4)	Net of tax
Unrealized gains on AFS securities					
Realized gains on sales of securities	$(3)	$(11)	$(18)	$(43)	Investment income (loss)
	1	5	7	16	Income taxes (benefits)
	$(2)	$(6)	$(11)	$(27)	Net of tax
Defined benefit pension and OPEB plans					
Prior-service costs	$(4)	$(4)	$(12)	$(14)	[1]
	1	1	4	5	Income taxes (benefits)
	$(3)	$(3)	$(8)	$(9)	Net of tax

[1] These AOCI components are included in the computation of net periodic pension cost. See Note 4, Pension and Other Postemployment Benefits for additional details.
[2] Amounts in parenthesis represent credits to the Consolidated Statements of Operations from AOCI.

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6. INCOME TAXES

FirstEnergy’s and FES’ interim effective tax rates reflect the estimated annual effective tax rates for 2015 and 2014. These tax rates are affected by estimated annual permanent items, such as AFUDC equity and other flow-through items, as well as discrete items that may occur in any given period, but are not consistent from period to period.

FirstEnergy’s effective tax rate from continuing operations for the three months ended September 30, 2015 and 2014 was 36.4% and 31.3%, respectively. The increase in the effective tax rate is primarily due to tax benefits recorded in the third quarter of 2014 associated with an IRS-approved change in accounting method for costs associated with the refurbishment of meters and transformers.

FirstEnergy's effective tax rate from continuing operations for the nine months ended September 30, 2015 and 2014 was 37.6% and 30.3%, respectively. The increase in the effective tax rate for the nine month period ending September 30, 2015 is primarily due to the changes in accounting method as described above and a reduction in state deferred tax liabilities recorded in 2014 resulting from changes in state apportionment factors, as well as the elimination of certain future tax liabilities associated with basis differences recognized in the first nine months of 2014.

FES’ effective tax rate from continuing operations for the three months ended September 30, 2015 and 2014 was 36.8% and 38.9%, respectively. The decrease in the effective tax rate primarily relates to a valuation allowance against local municipality NOL carryforwards recognized in the third quarter of 2014.

FES' effective tax rate from continuing operations for the nine months ended September 30, 2015 and 2014 was 40.0% and 39.4%, respectively.

As of September 30, 2015, it is reasonably possible that approximately $10 million of unrecognized tax benefits may be resolved within the next twelve months as a result of the statute of limitations expiring, all of which would affect FirstEnergy's effective tax rate.

In January 2015, the IRS completed its examination of the 2013 federal income tax return and issued a Revenue Agent Report. For tax year 2013 there was no material impact to FirstEnergy's effective tax rate associated with this examination. Tax years 2014 and 2015 are currently under review by the IRS.

7. VARIABLE INTEREST ENTITIES

FirstEnergy performs qualitative analyses based on control and economics to determine whether a variable interest classifies FirstEnergy as the primary beneficiary (a controlling financial interest) of a VIE. An enterprise has a controlling financial interest if it has both power and economic control, such that an entity has (i) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance, and (ii) 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. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary.

The caption "noncontrolling interest" within the consolidated financial statements is used to reflect the portion of a VIE that FirstEnergy consolidates, but does not own.

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

Consolidated VIEs

VIEs in which FirstEnergy is the primary beneficiary consist of the following (included in FirstEnergy's consolidated financial statements):

- PNBV Trust - FirstEnergy used debt and available funds to purchase the notes issued by PNBV for the purchase of lease obligation bonds. Ownership of PNBV includes a 3% equity interest by an unaffiliated third party and a 3% equity interest held by OES Ventures, a wholly owned subsidiary of OE.
- Ohio Securitization - In September 2012, the Ohio Companies created separate, wholly-owned limited liability companies (SPEs) which issued phase-in recovery bonds to securitize the recovery of certain all-electric customer heating discounts, fuel and purchased power regulatory assets. The phase-in recovery bonds are payable only from, and secured by, phase-in recovery property owned by the SPEs. The bondholder has no recourse to the general credit of FirstEnergy or any of the Ohio Companies. Each of the Ohio Companies, as servicer of its respective SPE, manages and administers the phase-in recovery property including the billing, collection and remittance of usage-based charges payable by retail electric customers. In the aggregate, the Ohio Companies are entitled to annual servicing fees of $445,000 that are recoverable through the usage-based charges. The SPEs are considered VIEs and each one is consolidated into its applicable utility. As of September 30, 2015 and December 31, 2014, $362 million and $386 million of the phase-in recovery bonds were outstanding, respectively.

