

**FirstEnergy**<sup>®</sup>



## 50<sup>th</sup> EEI Financial Conference

Hollywood, Florida

November 8-11, 2015

Creating Value for Investors



**2015 EEI Financial Conference**  
**Charles E. Jones**  
President and Chief Executive Officer  
Hollywood, FL • November 10, 2015

## 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," "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 Competitive Energy Services 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 Electric Security Plan IV in Ohio; the impact of the federal regulatory process on the Federal Energy Regulatory Commission (FERC)-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM Interconnection, L.L.C. (PJM) markets and FERC-jurisdictional wholesale transactions; FERC regulation of cost-of-service rates, including FERC Opinion No. 531's revised Return on Equity methodology for FERC-jurisdictional wholesale generation and transmission utility service; and FERC's compliance and enforcement activity, including compliance and enforcement activity related to North American Electric Reliability Corporation's mandatory reliability standards; the uncertainties of various cost recovery and cost allocation issues resulting from American Transmission Systems, Incorporated'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 United States Environmental Protection Agency's Clean Power Plan, coal combustion residuals regulations, Cross-State Air Pollution Rule and Mercury and Air Toxics Standards programs, including our estimated costs of compliance, Clean Water Act waste water effluent limitations for power plants, and Clean Water Act 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 New Source Review 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 Nuclear Regulatory Commission 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 Nuclear Decommissioning Trusts, 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, letters of credit 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; and the risks and other factors discussed from time to time in our United States Securities and Exchange Commission filings, and other similar factors. Dividends declared from time to time on FirstEnergy Corp.'s common stock during any period may in the aggregate vary from prior periods due to circumstances considered by FirstEnergy Corp.'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.

## Today's Agenda

- **Company Overview**
- **Long-term Value to Shareholders**
- **2015 Accomplishments**
- **Regulated Growth**
- **Regulatory Update**
- **Competitive Stability**
- **Financial Discipline**
- **Planned Disclosures, Analyst Meeting**
- **Setting the Stage for the Future**

## FirstEnergy Overview

Strength in Our Diversity and Scale

### Utilities

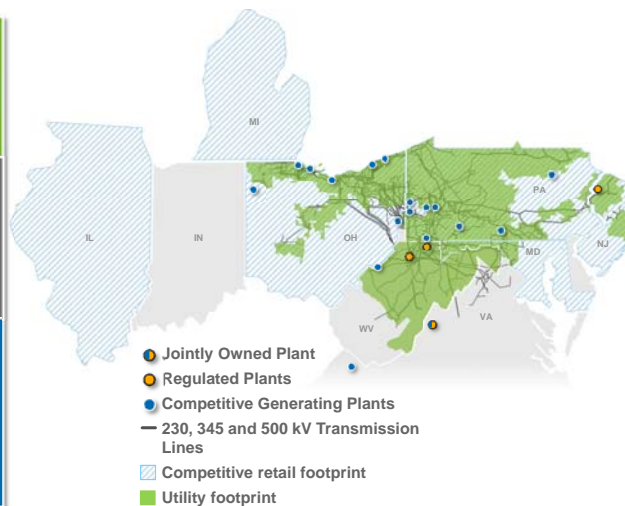
- Approximately 6M customers
- One of the largest contiguous service territories in the U.S. covering 65,000 square miles

