

Positive Energy for Investors



# Wolfe Trahan & Co. Power & Gas Deep Dive Conference

Houston, TX • April 11, 2013





**Positive Energy**  
for  
Investors

# Investor Relations iPhone/iPad App


**iPhone App:**  
FirstEnergy IR for iPhone



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Available on the  
**App Store**

Positive Energy for Investors 

# The Power of “And”

**John W. Judge**  
Vice President, Corporate Risk and Chief Risk Officer

Wolfe Trahan & Co.  
Power & Gas Deep Dive Conference  
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### Forward Looking Statement

This Presentation includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ materially due to: the speed and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular, the impact of the regulatory process on the pending matters before FERC and in the various states in which we do business including, but not limited to, matters related to rates and pending rate cases, 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, regulatory outcomes associated with Hurricane Sandy, changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil, and availability and their impact on retail margins, financial derivative reforms that could increase our liquidity needs and collateral costs, the continued ability of our regulated utilities to collect transition and other costs, operation and maintenance costs being higher than anticipated, other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water discharge, water intake and coal combustion residual regulations, the potential impacts of CAIR, and any laws, rules or regulations that ultimately replace CAIR, and the effects of the EPA's MATS rules including our estimated costs of compliance, the uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to deactivate or idle certain generating units), the uncertainties associated with the deactivation of certain older unscrubbed regulated and competitive fossil units, including the impact on vendor commitments, and the timing thereof as they relate to, among other things, the RMR arrangements and the reliability of the transmission grid, adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant), adverse legal decisions and outcomes related to ME's and PN's ability to recover certain transmission costs through their TSC riders, the impact of future changes to the operational status or availability of our generating units, the risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments, replacement power costs being higher than anticipated or inadequately hedged, the ability to comply with applicable state and federal reliability standards and energy efficiency 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 successfully complete the proposed West Virginia asset transfer and to improve our credit metrics, our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins, the ability to experience growth in the Regulated Distribution segment and to continue to successfully implement our direct retail sales strategy in the Competitive Energy Services segment, changing market conditions that could affect the measurement of liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated, the impact of changes to material accounting policies, the ability to access the public securities and other capital and credit markets in accordance with our financing plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries, actions that may be taken by credit rating agencies that could negatively affect us and 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 our major industrial and commercial customers, and other counterparties including fuel suppliers, with which we do business, issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business, the risks and other factors discussed from time to time in our SEC filings, and other similar factors. Dividends declared from time to time on FE's common stock during any annual period may in the aggregate vary from the indicated amount due to circumstances considered by FE's Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. FirstEnergy expressly disclaims 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.

## A Balanced Portfolio

Diverse and Sizeable Asset Base

Regulated Operations

- FE Utilities

AND

- FE Transmission

Provides a solid foundation and supports a strong dividend\*

AND

Market Based Operations

- FE Solutions (Retail)

AND

- FE Generation

Provides a growth platform

\*Subject to Board of Directors approval

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## Our Strategy Remains the Same

Diverse and Sizeable Asset Base

Regulated Operations

- **FE Utilities**
  - 10 utilities serving 6 million customers in contiguous six-state region
  - Balanced customer base
  - Strong and stable balance sheet
- **FE Transmission**
  - Large stand-alone transmission (ATSI, TrAILCo)
  - Growth opportunities
  - Strong and stable cash flow

Market Based Operations

- **FE Solutions**
  - Regional asset-backed retail strategy
  - Multi sales-channel
  - Well-managed risk
  - Minimum liquidity requirements
- **FE Generation**
  - Diverse, low cost and clean generation portfolio
  - Well positioned for environmental regulations
  - Manageable environmental CapEx

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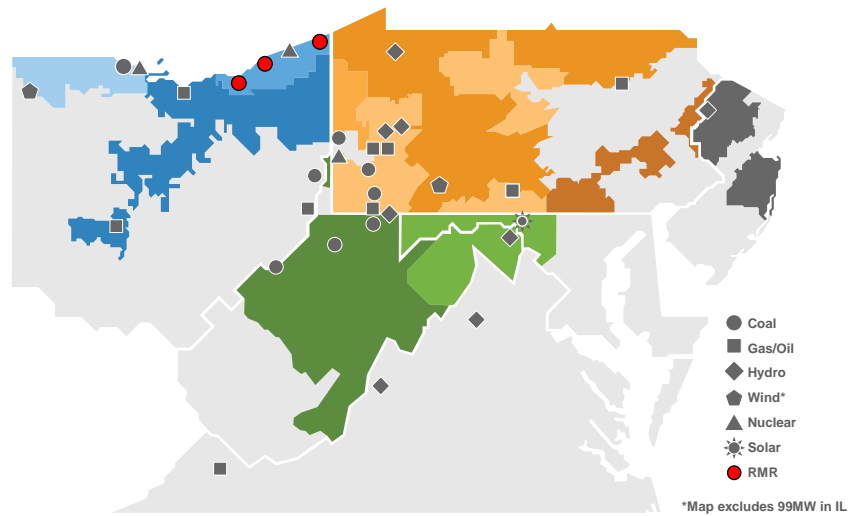
## FirstEnergy's "Ands"