- JCP&L Securitization - In June 2002, JCP&L Transition Funding sold transition bonds to securitize the recovery of JCP&L’s bondable stranded costs associated with the previously divested Oyster Creek Nuclear Generating Station. In August 2006, JCP&L Transition Funding II sold transition bonds to securitize the recovery of deferred costs associated with JCP&L’s supply of BGS. JCP&L did not purchase and does not own any of the transition bonds, which are included as long-term debt on FirstEnergy’s and JCP&L’s Consolidated Balance Sheets. The transition bonds are the sole obligations of JCP&L Transition Funding and JCP&L Transition Funding II and are collateralized by each company’s equity and assets, which consist primarily of bondable transition property. As of September 30, 2015 and December 31, 2014, $139 million and $168 million of the transition bonds were outstanding, respectively.
- MP and PE Environmental Funding Companies - The entities issued bonds of which the proceeds were used to construct environmental control facilities. The special purpose limited liability companies own the irrevocable right to collect non-bypassable environmental control charges from all customers who receive electric delivery service in MP's and PE's West Virginia service territories. Principal and interest owed on the environmental control bonds is secured by, and payable solely from, the proceeds of the environmental control charges. The right to collect environmental control charges is not included as an asset on FirstEnergy's consolidated balance sheets. Creditors of FirstEnergy, other than the special purpose limited liability companies, have no recourse to any assets or revenues of the special purpose limited liability companies. As of September 30, 2015 and December 31, 2014, $429 million and $450 million of the environmental control bonds were outstanding, respectively.

Unconsolidated VIEs

FirstEnergy is not the primary beneficiary of the following VIEs:

- Signal Peak - FEV holds a 33-1/3% equity ownership in Global Holding, the holding company for a joint venture in the Signal Peak mining and coal transportation operations with coal sales in U.S. and international markets. FEV is not the primary beneficiary of the joint venture, as it does not have control over the significant activities affecting the joint venture's economic performance. FEV's ownership interest is subject to the equity method of accounting. FEV's equity method investment in Global Holding was $364 million as of September 30, 2015.

A subsidiary of Global Holding had the right to put up to 2 million tons annually from the Signal Peak underground mine to FG through 2024. During the first quarter of 2015, the Global Holding subsidiary eliminated its right under the put in exchange for FirstEnergy extending its guarantee under Global Holding's $300 million senior secured term loan facility through 2020, resulting in a pre-tax charge of $24 million in the first quarter of 2015. (See Note 11, Commitments, Guarantees and Contingencies.)

- PATH WV - PATH is a limited liability company that is comprised of multiple series, each of which has separate rights, powers and duties regarding specified property and the series profits and losses associated with such property. A subsidiary of FirstEnergy owns 100% of the Allegheny Series (PATH-Allegheny) and 50% of the West Virginia Series (PATH-WV), which is a joint venture with a subsidiary of AEP. FirstEnergy is not the primary beneficiary of PATH-WV, as it does not have control over the significant activities affecting the economics of the portion of the PATH project that was to be constructed by PATH-WV. FirstEnergy's ownership interest in PATH-WV is subject to the equity method of accounting.
- Power Purchase Agreements - FirstEnergy evaluated its power purchase agreements and determined that certain NUG entities at its Regulated Distribution segment may be VIEs to the extent that they own a plant that sells substantially all of its output to the applicable utilities and the contract price for power is correlated with the plant’s variable costs of production.

FirstEnergy maintains 15 long-term power purchase agreements with NUG entities that were entered into pursuant to PURPA. FirstEnergy was not involved in the creation of, and has no equity or debt invested in, any of these entities. FirstEnergy has determined that for all but one of these NUG entities, it does not have a variable interest in the entities or the entities do not meet the criteria to be considered a VIE. FirstEnergy may hold a variable interest in the remaining one entity; however, it applied the scope exception that exempts enterprises unable to obtain the necessary information to evaluate entities.

