

# 2016 Earnings Guidance

Published July 28, 2016



# Forward-Looking Statement

All information contained in this packet is as of July 28, 2016 unless otherwise noted.

This packet 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; the accomplishment of our regulatory and operational goals in connection with our transmission investment plan, including, but not limited to, the proposed transmission asset transfer to Mid-Atlantic Interstate Transmission, LLC, and the effectiveness of our 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 and resulting outcomes on the 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; the impact of the federal regulatory process on 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 prices, and their availability and impact on margins and asset valuations, including without limitation impairments thereon; the risks and uncertainties at the CES segment, including FES, related to continued depressed wholesale energy and capacity markets, including the potential need to deactivate or sell additional generating units; 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 (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 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, such as long-term fuel and transportation agreements, and as it relates 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, such as long-term fuel and transportation agreements; 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 cash flow improvement plan and 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 and other disruptions to our information technology system that may compromise our generation, transmission and/or distribution services and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our networks; and the risks and other factors discussed from time to time in our United States Securities and Exchange Commission (SEC) 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 factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and risks that are included in our filings with the SEC, including but not limited to the most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. 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 our 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.

# Non-GAAP Financial Matters

All information contained in this packet is as of July 28, 2016 unless otherwise noted.

This packet contains references to non-GAAP financial measures including, among others, Operating earnings, CES Commodity Margin, CES Adjusted EBITDA, Funds From Operations, and Free Cash Flow. In addition, Basic EPS and Basic EPS-Operating, each calculated on a segment basis, are also non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Operating earnings are not calculated in accordance with GAAP because they exclude the impact of "special items". Basic EPS for each segment is calculated by dividing segment net income (loss) on a GAAP basis by the basic weighted average shares outstanding for the period. Basic EPS-Operating for each segment is calculated by dividing segment Operating earnings, which exclude special items as discussed above, by the basic weighted average shares outstanding for the period. Management uses non-GAAP financial measures such as Operating earnings, CES Commodity Margin, CES Adjusted EBITDA, Funds From Operations, and Free Cash Flow to evaluate the company's performance and manage its operations and frequently references these non-GAAP financial measures in its decision-making, using them to facilitate historical and ongoing performance comparisons. Additionally, management uses Basic EPS and Basic EPS-Operating by segment to further evaluate FirstEnergy's performance by segment and references these non-GAAP financial measures in its decision-making. Management believes that the non-GAAP financial measures of "Operating earnings," "CES Commodity Margin," "Basic EPS" by segment and "Basic EPS-Operating" by segment provide consistent and comparable measures of performance of its businesses to help shareholders understand performance trends. All of these non-GAAP financial measures are intended to complement, and are not considered as alternatives to, the most directly comparable GAAP financial measures. Also, the non-GAAP financial measures may not be comparable to similarly titled measures used by other entities.

Pursuant to the requirements of Regulation G, FirstEnergy has provided quantitative reconciliations within this presentation of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Refer to appendix pages 10-14.

# 2016 Earnings Guidance

	Basic EPS*			Special Items**			Basic EPS – Operating (Non-GAAP)		
	2016F	2015A	▲	2016F	2015A	▲	2016F	2015A	▲
Regulated Distribution	\$1.61 - \$1.69	\$1.46	\$0.15 - \$0.23	\$0.13	\$0.36	(\$0.23)	\$1.74 - \$1.82	\$1.82	(\$0.08) - \$0.00
Regulated Transmission	\$0.71 - \$0.73	\$0.71	\$0.00 - \$0.02	–	–	–	\$0.71 - \$0.73	\$0.71	\$0.00 - \$0.02
Competitive Energy Services	(\$2.55) - (\$2.45)	\$0.21	(\$2.76) - (\$2.66)	\$3.02	\$0.41	\$2.61	\$0.47 - \$0.57	\$0.62	(\$0.15) - (\$0.05)
Corporate / Other	(\$0.52)	(\$1.01)	\$0.49	–	\$0.57	(\$0.57)	(\$0.52)	(\$0.44)	(\$0.08)
<b>FE Consolidated</b>	<b>(\$0.75) - (\$0.55)</b>	<b>\$1.37</b>	<b>(\$2.12) - (\$1.92)</b>	<b>\$3.15</b>	<b>\$1.34</b>	<b>\$1.81</b>	<b>\$2.40 - \$2.60</b>	<b>\$2.71</b>	<b>(\$0.31) - (\$0.11)</b>

Regulated Distribution (\$0.08) – \$0.00	
Weather	-
Normal customer usage	-
Base distribution rate changes	+
O&M	+
Interest expense	+
Other operating expenses	-
Share dilution	-
<b>2016 Special Items</b>	
Regulatory charges	-

Regulated Transmission \$0.00 – \$0.02	
Rate Base	+
ROE	-
Capitalized financing costs	-
Share dilution	-

Competitive Energy Services (\$0.15) – (\$0.05)	
O&M	+
Interest expense	+
Commodity margin	-
Other operating expenses	-
Investment income	-
Share dilution	-
<b>2016 Special Items</b>	
Asset impairment / plant exit costs	-
Merger accounting - commodity contracts	-
Trust securities impairments	-
Mark-to-market adjustments (other)	-

Corporate / Other (\$0.08)	
O&M	+
Effective Tax Rate	-
Interest expense	-
Share dilution	+