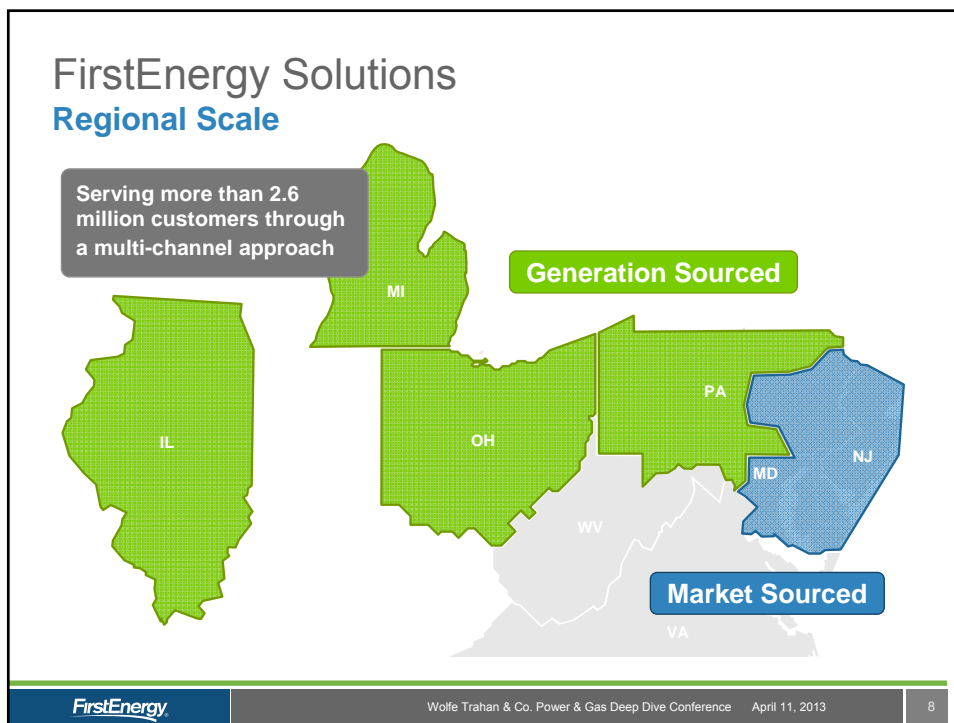
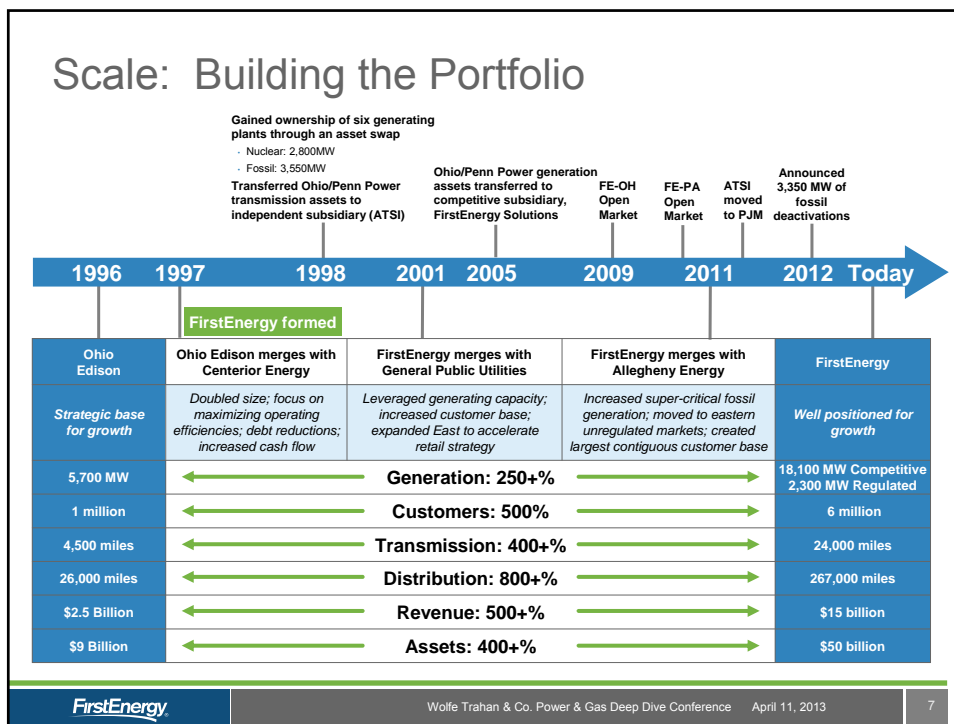
- Regulated and Unregulated
- Distribution and Transmission
- Generation and Retail