Because FirstEnergy has no equity or debt interests in the NUG entities, its maximum exposure to loss relates primarily to the above-market costs incurred for power. FirstEnergy expects any above-market costs incurred at its Regulated Distribution segment to be recovered from customers. Purchased power costs related to the contracts that may contain a variable interest during the three months ended September 30, 2015 and 2014 were $29 million and $49 million, respectively, and $86 million and $150 million during the nine months ended September 30, 2015 and 2014, respectively.

- Sale and Leaseback Transactions - FES and certain of the Ohio Companies have obligations that are not included on their Consolidated Balance Sheets related to the Perry Unit 1, Beaver Valley Unit 2, and 2007 Bruce Mansfield Unit 1 sale and leaseback arrangements, which are satisfied through operating lease payments. FirstEnergy is not the primary beneficiary of these interests as it does not have control over the significant activities affecting the economics of the arrangements. As of September 30, 2015, FirstEnergy's leasehold interest was 3.75% of Perry Unit 1, 93.83% of Bruce Mansfield Unit 1 and 2.60% of Beaver Valley Unit 2.

On June 24, 2014, OE exercised its irrevocable right to repurchase from the remaining owner participants the lessors' interests in Beaver Valley Unit 2 at the end of the lease term (June 1, 2017), which right to repurchase was assigned to NG. Additionally, on June 24, 2014, NG entered into a purchase agreement with an owner participant to purchase its lessor equity interests of the remaining non-affiliated leasehold interest in Perry Unit 1 on May 23, 2016, which is just prior to the end of the lease term. Upon the completion of these transactions, NG will have obtained all of the lessor equity interests at Perry Unit 1 and Beaver Valley Unit 2.

FES and other FE subsidiaries are exposed to losses under their applicable sale and leaseback agreements upon the occurrence of certain contingent events. The maximum exposure under these provisions represents the net amount of casualty value payments due upon the occurrence of specified casualty events. Net discounted lease payments would not be payable if the casualty loss payments were made. The following table discloses each company's net exposure to loss based upon the casualty value provisions as of September 30, 2015:

	Maximum Exposure	Discounted Lease Payments, net	Net Exposure
	(In millions)		
FirstEnergy	$1,237	$974	$263
FES	1,162	945	217

8. FAIR VALUE MEASUREMENTS

RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices for identical instruments in active market

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

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

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

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

FTRs are financial instruments that entitle the holder to a stream of revenues (or charges) based on the hourly day-ahead congestion price differences across transmission paths. FTRs are acquired by FirstEnergy in the annual, monthly and long-term PJM auctions and are initially recorded using the auction clearing price less cost. After initial recognition, FTRs' carrying values are periodically adjusted to fair value using a mark-to-model methodology, which approximates market. The primary inputs into the model, which are generally less observable than objective sources, are the most recent PJM auction clearing prices and the FTRs' remaining hours. The model calculates the fair value by multiplying the most recent auction clearing price by the remaining FTR hours less the prorated FTR cost. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement. See Note 9, Derivative Instruments, for additional information regarding FirstEnergy's FTRs.

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

FirstEnergy primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, FirstEnergy maximizes the use of observable inputs and minimizes the use of unobservable inputs. There were no changes in valuation methodologies used as of September 30, 2015, from those used as of

December 31, 2014. The determination of the fair value measures takes into consideration various factors, including but not limited to, nonperformance risk, counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of these forms of risk was not significant to the fair value measurements.