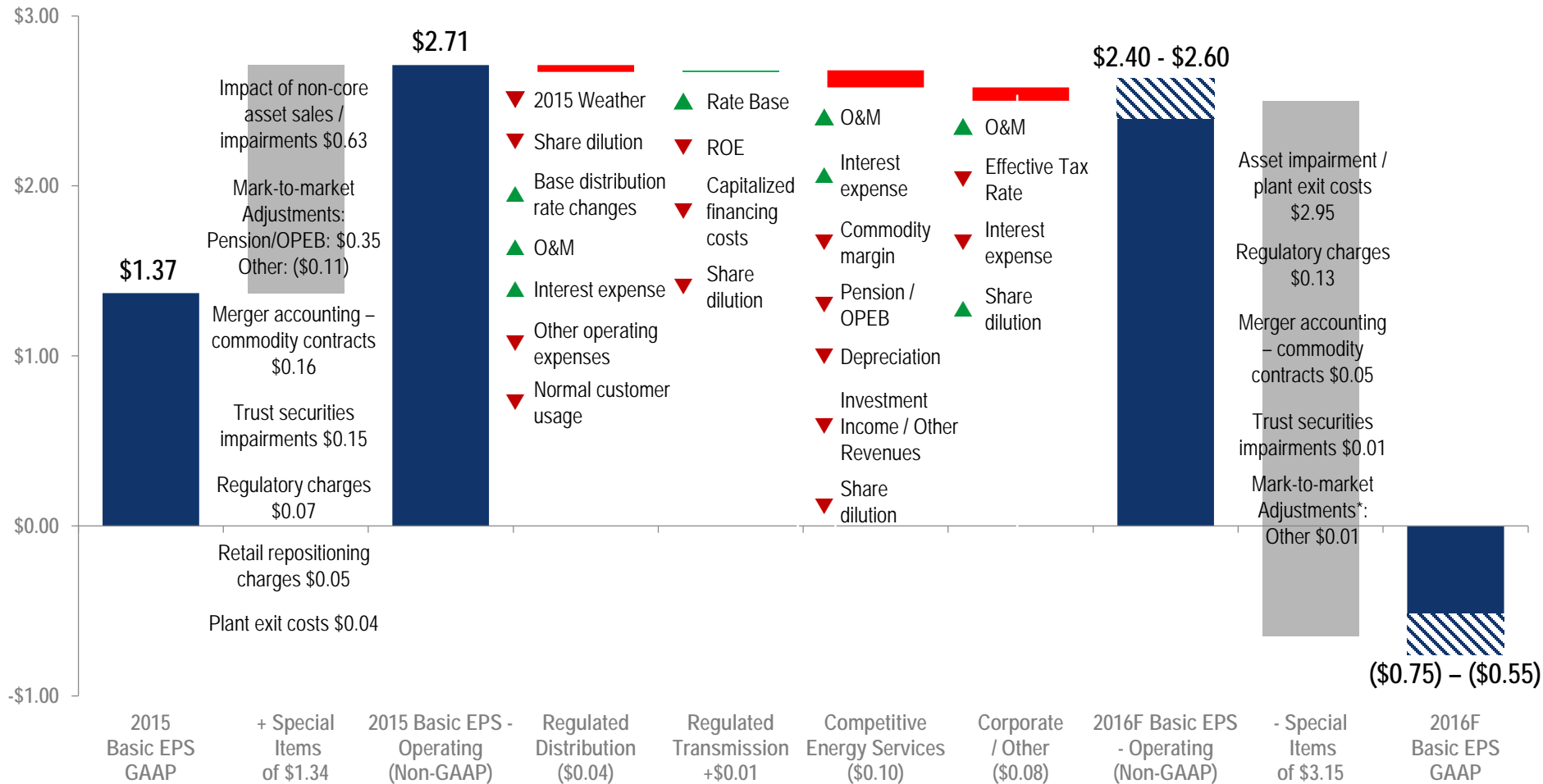
\* Before excluding special items

\*\* See pages 10-14 additional details regarding special items

Per share amounts for the special items and earnings drivers above and throughout this report are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million related to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount with the exception of Asset impairment/Plant exit costs that included an impairment of goodwill, of which \$433 million of the \$800 million pre-tax impairment was non-deductible for tax purposes, and valuation allowances against state and local NOL carryforwards of \$159 million. With the exception of these items included in Asset impairment/Plant exit costs, the income tax rates range from 35% to 42%.