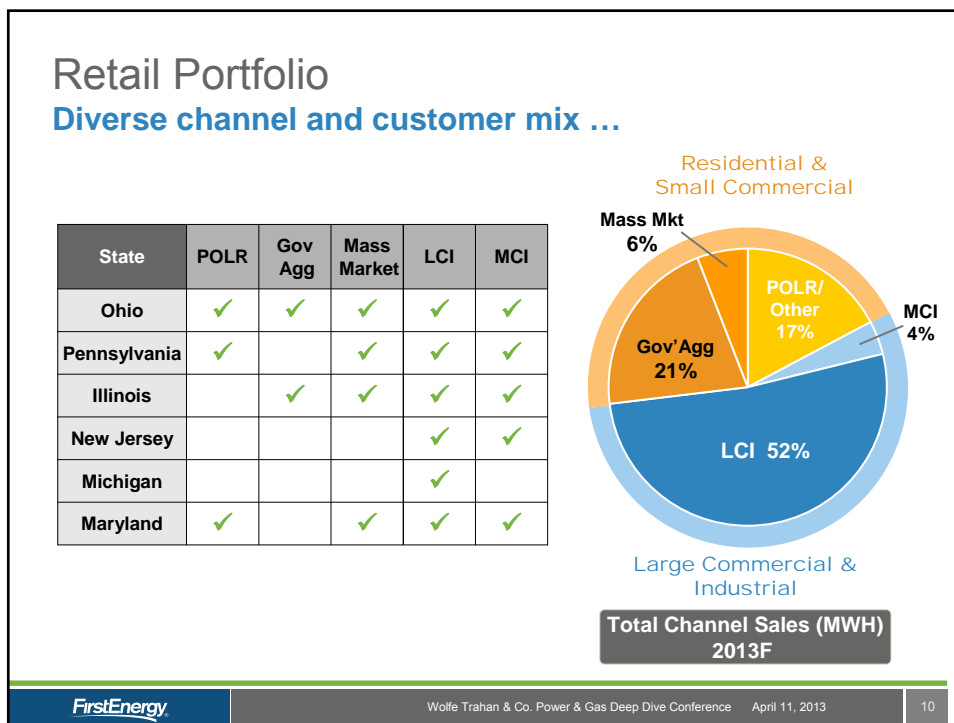
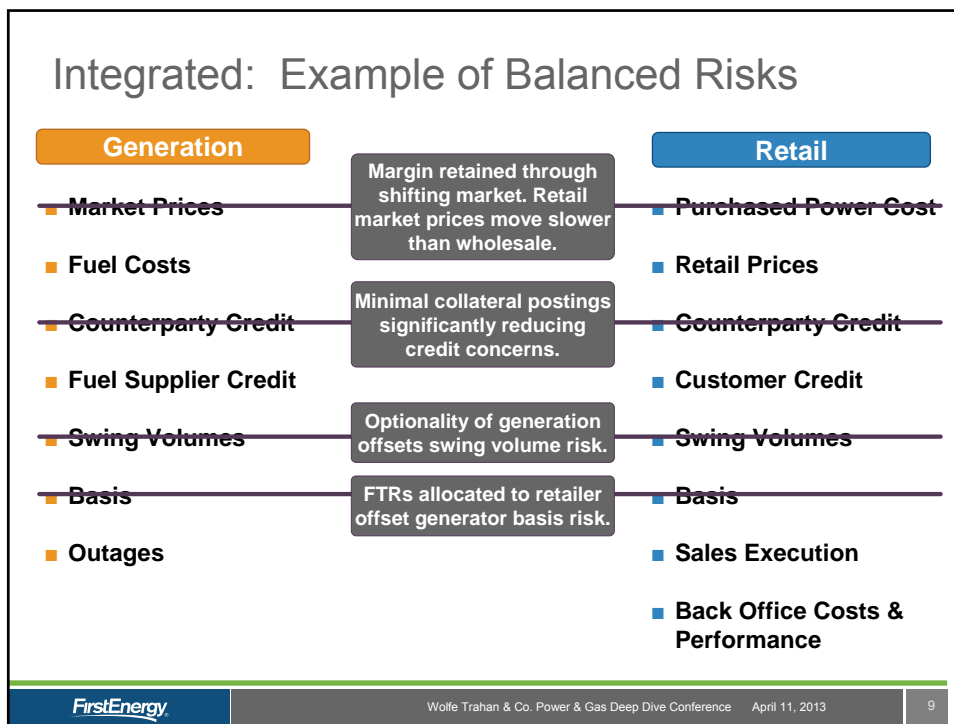
### Strategic Framework