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the nine months ended September 30, 2015. The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy:

FirstEnergy

Recurring Fair Value Measurements	September 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$1,271	$—	$1,271	$—	$1,221	$—	$1,221
Derivative assets - commodity contracts	1	255	—	256	1	171	—	172
Derivative assets - FTRs	—	—	17	17	—	—	39	39
Derivative assets - NUG contracts[1]	—	—	1	1	—	—	2	2
Equity securities[2]	651	—	—	651	592	—	—	592
Foreign government debt securities	—	74	—	74	—	76	—	76
U.S. government debt securities	—	176	—	176	—	182	—	182
U.S. state debt securities	—	241	—	241	—	237	—	237
Other[3]	59	124	—	183	55	256	—	311
Total assets	$711	$2,141	$18	$2,870	$648	$2,143	$41	$2,832
Liabilities								
Derivative liabilities - commodity contracts	$(7)	$(163)	$—	$(170)	$(26)	$(141)	$—	$(167)
Derivative liabilities - FTRs	—	—	(14)	(14)	—	—	(14)	(14)
Derivative liabilities - NUG contracts[1]	—	—	(144)	(144)	—	—	(153)	(153)
Total liabilities	$(7)	$(163)	$(158)	$(328)	$(26)	$(141)	$(167)	$(334)
Net assets (liabilities)[4]	$704	$1,978	$(140)	$2,542	$622	$2,002	$(126)	$2,498

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

(2) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index or the Wells Fargo Hybrid and Preferred Securities REIT index.

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

(4) Excludes $(4) million and $40 million as of September 30, 2015 and December 31, 2014, respectively, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG contracts and FTRs that are classified as Level 3 in the fair value hierarchy for the periods ended September 30, 2015 and December 31, 2014:

	NUG Contracts[1]			FTRs		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
	(In millions)					
January 1, 2014 Balance	$20	$(222)	$(202)	$4	$(12)	$(8)
Unrealized gain (loss)	2	(2)	—	47	(1)	46
Purchases	—	—	—	26	(16)	10
Settlements	(20)	71	51	(38)	15	(23)
December 31, 2014 Balance	$2	$(153)	$(151)	$39	$(14)	$25
Unrealized gain (loss)	1	(37)	(36)	3	(1)	2
Purchases	—	—	—	22	(12)	10
Settlements	(2)	46	44	(47)	13	(34)
September 30, 2015 Balance	$1	$(144)	$(143)	$17	$(14)	$3

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

Level 3 Quantitative Information

The following table provides quantitative information for FTRs and NUG contracts that are classified as Level 3 in the fair value hierarchy for the period ended September 30, 2015:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$3	Model	RTO auction clearing prices	($3.50) to $12.20	$1.20	Dollars/MWH
NUG Contracts	$(143)	Model	Generation	500 to 4,094,000	774,000	MWH
			Regional electricity prices	$40.60 to $50.70	$43.40	Dollars/MWH

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FES

Recurring Fair Value Measurements	September 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$692	$—	$692	$—	$655	$—	$655
Derivative assets - commodity contracts	1	255	—	256	1	171	—	172
Derivative assets - FTRs	—	—	9	9	—	—	27	27
Equity securities[(1)]	457	—	—	457	360	—	—	360
Foreign government debt securities	—	60	—	60	—	57	—	57
U.S. government debt securities	—	24	—	24	—	46	—	46
U.S. state debt securities	—	4	—	4	—	4	—	4
Other[(2)]	—	91	—	91	—	199	—	199
Total assets	$458	$1,126	$9	$1,593	$361	$1,132	$27	$1,520
Liabilities								
Derivative liabilities - commodity contracts	$(7)	$(163)	$—	$(170)	$(26)	$(141)	$—	$(167)
Derivative liabilities - FTRs	—	—	(11)	(11)	—	—	(13)	(13)
Total liabilities	$(7)	$(163)	$(11)	$(181)	$(26)	$(141)	$(13)	$(180)
Net assets (liabilities)[(3)]	$451	$963	$(2)	$1,412	$335	$991	$14	$1,340

(1) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index or the Wells Fargo Hybrid and Preferred Securities REIT index.
(2) Primarily consists of short-term cash investments.
(3) Excludes $(5) million and $44 million as of September 30, 2015 and December 31, 2014, respectively, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of FTRs held by FES and classified as Level 3 in the fair value hierarchy for the periods ended September 30, 2015 and December 31, 2014:

	Derivative Asset	Derivative Liability	Net Asset (Liability)
	(In millions)		
January 1, 2014 Balance	$3	$(11)	$(8)
Unrealized gain (loss)	34	(1)	33
Purchases	15	(16)	(1)
Settlements	(25)	15	(10)
December 31, 2014 Balance	$27	$(13)	$14
Unrealized gain	5	—	5
Purchases	9	(10)	(1)
Settlements	(32)	12	(20)
September 30, 2015 Balance	$9	$(11)	$(2)

Level 3 Quantitative Information

The following table provides quantitative information for FTRs held by FES that are classified as Level 3 in the fair value hierarchy for the period ended September 30, 2015:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$(2)	Model	RTO auction clearing prices	($3.50) to $12.20	$0.90	Dollars/MWH

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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, AFS securities and notes receivables.