# 2016 Earnings Guidance

## FE Consolidated

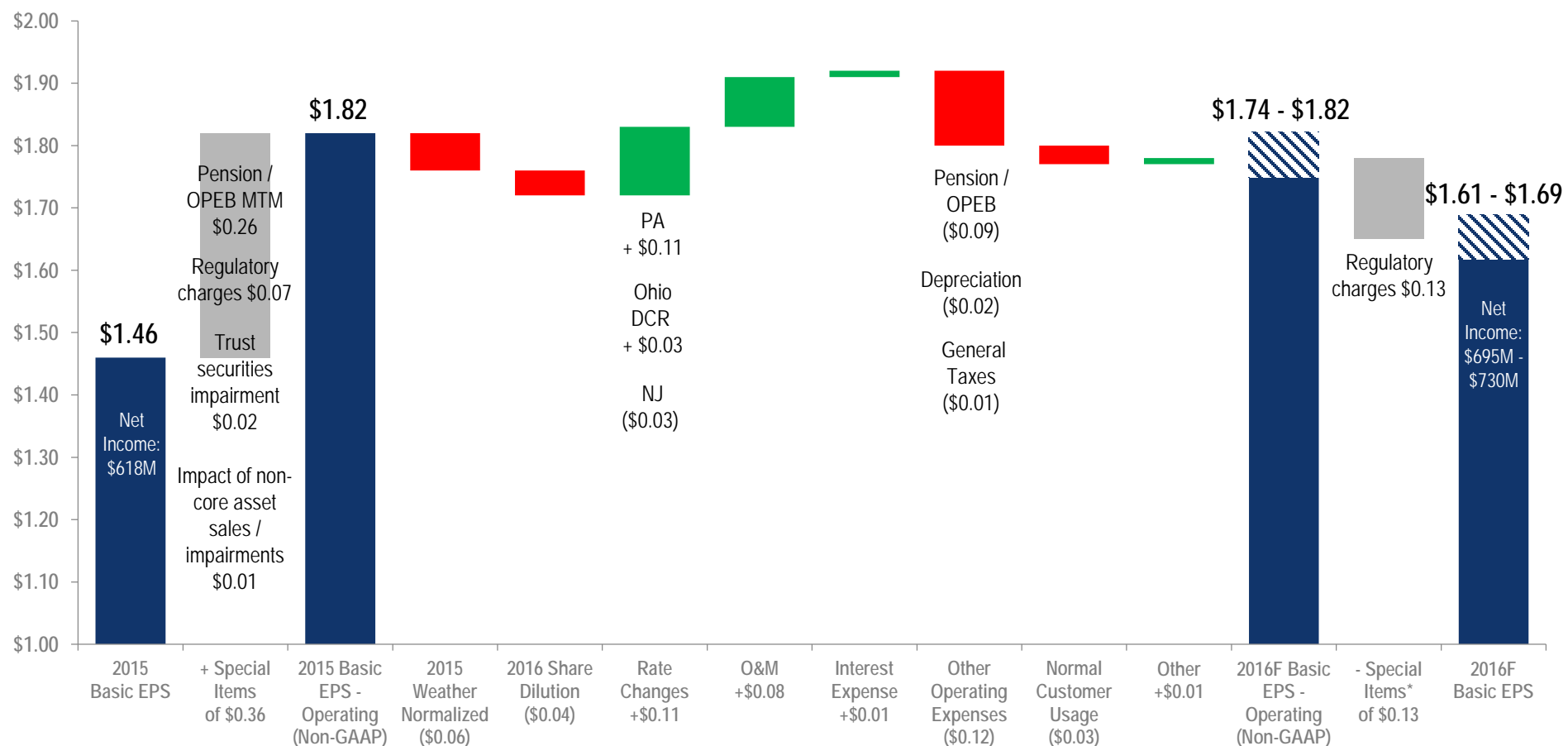


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\* The year-end 2016 Pension/OPEB mark-to-market adjustment is unable to be determined or projected at this time.