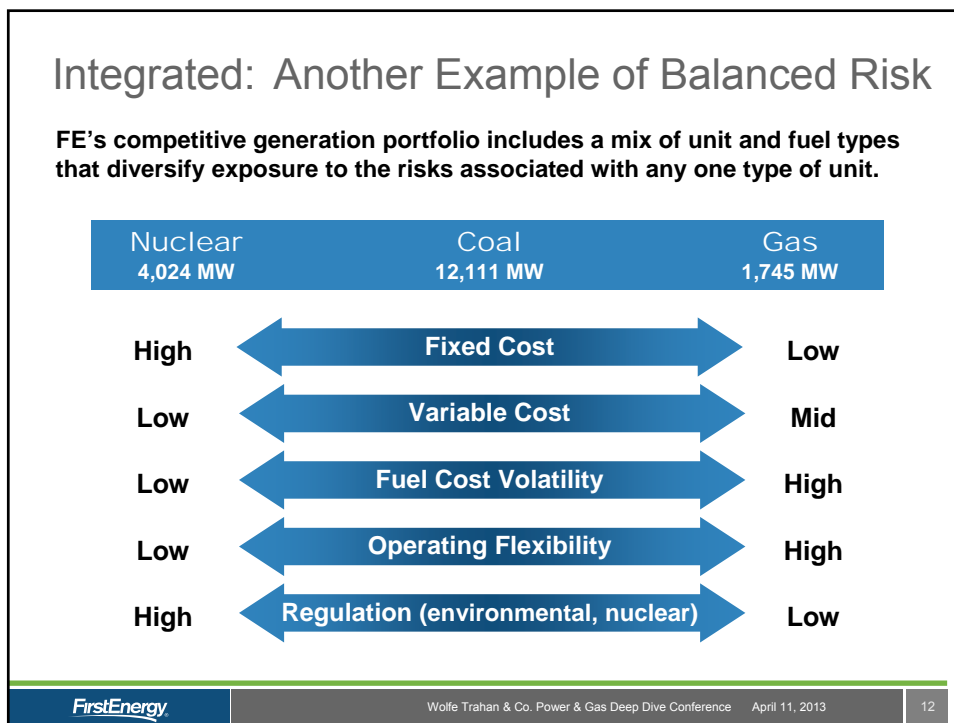
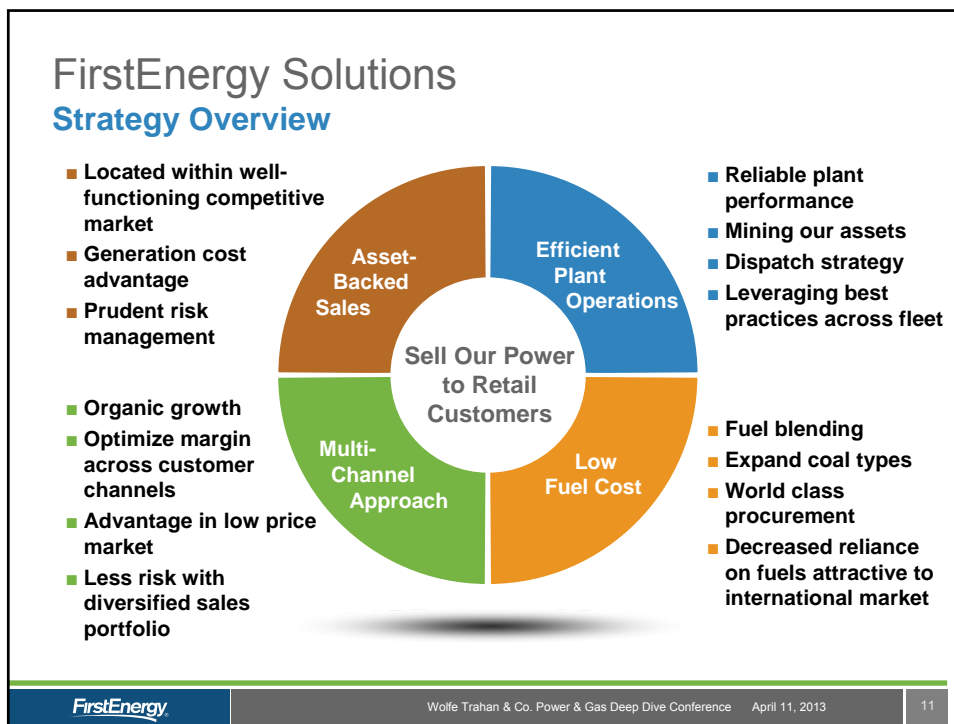
- Customer focused: both the transmission-distribution and the generation-retail businesses impact the ultimate user
- Regional: we have expanded our reach but within a core geographic area
- Scale: All businesses have sufficient size to drive cost efficiencies
- Integrated: Balancing risks

## Regional FE Operating Companies / FE Generation











## Adjustments to the Portfolio

### How Recent Strategic Moves Fit In

#### Plant Deactivations

- 2,464 MW deactivated as of September 1, 2012
- 885 MW RMR arrangements
- MATS program on remaining units estimated to cost \$975 million

#### Transmission Outlook

- ~ \$700 million utilizing ATSI and TrAILCo to address reliability issues related to coal unit deactivations within FE footprint
- Projects identified and approved through PJM RTEP process
- Stable, predictable and reasonable financial returns

#### Harrison/Pleasants Asset Transfer\*

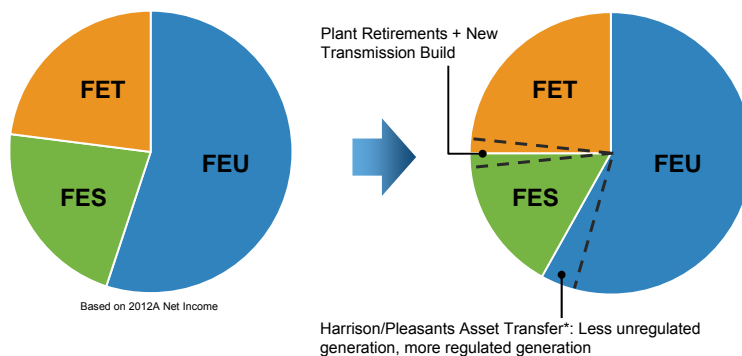
- Net 1,476 MW transaction
  - AE Supply sells 1,576 MW ownership in Harrison Power Station to Mon Power
  - Mon Power sells 100 MW ownership in Pleasants Power Station to FES
- ~ \$1.1 B net transfer price