At the end of each reporting period, FirstEnergy evaluates its investments for OTTI. Investments classified as AFS securities are evaluated to determine whether a decline in fair value below the cost basis is other than temporary. FirstEnergy first considers its intent and ability to hold an equity security until recovery and then considers, among other factors, the duration and the extent to which the security's fair value has been less than its cost and the near-term financial prospects of the security issuer when evaluating an investment for impairment. For debt securities, FirstEnergy considers its intent to hold the securities, the likelihood that it will be required to sell the securities before recovery of its cost basis and the likelihood of recovery of the securities' entire amortized cost basis. If the decline in fair value is determined to be other than temporary, the cost basis of the securities is written down to fair value.

Unrealized gains and losses on AFS securities are recognized in AOCI. However, unrealized losses held in the NDTs of FES, OE and TE are recognized in earnings since the trust arrangements, as they are currently defined, do not meet the required ability and intent to hold criteria in consideration of OTTI.

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

AFS Securities

FirstEnergy holds debt and equity securities within its NDT, nuclear fuel disposal and NUG trusts. These trust investments are considered AFS securities, recognized at fair market value. FirstEnergy has no securities held for trading purposes.

The following table summarizes the amortized cost basis, unrealized gains (there were no unrealized losses) and fair values of investments held in NDT, nuclear fuel disposal and NUG trusts as of September 30, 2015 and December 31, 2014:

	September 30, 2015[1]			December 31, 2014[2]		
	Cost Basis	Unrealized Gains	Fair Value	Cost Basis	Unrealized Gains	Fair Value
	(In millions)					
Debt securities						
FirstEnergy	$1,789	$20	$1,809	$1,724	$27	$1,751
FES	814	10	824	788	13	801
Equity securities						
FirstEnergy	$640	$11	$651	$533	$58	$591
FES	449	8	457	329	31	360

(1) Excludes short-term cash investments: FE Consolidated - $61 million; FES - $42 million.
(2) Excludes short-term cash investments: FE Consolidated - $241 million; FES - $204 million.

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Proceeds from the sale of investments in AFS securities, realized gains and losses on those sales, OTTI and interest and dividend income for the three and nine months ended September 30, 2015 and 2014 were as follows:

Three Months Ended September 30, 2015	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$307	$33	$(32)	$(46)	$25
FES	127	28	(24)	(41)	14

September 30, 2014	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$347	$30	$(14)	$(7)	$24
FES	183	24	(13)	(6)	14

Nine Months Ended September 30, 2015	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$1,126	$135	$(121)	$(70)	$75
FES	503	98	(79)	(63)	43

September 30, 2014	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$1,511	$93	$(45)	$(10)	$73
FES	890	73	(30)	(9)	43

Held-To-Maturity Securities

The following table provides the amortized cost basis, unrealized gains (there were no unrealized losses) and approximate fair values of investments in held-to-maturity securities as of September 30, 2015 and December 31, 2014:

	September 30, 2015			December 31, 2014		
	Cost Basis	Unrealized Gains	Fair Value	Cost Basis	Unrealized Gains	Fair Value
	(In millions)					
Debt Securities						
FirstEnergy	$10	$2	$12	$13	$4	$17

The held-to-maturity debt securities contractually mature by June 30, 2017. Investments in employee benefit trusts and cost and equity method investments, including FirstEnergy's investment in Global Holding, totaling $623 million as of September 30, 2015 and $626 million as of December 31, 2014, are excluded from the amounts reported above.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, FirstEnergy believes that their costs approximate their fair market value. The following table provides the approximate fair value and related carrying amounts of long-term debt and other long-term obligations, excluding capital lease obligations and net unamortized premiums and discounts:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
FirstEnergy	$20,118	$21,525	$19,828	$21,733
FES	3,054	3,135	3,097	3,241

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy. FirstEnergy classified short-term borrowings, long-term debt and other long-term obligations as Level 2 in the fair value hierarchy as of September 30, 2015 and December 31, 2014.