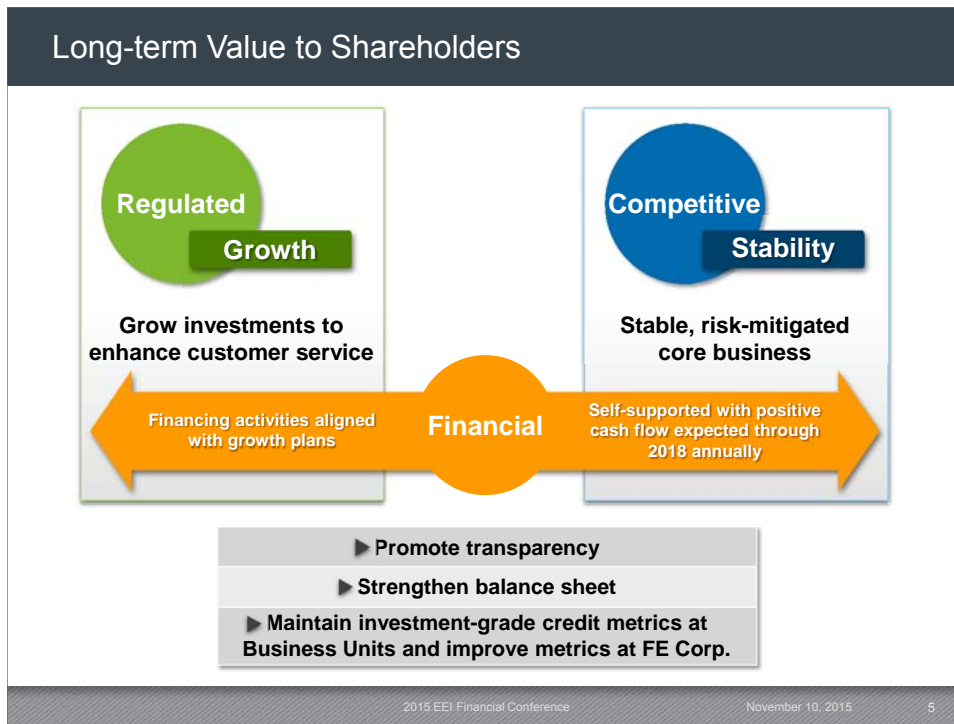
### Transmission

- One of the largest transmission systems in PJM
- 24,000+ transmission miles
- Significant opportunity for growth

### Competitive Operations

- One of the cleanest generation fleets in the U.S.
- Long generation vs. sales strategy
- Focused on reducing overall business risk





### 2015 Accomplishments

Transmission	Utilities	Competitive Energy Services	Financial
<ul style="list-style-type: none"> <li>✓ Executing 2<sup>nd</sup> year of <i>Energizing the Future</i> program</li> <li>✓ Formed MAIT – Seeking approval to transfer transmission assets of JCP&amp;L, Met-Ed, Penelec</li> <li>✓ FERC approval of the comprehensive settlement for ATSI forward-looking formula rate and ROE received October 29</li> </ul>	<ul style="list-style-type: none"> <li>■ Continue Ohio ESP IV regulatory process</li> <li>✓ Finalized rate cases:                             <ul style="list-style-type: none"> <li>– WV: Rates effective February 2015</li> <li>– PA: Rates effective May 2015</li> <li>– NJ: Rates effective April 2015</li> </ul> </li> <li>✓ Filed Long-Term Infrastructure Improvement Plans* (LTIIP) in Pennsylvania</li> </ul>	<ul style="list-style-type: none"> <li>✓ 2016-2019 capacity revenues improved by \$1.1B</li> <li>✓ Restructured sales portfolio</li> <li>✓ Sell no more than we produce</li> <li>✓ Retain 10-20M MWH of generation for spot wholesale sales</li> </ul>	<ul style="list-style-type: none"> <li>✓ Implement Cash Flow Improvement Plan</li> <li>✓ Focus on maintaining investment-grade credit metrics at each business unit and improving FE Corp. metrics over time</li> </ul>

**Creating value for shareholders through customer-focused regulated growth and risk mitigation**

\*Subject to PAPUC approval

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## Regulated Growth Energizing the Future

**Transition east from ATSI and TrAILCo to utility operating companies over time**

- \$4.2B over 2014-2017: Majority of near-term projects in ATSI
- \$15B+ of incremental future opportunities related to reliability enhancement

**2014**

**ATSI**  
American Transmission Systems, Inc.  
a subsidiary of FirstEnergy

**TrAILCo**  
A FirstEnergy Company

**2017**

**MAIT**  
Mid-Atlantic Interstate Transmission, LLC  
a FirstEnergy Company

**Future**

**MP, WPP, PE**

**MAIT filed on June 19, 2015**

- To be comprised of transmission assets transferred from JCP&L, ME and PN
- ~\$900M in rate base as of December 31, 2014
- FERC approval expected in early 2016
- State approvals expected by mid-2016

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## Regulatory Update Ohio ESP IV

**Proposed PPA**

**1 Plants Serving Ohio Customers**

 <b>Davis-Besse</b> 108 MW 140 Employees	 <b>WH Sammis</b> 2,220 MW 196 Employees	 <b>OVEC</b> 116 MW 167 OH Employees
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Capacity, Energy and Ancillary Services

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Cost-Based Payments

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**POWERING OHIO'S PROGRESS**