\* Subject to regulatory approvals

## Adjustments to the Portfolio

illustrative

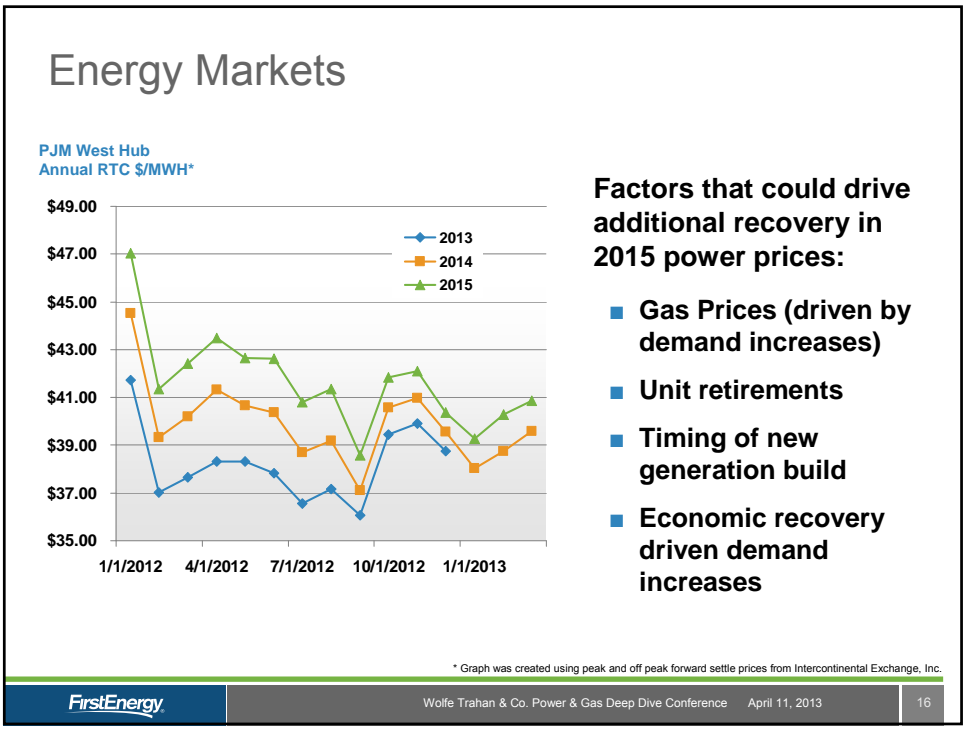
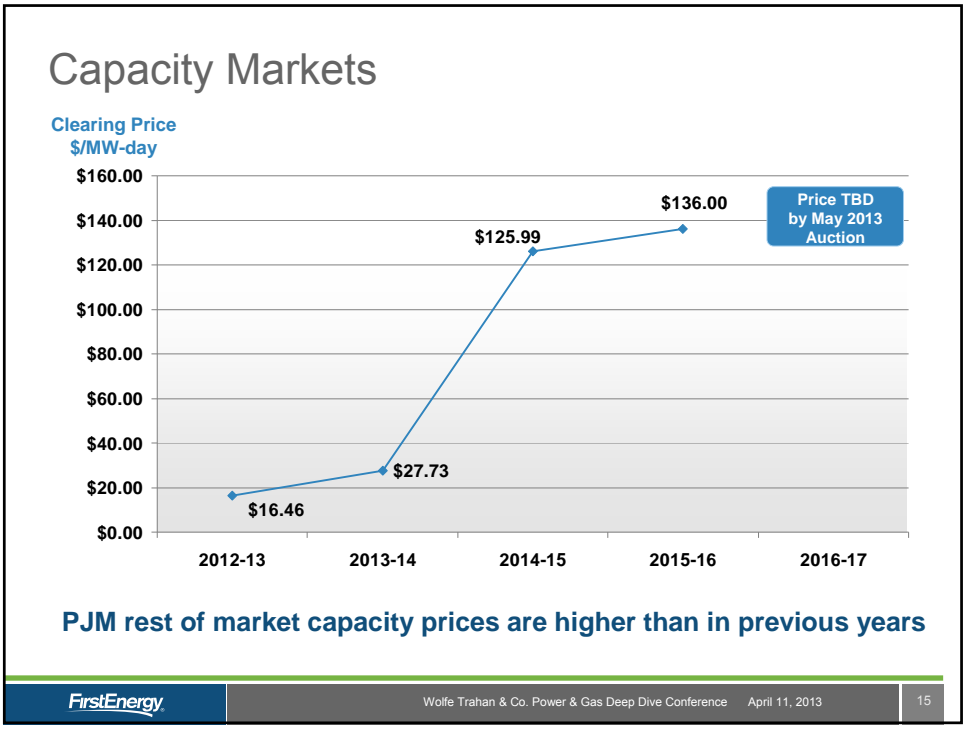
Recent announcements shift the mix ...