9. 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 related to these exposures, FirstEnergy's Risk Policy Committee, comprised of senior management, provides general management oversight for risk management activities throughout FirstEnergy. The Risk Policy Committee is responsible for promoting the effective design and implementation of sound risk management programs and oversees compliance with corporate risk management policies and established risk management practice. FirstEnergy also uses a variety of derivative instruments for risk management purposes including forward contracts, options, futures contracts and swaps.

FirstEnergy accounts for derivative instruments on its Consolidated Balance Sheets at fair value (unless they meet the normal purchases and normal sales criteria) as follows:

- Changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded to AOCI with subsequent reclassification to earnings in the period during which the hedged forecasted transaction affects earnings.
- Changes in the fair value of derivative instruments that are designated and qualify as fair value hedges are recorded as an adjustment to the item being hedged. When fair value hedges are discontinued, the adjustment recorded to the item being hedged is amortized into earnings.
- Changes in the fair value of derivative instruments that are not designated in a hedging relationship are recorded in earnings on a mark-to-market basis, unless otherwise noted.

Derivative instruments meeting the normal purchases and normal sales criteria are accounted for under the accrual method of accounting with their effects included in earnings at the time of contract performance.

FirstEnergy has contractual derivative agreements through 2020.

Cash Flow Hedges

FirstEnergy has used cash flow hedges for risk management purposes to manage the volatility related to exposures associated with fluctuating commodity prices and interest rates.

Total pre-tax net unamortized losses included in AOCI associated with instruments previously designated as cash flow hedges totaled $10 million and $8 million as of September 30, 2015 and December 31, 2014, respectively. Since the forecasted transactions remain probable of occurring, these amounts will be amortized into earnings over the life of the hedging instruments. Approximately $1 million of net unamortized losses is expected to be amortized to income during the next twelve months.

FirstEnergy has used forward starting interest rate 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 designated 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. Total pre-tax unamortized losses included in AOCI associated with prior interest rate cash flow hedges totaled $44 million and $50 million as of September 30, 2015 and December 31, 2014, respectively. Based on current estimates, approximately $9 million of these unamortized losses is expected to be amortized to interest expense during the next twelve months.

Refer to Note 5, Accumulated Other Comprehensive Income, for reclassifications from AOCI during the three and nine months ended September 30, 2015 and 2014.

As of September 30, 2015 and December 31, 2014, no commodity or interest rate derivatives were designated as cash flow hedges.

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. As of September 30, 2015 and December 31, 2014, no fixed-for-floating interest rate swap agreements were outstanding.

Unamortized gains included in long-term debt associated with prior fixed-for-floating interest rate swap agreements totaled $23 million and $32 million as of September 30, 2015 and December 31, 2014, respectively. During the next twelve months, approximately $11 million of unamortized gains is expected to be amortized to interest expense. Amortization of unamortized gains included in long-term debt totaled approximately $3 million during the three months ended September 30, 2015 and 2014 and $9 million during the nine months ended September 30, 2015 and 2014.

Commodity Derivatives

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

Electricity forwards are used to balance expected sales with expected generation and purchased power. Natural gas futures are entered into based on expected consumption of natural gas primarily for use in FirstEnergy’s combustion turbine 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.

As of September 30, 2015, FirstEnergy’s net asset position under commodity derivative contracts was $86 million, which related to FES positions. Under these commodity derivative contracts, FES posted $30 million of collateral. Certain commodity derivative contracts include credit risk related contingent features that would require FES to post $2 million of additional collateral if the credit rating for its debt were to fall below investment grade.

Based on commodity derivative contracts held as of September 30, 2015, an adverse change of 10% in commodity prices would increase net income by approximately $27 million during the next twelve months.