**2** Sell Capacity, Energy and Ancillary Services into the Wholesale Market

→ **pjm**

**3** Wholesale Market Revenues

**Powering Ohio's Progress**

- Continues to build upon the success of current and prior ESPs
- Regulated generation portfolio increases to ~40%, with Ohio PPA
- Continues successful competitive bid process for POLR load
- Ohio customers will continue to have the ability to shop for generation
- Helps safeguard customers from volatility and retail price increases if energy and capacity prices rise in future years
- Supports service reliability by keeping vital baseload power plants available in and near Ohio
- **Timeline:**
  - Hearings concluded on October 29
  - Anticipate PUCO decision by early 2016

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## Competitive Stability Improved Capacity Revenues

Net Competitive Capacity Position (MW)							
	2016 / 2017		2017 / 2018		2018 / 2019		
	Legacy Obligation	CP Obligation	Legacy Obligation	CP Obligation	Base Generation	Capacity Performance	Uncommitted
ATSI	2,765	4,210	375	6,245	–	6,245	525
RTO	875	3,675	985	3,565	240	3,930	325
All Other Zones	135	–	150	–	35	20	35
<b>TOTAL</b>	<b>3,775</b>	<b>7,885</b>	<b>1,510</b>	<b>9,810</b>	<b>275</b>	<b>10,195</b>	<b>885</b>

\$M	2016	2017	2018	2019 (through 5/31)
<b>Capacity Revenues</b>	<b>\$815</b>	<b>\$590</b>	<b>\$620</b>	<b>\$260</b>

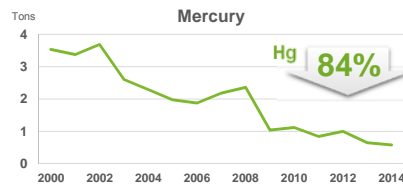
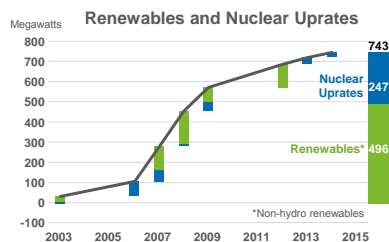
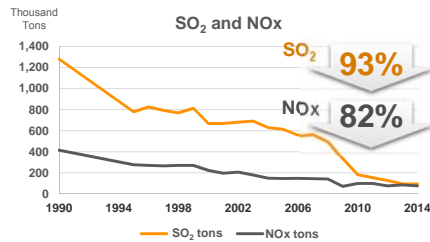
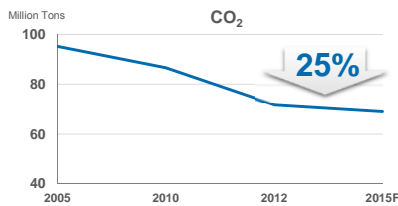
- **16/17 Transitional Auction:**
  - All available generation units cleared
- **17/18 Transitional Auction:**
  - All available generation units cleared
- **18/19 Base Residual Auction:**
  - All major generation units cleared
  - 885 MW of uncleared capacity represents "slice" of the system to hedge performance risk

Results in line with expectations

2016-2019 Competitive Capacity Revenues improved by \$1.1B

## Competitive Stability Environmental Stewardship

FirstEnergy has spent more than \$10B on environmental protection efforts since the Clean Air Act became law in 1970



## Financial Discipline Strengthen the Balance Sheet

### ■ Cash Flow Improvement Plan (CFIP)

- In May, announced targets of \$50M in cash savings in 2015, \$150M in 2016 and reaching a run-rate of \$200M by 2017
- Over twelve-week timeframe, a team of senior executives led by Donny Schneider, President of FES, committed to identify projects leading to sustainable cash savings

### ■ Results

- Initiated a cultural change surrounding spend
- Established project manager to ensure savings are captured and tracked

Cash Flow Improvement Project			
(\$ Millions)	2015F	2016F	2017F
Competitive	\$54.5	\$121.3	\$199.6
Non-Competitive	3.5	33.7	40.4
Total Free Cash Flow Improvement	\$58	\$155	\$240
Total After Tax Earnings Impact*	\$0.05	\$0.15	\$0.24

\* Assumes an effective tax rate of approximately 37% to 38% for each year

Driving financial performance across the company to improve cash flow and credit metrics

## Planned Disclosures Analyst Meeting



## Setting the Stage for the Future

- **Strong focus on customer-service driven regulated growth**
- **Operational excellence across FirstEnergy**
  - Utilities, transmission operations and generation fleet
- **Continue cash flow improvement**
  - Expenses and capital expenditures
- **Solid financial performance**
  - Earnings and cash
- **Committed to maintaining investment-grade credit metrics at Business Units, improving metrics at FE Corp. over time**