... but the strategy remains the same.

**Distribution and Transmission and Generation and Retail**

\* Subject to regulatory approvals



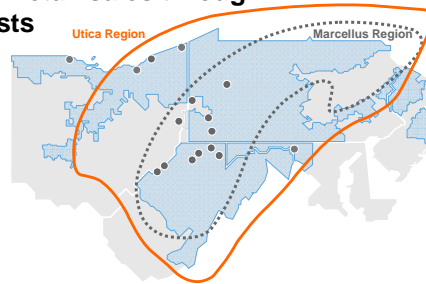
## Leveraging Industrial and Technological Developments in our Region

Revenues/  
Sales

- FE service territory sits on Marcellus and Utica shale
  - Expected increase in industrial demand to support production (steel, pipe)
  - General economic growth in region

Expense/  
Production

- Potential gas co-firing at our coal plants
- Pricing pressure on regional coal supply
- Greater headroom on retail sales through lower congestion costs
- Greater pressure on renewables



# Questions & Answers

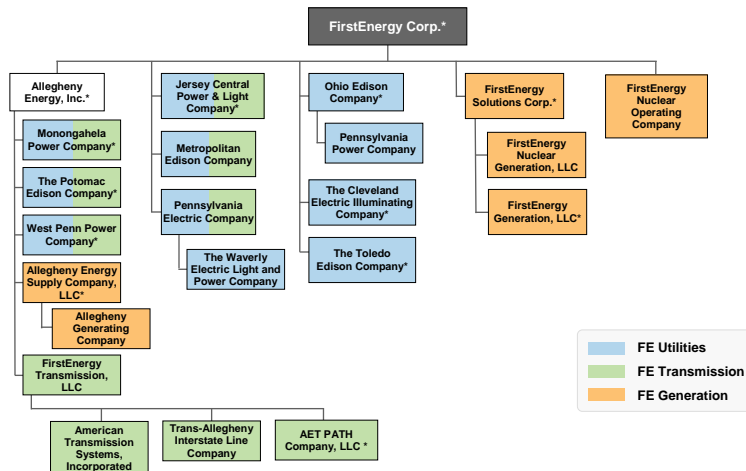
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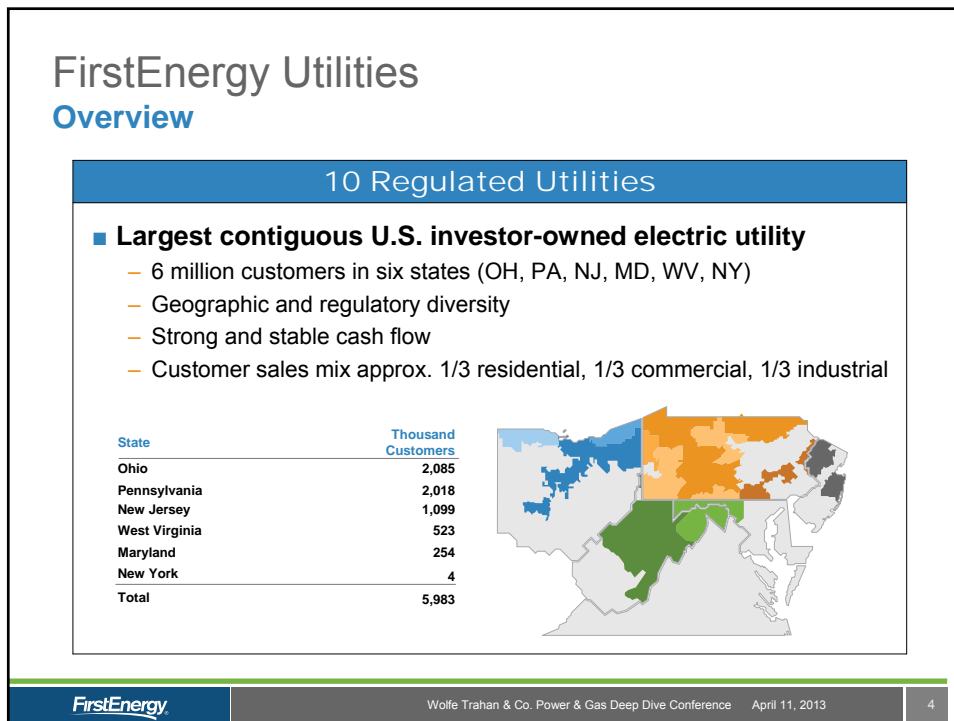
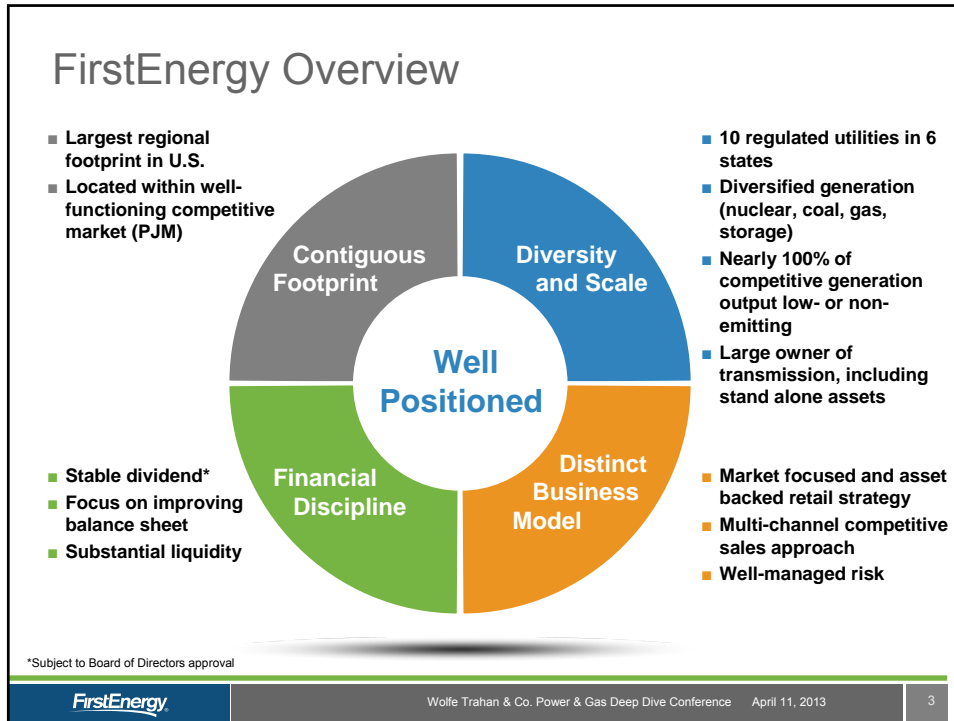
# Appendix