# 2016 Earnings Guidance

## Regulated Distribution

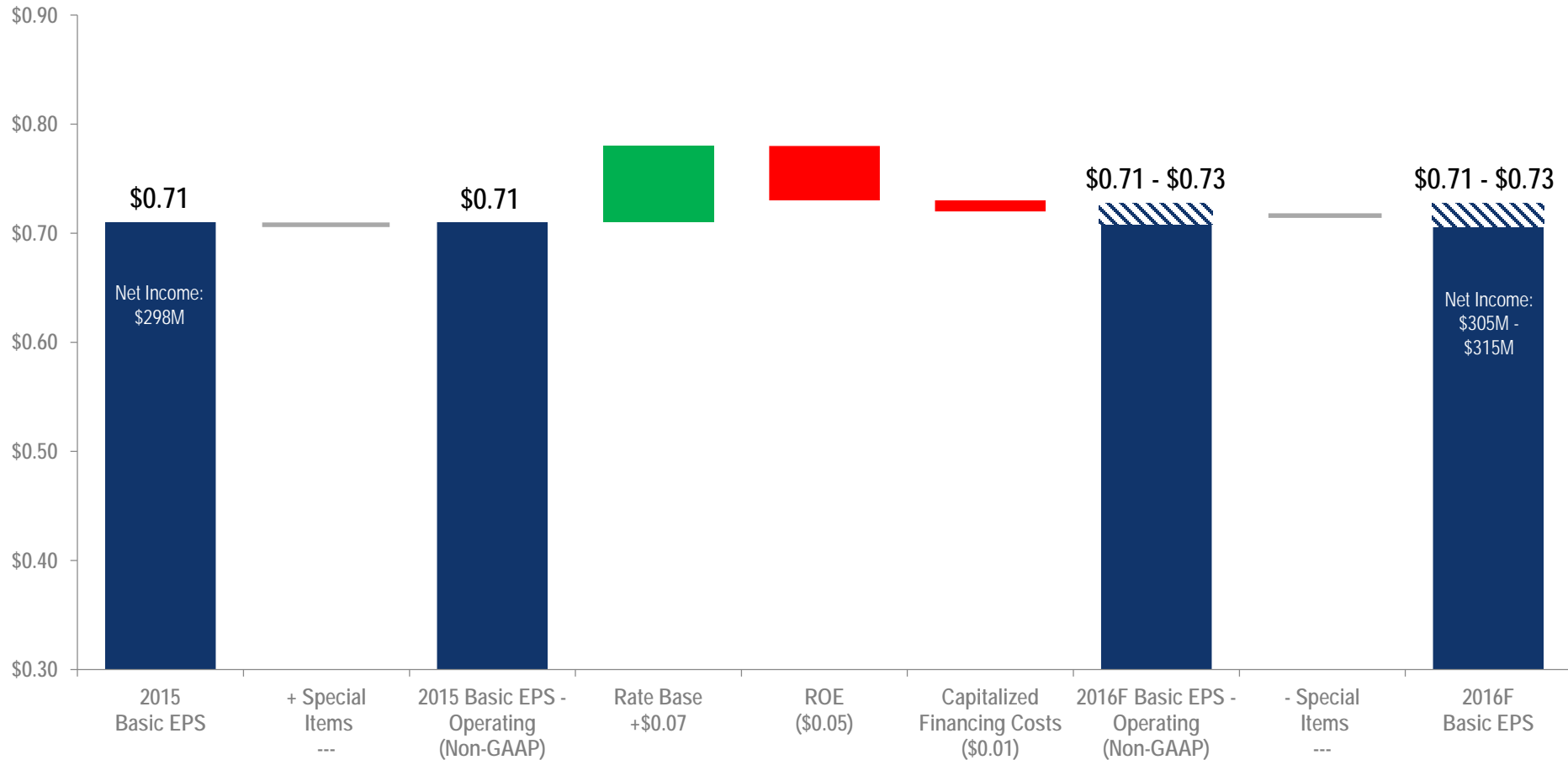


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# 2016 Earnings Guidance

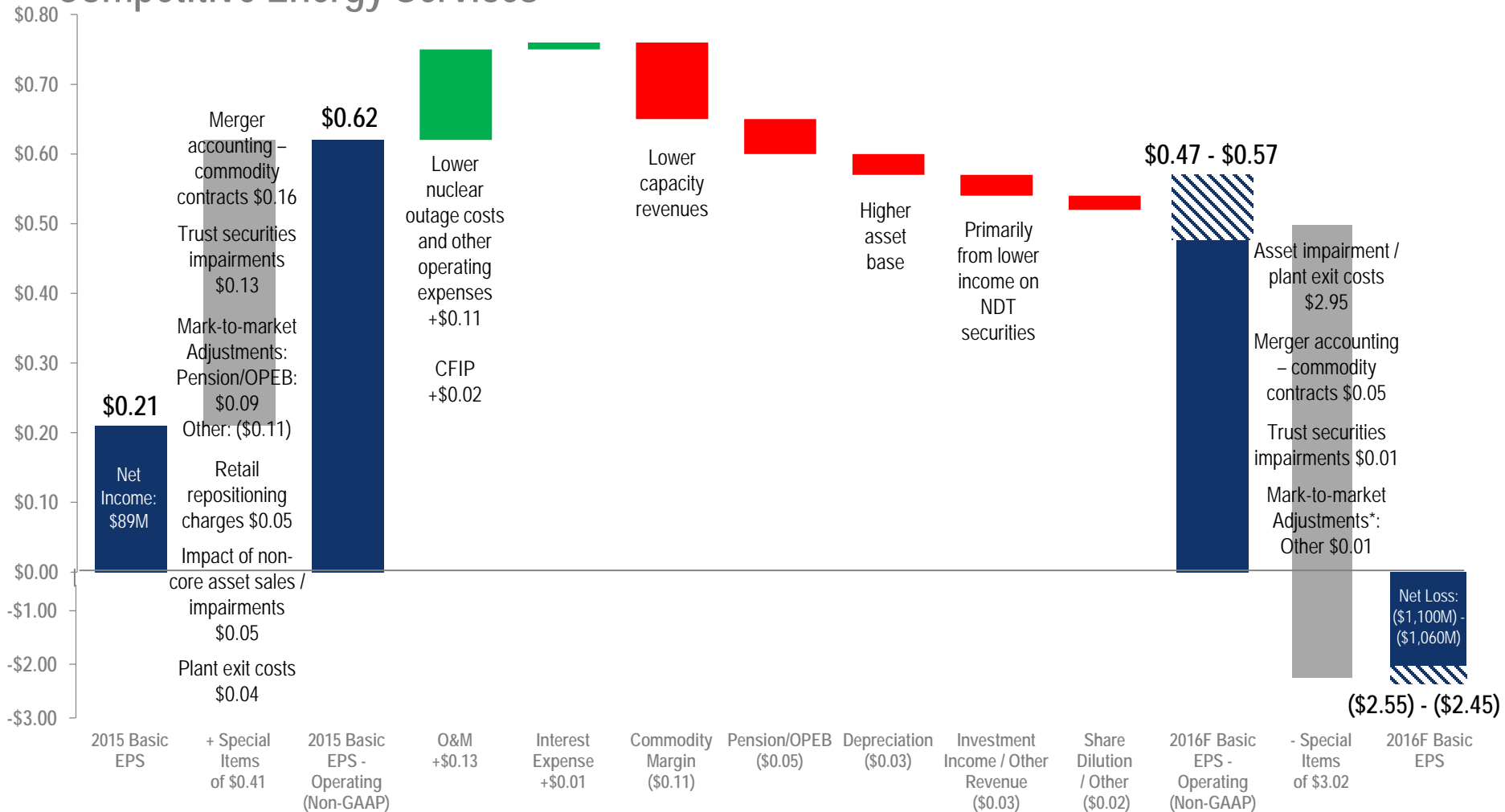
## Regulated Transmission



Per share amounts for the special items and earnings drivers above and throughout this presentation are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million relates to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount. The income tax rates range from 35% to 42%.

# 2016 Earnings Guidance

## Competitive Energy Services



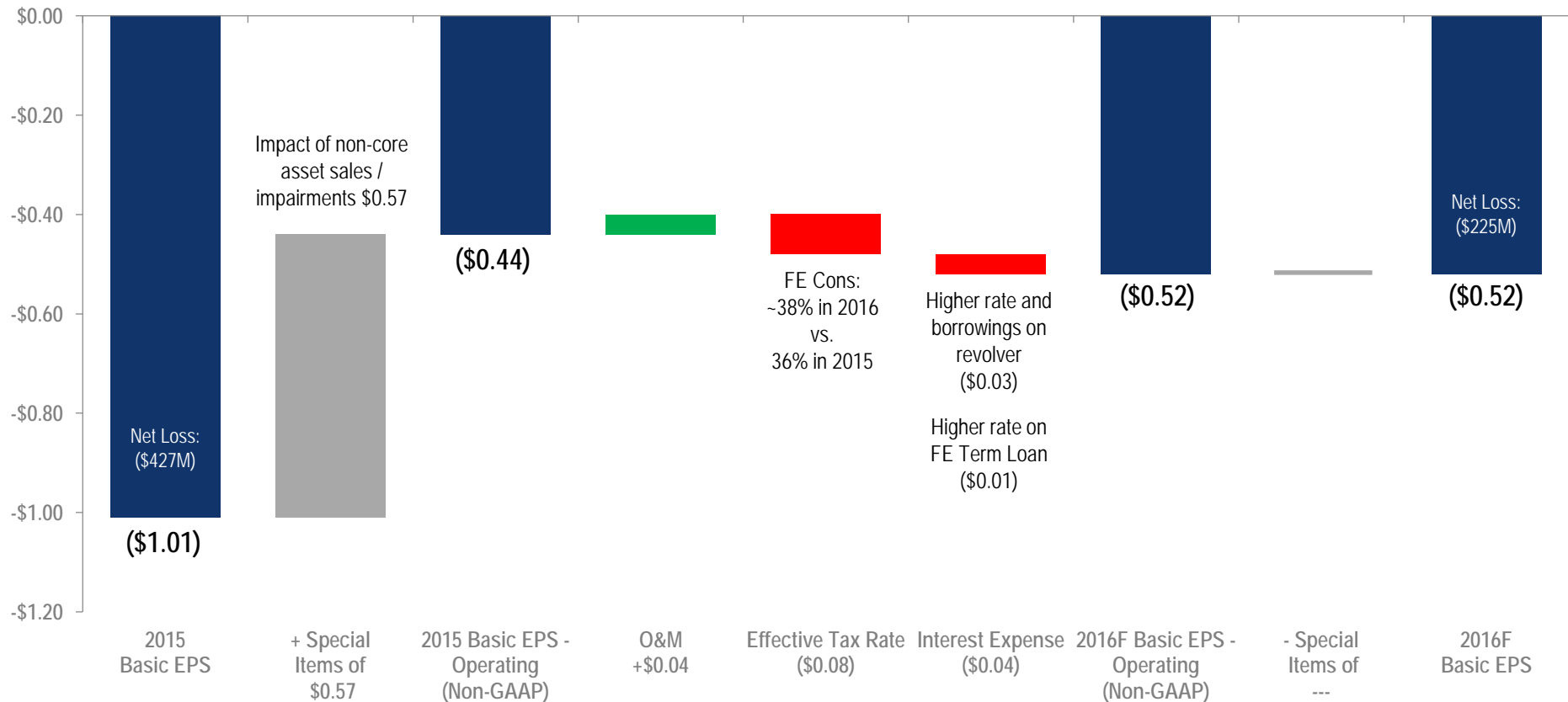
Per share amounts for the special items and earnings drivers above and throughout this report are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million related to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount with the exception of Asset impairment/Plant exit costs that included an impairment of goodwill, of which \$433 million of the \$800 million pre-tax impairment was non-deductible for tax purposes, and valuation allowances against state and local NOL carryforwards of \$159 million. With the exception of these items included in Asset impairment/Plant exit costs, the income tax rates range from 35% to 42%.