NUGs

As of September 30, 2015, FirstEnergy's net liability position under NUG contracts was $143 million, representing contracts held at JCP&L, ME and PN. NUG contracts represent purchased power agreements with third-party non-utility generators that are transacted to satisfy certain obligations under PURPA. Changes in the fair value of NUG contracts are subject to regulatory accounting treatment and do not impact earnings.

FTRs

As of September 30, 2015, FirstEnergy's and FES' FTR position was a $3 million net asset and a $2 million net liability, respectively, and FES posted $6 million of collateral. FirstEnergy holds FTRs that generally represent an economic hedge of future congestion charges that will be incurred in connection with FirstEnergy’s load obligations. FirstEnergy acquires the majority of its FTRs in an annual auction through a self-scheduling process involving the use of ARRs allocated to members of PJM that have load serving obligations and through the direct allocation of FTRs from PJM. PJM has a rule that allows directly allocated FTRs to be granted to LSEs in zones that have newly entered PJM. For the first two planning years, PJM permits the LSEs to request a direct allocation of FTRs in these new zones at no cost as opposed to receiving ARRs. The directly allocated FTRs differ from traditional FTRs in that the ownership of all or part of the FTRs may shift to another LSE if customers choose to shop with the other LSE.

The future obligations for the FTRs acquired at auction are reflected on the Consolidated Balance Sheets and have not been designated as cash flow hedge instruments. FirstEnergy initially records these FTRs at the auction price less the obligation due to PJM, and subsequently adjusts the carrying value of remaining FTRs to their estimated fair value at the end of each accounting period prior to settlement. Changes in the fair value of FTRs held by FES and AE Supply are included in other operating expenses as unrealized gains or losses. Unrealized gains or losses on FTRs held by FirstEnergy’s utilities are recorded as regulatory assets or liabilities. Directly allocated FTRs are accounted for under the accrual method of accounting, and their effects are included in earnings at the time of contract performance.

FirstEnergy records the fair value of derivative instruments on a gross basis. The following table summarizes the fair value and classification of derivative instruments on FirstEnergy's Consolidated Balance Sheets:

Derivative Assets	Fair Value September 30, 2015 (In millions)	December 31, 2014	Derivative Liabilities	Fair Value September 30, 2015 (In millions)	December 31, 2014
Current Assets - Derivatives			Current Liabilities - Derivatives		
Commodity Contracts	$140	$121	Commodity Contracts	$(111)	$(154)
FTRs	16	38	FTRs	(13)	(13)
	156	159		(124)	(167)
Deferred Charges and Other Assets - Other			Noncurrent Liabilities - Adverse Power Contract Liability		
			NUGs[1]	(144)	(153)
Commodity Contracts	116	51	Noncurrent Liabilities - Other		
FTRs	1	1	Commodity Contracts	(59)	(13)
NUGs[1]	1	2	FTRs	(1)	(1)
	118	54		(204)	(167)
Derivative Assets	$274	$213	Derivative Liabilities	$(328)	$(334)

[1] NUG contracts are subject to regulatory accounting treatment. Changes in fair value do not impact earnings.

FirstEnergy enters into contracts with counterparties that allow for net settlement of derivative assets and derivative liabilities. Certain of these contracts contain margining provisions that require the use of collateral to mitigate credit exposure between FirstEnergy and these counterparties. In situations where collateral is pledged to mitigate exposures related to derivative and non-derivative instruments with the same counterparty, FirstEnergy allocates the collateral based on the percentage of the net fair value of derivative instruments to the total fair value of the combined derivative and non-derivative instruments. The following tables summarize the fair value of derivative instruments on FirstEnergy's Consolidated Balance Sheets and the effect of netting arrangements and collateral on its financial position:

		Amounts Not Offset in Consolidated Balance Sheet		
September 30, 2015	Fair Value	Derivative Instruments	Cash Collateral (Received)/Pledged	Net Fair Value
	(In millions)			
Derivative Assets				
Commodity contracts	$256	$(163)	$—	$93
FTRs	17	(14)	—	3
NUG contracts	1	—	—	1
	$274	$(177)	$—	$97
Derivative Liabilities				
Commodity contracts	$(170)	$163	$4	$(3)

FTRs