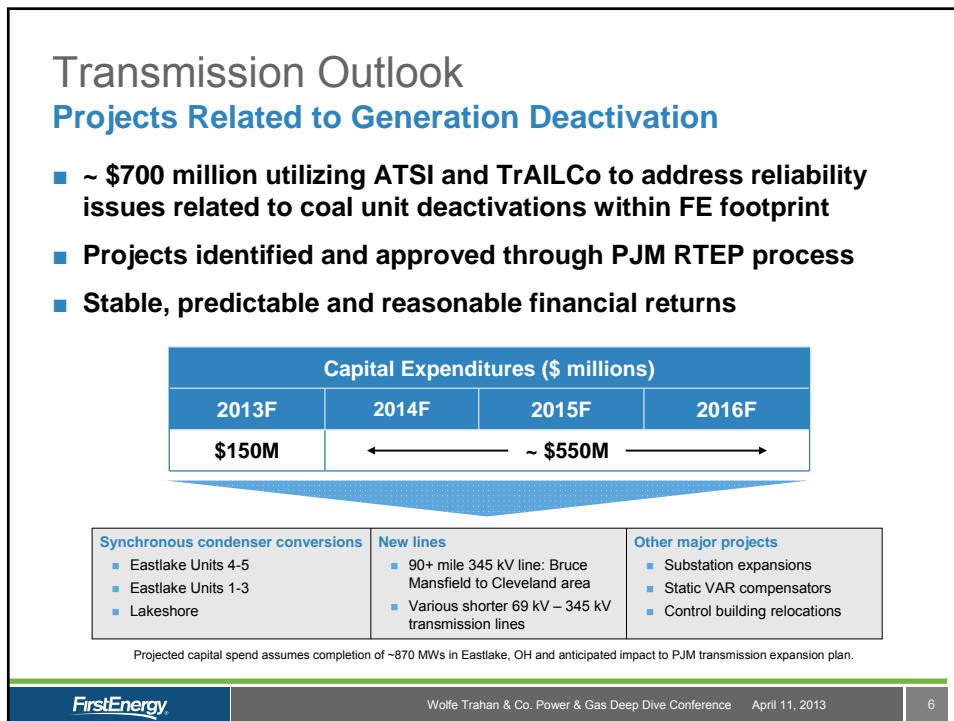
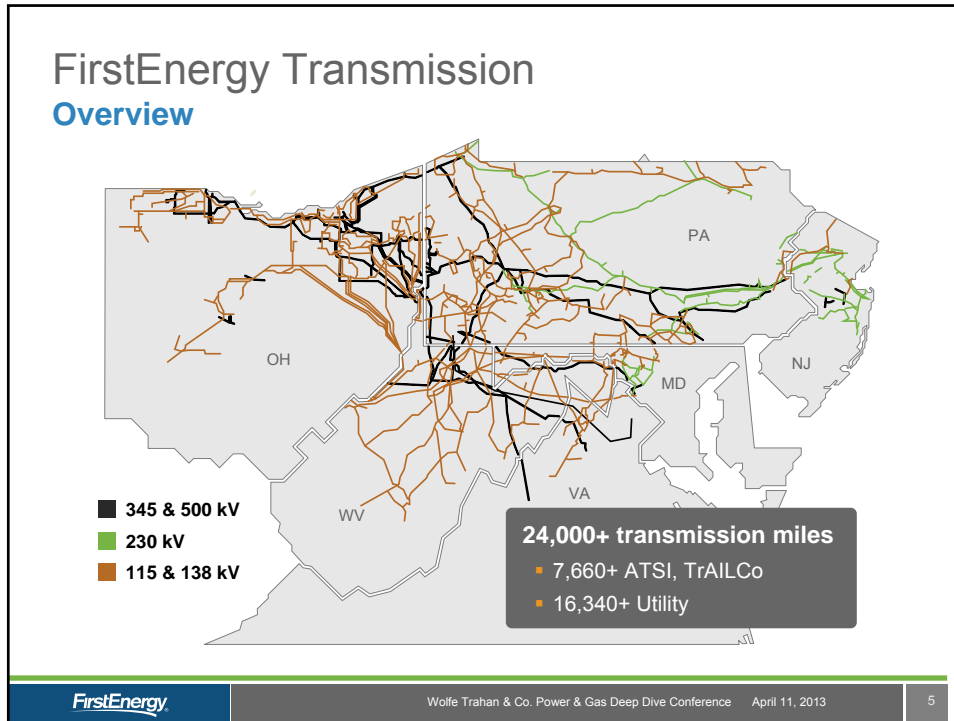
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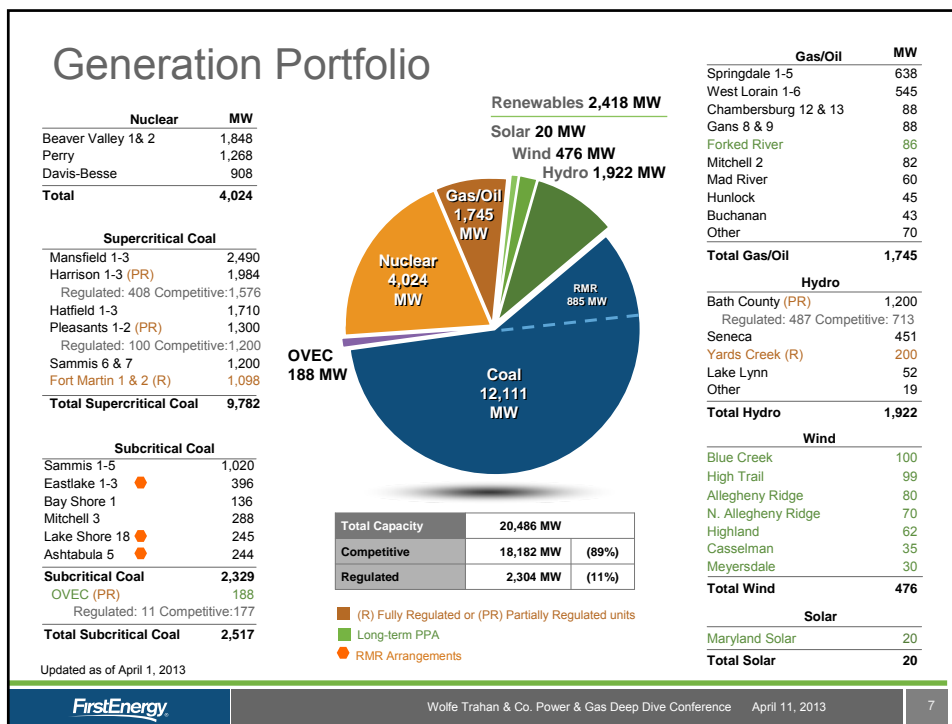
## Summary Organizational Structure