\* The year end 2016 Pension/OPEB mark-to-market adjustment is unable to be determined or projected at this time.



# 2016 Earnings Guidance

## Corporate/Other



Per share amounts for the special items and earnings drivers above and throughout this presentation are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million relates to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount. The income tax rates range from 35% to 42%.

# 2016F GAAP to Operating (Non-GAAP) Earnings<sup>1</sup> Reconciliation

(In \$M, except per share amounts)	2016 Forecast				
	FirstEnergy Consolidated	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate/ Other
Net Income (Loss) - GAAP	(\$325) - (\$240)	\$695 - \$730	\$305 - \$315	(\$1,100) - (\$1,060)	(\$225)
Basic EPS	(\$0.75) - (\$0.55)	\$1.61 - \$1.69	\$0.71 - \$0.73	(\$2.55) - (\$2.45)	(\$0.52)
<b>Excluding Special Items<sup>2</sup>:</b>					
<b>Regulatory Charges</b>	<b>0.13</b>	<b>0.13</b>	-	-	-
<b>Trust Securities Impairments</b>	<b>0.01</b>	-	-	<b>0.01</b>	-
<b>Merger Accounting - Commodity Contracts</b>	<b>0.05</b>	-	-	<b>0.05</b>	-
<b>Asset Impairment/Plant Exit Costs</b>	<b>2.95</b>	-	-	<b>2.95</b>	-
<b>Mark-to-market Adjustments</b>	<b>0.01</b>	-	-	<b>0.01</b>	-
Total Special Items <sup>2</sup>	<b>3.15</b>	<b>0.13</b>	-	<b>3.02</b>	-
Basic EPS - Operating (Non-GAAP)	<b>\$2.40 - \$2.60</b>	<b>\$1.74 - \$1.82</b>	<b>\$0.71 - \$0.73</b>	<b>\$0.47 - \$0.57</b>	<b>(\$0.52)</b>

<sup>1</sup> Operating earnings exclude special items as described in the reconciliation table above and is a non-GAAP financial measure

<sup>2</sup> Per share amounts for the special items and earnings drivers above and throughout this report are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million related to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount with the exception of Asset impairment/Plant exit costs that included an impairment of goodwill, of which \$433 million of the \$800 million pre-tax impairment was non-deductible for tax purposes, and valuation allowances against state and local NOL carryforwards of \$159 million. With the exception of these items included in Asset impairment/Plant exit costs, the income tax rates range from 35% to 42%.

# 2016F – Special Items

(In \$M except per share amounts)

	2016 Forecast														
	FirstEnergy Consolidated			Regulated Distribution			Regulated Transmission			Competitive Energy Services			Corporate/ Other		
	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS
Regulatory Charges	\$89	\$57	\$0.13	\$89	\$57	\$0.13	-	-	-	-	-	-	-	-	-
Trust Securities Impairments	10	6	0.01	-	-	-	-	-	-	\$10	\$6	\$0.01	-	-	-
Merger Accounting – Commodity Contracts	32	21	0.05	-	-	-	-	-	-	32	21	0.05	-	-	-
Asset Impairment/Plant Exit Costs	1,505	1,269	2.95	-	-	-	-	-	-	1,505	1,269	2.95	-	-	-
Impact of Non-Core Asset Sales/Impairments	(2)	(1)	-	-	-	-	-	-	-	(2)	(1)	-	-	-	-
Loss on Debt Redemptions	2	1	-	-	-	-	-	-	-	2	1	-	-	-	-
Mark-to-market Adjustments	6	4	0.01	-	-	-	-	-	-	6	4	0.01	-	-	-
<b>Total Special Items</b>	<b>\$1,642</b>	<b>\$1,357</b>	<b>\$3.15</b>	<b>\$89</b>	<b>\$57</b>	<b>\$0.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,553</b>	<b>\$1,300</b>	<b>\$3.02</b>	<b>-</b>	<b>-</b>	<b>-</b>

Per share amounts for the special items and earnings drivers above and throughout this report are based on the after-tax effect of each item divided by the weighted average basic shares outstanding and assumes up to \$600 million of additional equity in 2016 of which \$95 million related to employee benefit plans. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount with the exception of Asset impairment/Plant exit costs that included an impairment of goodwill, of which \$433 million of the \$800 million pre-tax impairment was non-deductible for tax purposes, and valuation allowances against state and local NOL carryforwards of \$159 million. With the exception of these items included in Asset impairment/Plant exit costs, the income tax rates range from 35% to 42%.

# 2015 GAAP to Operating (Non-GAAP) Earnings<sup>1</sup> Reconciliation

(In \$M, except per share amounts)	2015				
	FirstEnergy Consolidated	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate/ Other
Net Income (Loss) – GAAP	\$578	\$618	\$298	\$89	(\$427)
Basic EPS (average shares outstanding 422M)	\$1.37	\$1.46	\$0.71	\$0.21	(\$1.01)
<b>Excluding Special Items<sup>2</sup>:</b>					
<b>Mark-to-market Adjustments</b>					
Pension/OPEB actuarial assumptions	0.35	0.26	–	0.09	–
Other	(0.11)	–	–	(0.11)	–
Merger Accounting – Commodity Contracts	0.16	–	–	0.16	–
Regulatory Charges	0.07	0.07	–	–	–
Retail Repositioning Charges	0.05	–	–	0.05	–
Impact of Non-core Asset Sales/Impairments	0.63	0.01	–	0.05	0.57
Trust Securities Impairments	0.15	0.02	–	0.13	–
Plant Exit Costs	0.04	–	–	0.04	–
<b>Total Special Items<sup>2</sup></b>	<b>\$1.34</b>	<b>\$0.36</b>	<b>–</b>	<b>\$0.41</b>	<b>\$0.57</b>
Basic EPS – Operating (Non-GAAP) (average shares outstanding 422M)	\$2.71	\$1.82	\$0.71	\$0.62	(\$0.44)

<sup>1</sup> Operating earnings exclude special items as described in the reconciliation table above and is a non-GAAP financial measure

<sup>2</sup> Per share amounts for the special items and earnings drivers above and throughout this presentation are based on the after-tax effect of each item divided by the weighted average basic shares outstanding for this period. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount, the income tax rates range from 35% to 42%.

# 2015 – Special Items

(In \$M except per share amounts)

	2015														
	FirstEnergy Consolidated			Regulated Distribution			Regulated Transmission			Competitive Energy Services			Corporate/ Other		
	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS	Pre-Tax	After-Tax	EPS
Mark-to-market Adjustments															
- Pension/OPEB actuarial assumptions	\$242	\$148	\$0.35	\$179	\$108	\$0.26	\$3	\$2	-	\$60	\$38	\$0.09	-	-	-
- Other	(73)	(46)	(0.11)	-	-	-	-	-	-	(73)	(46)	(0.11)	-	-	-
Merger Accounting – Commodity Contracts	110	69	0.16	-	-	-	-	-	-	110	69	0.16	-	-	-
Regulatory Charges	46	29	0.07	45	28	0.07	-	-	-	1	1	-	-	-	-
Retail Repositioning Charges	31	19	0.05	-	-	-	-	-	-	31	19	0.05	-	-	-
Impact of Non-Core Asset Sales/Impairments	413	268	0.63	8	5	0.01	-	-	-	30	19	0.05	\$375	\$244	\$0.57
Trust Securities Impairments	101	63	0.15	11	7	0.02	-	-	-	90	56	0.13	-	-	-
Plant Exit Costs	23	16	0.04	1	1	-	-	-	-	22	15	0.04	-	-	-
<b>Total Special Items</b>	<b>\$893</b>	<b>\$566</b>	<b>\$1.34</b>	<b>\$244</b>	<b>\$149</b>	<b>\$0.36</b>	<b>\$3</b>	<b>\$2</b>	<b>-</b>	<b>\$271</b>	<b>\$171</b>	<b>\$0.41</b>	<b>\$375</b>	<b>\$244</b>	<b>\$0.57</b>

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# 2015/2016 Special Items

- **Mark-to-market adjustments**
  - **Pension/OPEB actuarial assumptions** – Reflects changes in fair value of plan assets and net actuarial gains and losses
  - **Other** – Primarily reflects non-cash mark-to-market gains and losses on commodity contract positions
- **Merger accounting – commodity contracts** – Primarily reflects the non-cash amortization of acquired commodity contracts from the Allegheny Merger
- **Regulatory charges** – Primarily reflects the impact of regulatory orders requiring certain commitments and/or disallowing the recoverability of costs
- **Retail repositioning charges** – Primarily reflects termination and restructuring costs associated with CES' revised sales strategy
- **Impact of non-core asset sales/impairments** – Primarily reflects the non-cash amortization / impairment of certain non-core investments and impact of non-core asset sales
- **Trust securities impairments** – Primarily reflects non-cash other than temporary impairment charges on nuclear decommissioning trust assets
- **Asset impairments/plant exit costs** – Primarily reflects the impairments of CES' goodwill, the Bay Shore Unit 1 generating station and Units 1-4 of the W.H. Sammis generating station, valuation allowances against net operating loss carryforwards and other costs associated with the deactivation of certain power plants
- **Loss on debt redemptions** – Primarily reflects costs associated with the early retirement of debt

# Weather Adjusted Distribution Deliveries

GWH	2015	2016F	Variance
<b>Total Deliveries</b>	<b>146,587</b>	<b>146,407</b>	<b>- 0.1%</b>
Ohio	52,924	52,483	- 0.8%
Pennsylvania	51,364	51,374	+ 0.0%
West Virginia	14,911	14,912	+ 0.0%
New Jersey	20,446	20,659	+ 1.0%
Maryland	6,942	6,979	+ 0.5%



	2015	2016F	Variance
<b>Residential</b>	<b>53,109</b>	<b>52,992</b>	<b>- 0.2%</b>
Ohio	16,932	16,953	+ 0.1%
Pennsylvania	18,349	17,949	- 2.2%
West Virginia	5,434	5,464	+ 0.5%
New Jersey	9,175	9,372	+ 2.2%
Maryland	3,219	3,254	+ 1.1%