\*Entity has subsidiaries that are not shown







## Our generation assets effectively hedge our retail cost exposures

Retail Service Cost Components	Effectiveness of Asset Hedge	Notes
Block Energy	●	Baseload Units
Shaping Energy	●	Load Following/Peaking Units
Balancing Energy	●	
Line Losses – Energy	●	Self Supply
Congestion	●	Effectiveness decreases as distance between plants and load increases
Capacity	●	
RTO Charges – generator supplied	●	Regulation, Black Start
RTO Charges – administrative	●	
Renewable Energy	●	Wind / Hydro contracts
Network Transmission Service	●	

● Effective    ● Not Effective

## Plant Deactivations

- 2,464 MW deactivated as of September 1, 2012
- 885 MW RMR arrangements

Competitive	NDC MW	RMR MW	2012 Million MWH	2011 Capacity Factor (%)
Eastlake 1-5	1,233	396 (1-3)*	4.5	53
Bay Shore 2-4	495	-	0.4	12
Armstrong	356	-	0.3	16
Lake Shore 18	245	245*	0.2	9
Ashtabula 5	244	244**	0.2	12
R. Paul Smith 3-4	116	-	0.1	12
<b>Total</b>	<b>2,689</b>	<b>885</b>	<b>5.7</b>	

Regulated	NDC MW	2012 Million MWH	2012 Capacity Factor (%)
Albright	292	0.2	7
Rivesville	126	0.0	0
Willow Island	242	0.0	1
<b>Total</b>	<b>660</b>	<b>0.2</b>	

\*Through April 2015 \*\*Through December 2013

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