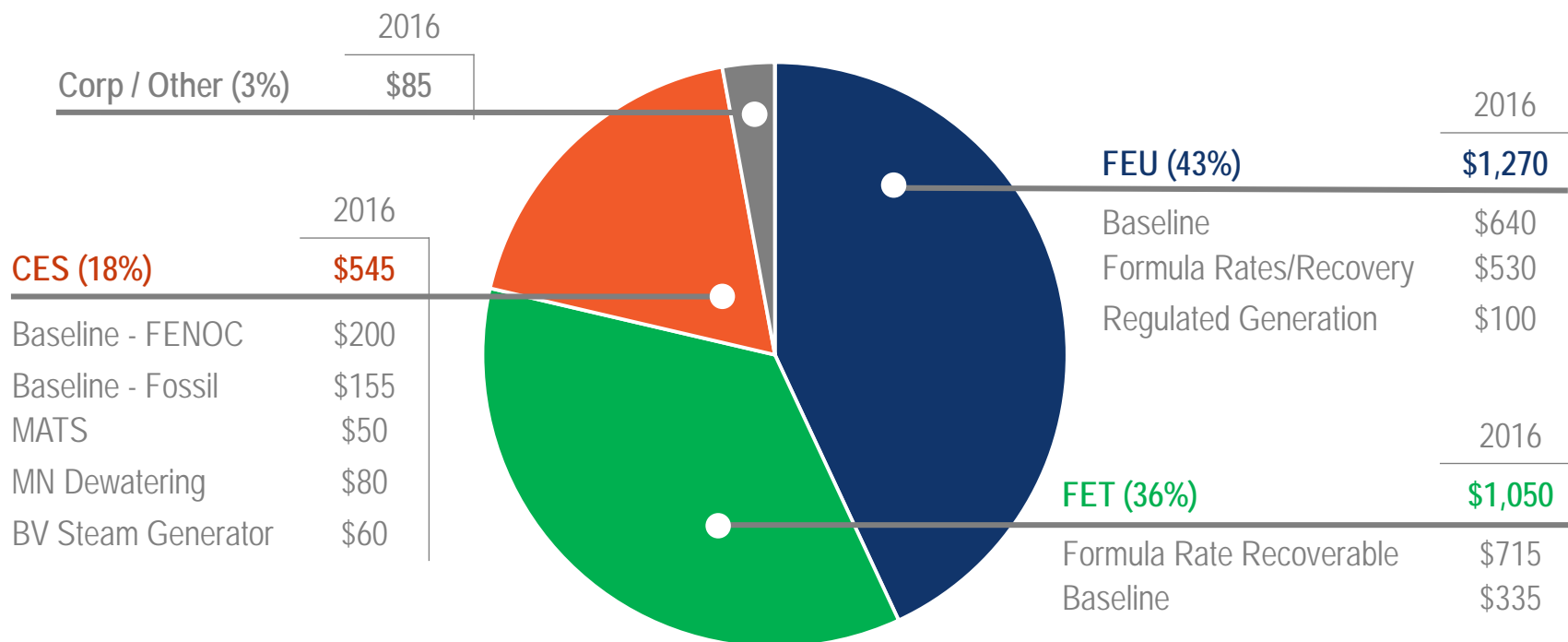
	2015	2016F	Variance
<b>Commercial</b>	<b>43,209</b>	<b>42,965</b>	<b>- 0.6%</b>
Ohio	15,444	15,243	- 1.3%
Pennsylvania	12,928	12,915	- 0.1%
West Virginia	3,686	3,666	- 0.5%
New Jersey	9,070	9,054	- 0.2%
Maryland	2,081	2,087	+ 0.3%



	2015	2016F	Variance
<b>Industrial</b>	<b>50,269</b>	<b>50,450</b>	<b>+ 0.36%</b>
Ohio	20,548	20,287	- 1.3%
Pennsylvania	20,087	20,510	+ 2.1%
West Virginia	5,791	5,782	- 0.2%
New Jersey	2,201	2,233	+ 1.4%
Maryland	1,642	1,638	- 0.3%

# 2016F Capital Expenditures<sup>1</sup>

## 2016F Cap-Ex of \$2,950M (\$ Millions)



<sup>1</sup> Excludes capital component of any year-end Pension/OPEB mark-to-market adjustment



# 2016F Funds From Operations

(\$ Millions)	<b>FirstEnergy Consolidated</b>
<b>Cash From Operations</b>	<b>\$3,275 - \$3,375</b>
<b>Working Capital<sup>1</sup></b>	<b>(40) - (200)</b>
<b>Collateral<sup>2</sup></b>	<b>(25)</b>
<b>Pension Contribution<sup>3</sup></b>	<b>250 - 450</b>
<b>Funds From Operations (Non-GAAP)</b>	<b>\$3,460 - \$3,600</b>

<sup>1</sup> Working Capital is included in "Changes in Current Assets and Liabilities" on the Consolidated Statements of Cash Flows.

<sup>2</sup> Collateral is included in "Cash Collateral, net" on the Consolidated Statements of Cash Flows.

<sup>3</sup> Pension Contribution is included in "Pension Trust Contributions" on the Consolidated Statements of Cash Flows

Funds from Operations (FFO) is a non-GAAP measure and represents cash from operations less changes in working capital and collateral plus pension trust contributions. FFO is used by management to monitor its credit metrics consistent with certain rating agencies.

# 2016F Free Cash Flow

(\$ Millions)	<b>FirstEnergy Consolidated</b>
<b>Funds From Operations (FFO) (Non-GAAP)</b>	<b>\$3,460 - \$3,600</b>
<b>Capital Expenditures<sup>1</sup></b>	<b>(2,915)</b>
<b>Nuclear Fuel</b>	<b>(285)</b>
<b>Cash Before Other Items</b>	<b>\$260 - \$400</b>
<b>Pension Contribution</b>	<b>(250) - (450)</b>
<b>Collateral</b>	<b>25</b>
<b>Working Capital/Other<sup>2</sup></b>	<b>(90) - (130)</b>
<b>Cash Before Dividends</b>	<b>(\$55) - (\$155)</b>
<b>Dividends</b>	<b>(610)</b>
<b>Free Cash Flow<sup>3</sup> (Non-GAAP)</b>	<b>(\$665) - (\$765)</b>

<sup>1</sup> Excludes capital component of any year-end Pension/OPEB mark-to-market adjustment and AFUDC equity

<sup>2</sup> Primarily includes changes in working capital which is included in "Changes in Current Assets and Liabilities" on the Consolidated Statements of Cash Flows, asset removal costs which is included in the Consolidated Statements of Cash Flows, NDT interest and dividend income which is included in "Purchases of Investment Securities Held in Trust" on the Consolidated Statements of Cash Flows, and non-cash stock based compensation expense included in "Note 4. Stock-Based Compensation Plans"

<sup>3</sup> Excludes cash items related to debt financing activity and does not include \$95M of equity for employee benefit plans

Free Cash Flow (FCF) is a non-GAAP measure and represents funds from operations less capital expenditures, nuclear fuel purchases, pension trust contributions, and dividends as well as changes in collateral and working capital. FCF is used by management to evaluate the net cash flow from operations less capital and capital related investments and dividends.

# Net Loss to Adjusted EBITDA<sup>1</sup> Reconciliation

## Competitive Energy Services

(\$ Millions)	2016F
<b>Net Loss – GAAP</b>	<b>(\$1,100) – (\$1,060)</b>
<b>Special Items (after-tax)<sup>1</sup></b>	<b>1,300</b>
<b>Operating Earnings</b>	<b>\$200 - \$240</b>
<b>Income Taxes<sup>2</sup></b>	<b>80 – 155</b>
<b>Interest Expense, Net</b>	<b>145 – 140</b>
<b>Depreciation</b>	<b>415 – 410</b>
<b>Amortization<sup>3</sup></b>	<b>70</b>
<b>Investment Income</b>	<b>(60) – (65)</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$850 – \$950</b>

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure and represents GAAP net income adjusted for the special items listed on slide 11 and the addition of Income Taxes; Interest Expense, net; Depreciation, Amortization and Investment Income.

<sup>2</sup> Income taxes excluding the tax effect of special items are summarized on slide 11.

<sup>3</sup> Amortization expense included in Other Operating Expenses on the Consolidated Statements of Income. Primarily relates to amortization of customer contract intangible assets, as disclosed in Note 7 - Intangible Assets, and deferred costs on sale leaseback transaction, net, as disclosed in the Consolidated Statements of Cash Flows. Does not include nuclear fuel amortization of approximately \$225M.

# Net Loss to Commodity Margin<sup>1</sup> Reconciliation

## Competitive Energy Services

(\$ Millions)	2016F
<b>Net Loss – GAAP</b>	<b>(\$1,100) – (\$1,060)</b>
<b>Income Taxes</b>	<b>(170) – (100)</b>
<b>Interest Expense, Net</b>	<b>145 – 140</b>
<b>Depreciation</b>	<b>415 – 410</b>
<b>Investment Income<sup>2</sup></b>	<b>(50) – (55)</b>
<b>Other Revenue<sup>3</sup></b>	<b>(170) – (180)</b>
<b>Other Operating Expenses<sup>4</sup></b>	<b>1,328 – 1,253</b>
<b>Merger Accounting – Commodity Contracts<sup>5</sup></b>	<b>32</b>
<b>Impairment of Assets</b>	<b>1,447</b>
<b>Coal Contract Termination and Settlement Costs<sup>5</sup></b>	<b>58</b>
<b>General Taxes</b>	<b>130 - 120</b>
<b>Commodity Margin<sup>1</sup></b>	<b>\$2,065</b>

<sup>1</sup> Commodity margin is a non-GAAP measure and primarily represents generation sales and capacity revenue less fuel, purchased power and other variable costs such as delivery and capacity expenses, excluding merger accounting – commodity contracts and coal contract termination and settlement costs.

<sup>2</sup> Investment Income range differs from the range shown on the Net Loss to Adjusted EBITDA Reconciliation on slide 19 due to the exclusion of \$10 million of Trust Securities Impairment charges which are included as a special item on slide 11

<sup>3</sup> Other Revenue primarily reflects lease revenue on sale and leaseback transactions and other affiliated transactions and are included in “Revenues – Unregulated Businesses” on the Consolidated Statements of Income

<sup>4</sup> Other Operating Expense are included in “Other Operating Expenses” on the Consolidated Statements of Income and primarily includes generation, retail, corporate support expenses and amortization expense primarily relating to “FES customer contracts” intangible assets, as disclosed in Note 7 - Intangible Assets, and “Deferred costs on sale leaseback transaction, net,” as reported on the Consolidated Statements of Cash Flows.

<sup>5</sup> Special Items: “Merger Accounting – Commodity contracts” and “Coal Contract Termination and Settlement Costs” are included in “Fuel” on the Consolidated Statements of Income.

# 2016F Adjusted EBITDA

## Competitive Energy Services

	2016F		
	TWH	Rate	\$M
<b>Revenues:</b>			
<b>Contract Sales</b>			
LCI/MCI/MM	17.4	\$55	\$965
GA & POLR	23.0	\$59	\$1,360
Structured and Muni	8.6	\$42	\$360
<b>Wholesale Sales</b>			
Physical - Closed	15.2	\$30	\$460
Physical - Open	7.6	\$29	\$220
Financials			\$95
Capacity Revenues			\$815
Transmission Revenues			\$75
Other	2.2		
<b>Total Revenues<sup>(1)</sup></b>	<b>74.0</b>		<b>\$4,350</b>
<b>Expenses:</b>			
Capacity & Transmission Expense			(\$970)
Purchase Power	5.3	(\$39)	(\$205)
Nuclear Fuel	32.0	(\$7)	(\$225)
Fossil Fuel	36.7	(\$24)	(\$885)
<b>Total Expenses<sup>(2)</sup></b>	<b>74.0</b>		<b>(\$2,285)</b>
<b>Commodity Margin<sup>(3)</sup></b>			<b>\$2,065</b>
<b>Commodity Margin (excl. Capacity Revenues)</b>		<b>\$17</b>	<b>\$1,250</b>

**CES Adjusted EBITDA<sup>(4)</sup> - 2016F  
\$850 - \$950**

- CES 2016 Adjusted EBITDA projected to be \$850M – \$950M
- All targeted forward sales are committed for 2016
- ~8 TWH of wholesale sales remain open to market prices over remainder of 2016

Please see slide 22 for additional notes describing “Revenues” and “Expenses”

<sup>1</sup> Total Revenues exclude other revenues associated with lease revenues on sale and leaseback transactions and other affiliated transactions which are expected to be approximately \$170M - \$180M in 2016.

<sup>2</sup> Total Expenses include Fuel, Purchased Power and commodity-related Other Operating Expenses, such as delivery and capacity expenses, but exclude operating expenses associated with generation, retail and corporate support.

<sup>3</sup> Total 2016F CES Commodity Margin, a non-GAAP financial measure, is reconciled to 2016F CES Net Income on slide 20.

<sup>4</sup> Total CES 2016F Adjusted EBITDA, a non-GAAP financial measure, is reconciled to 2016F CES Net Income on slide 19, and is based on market prices as of June 30, 2016. The purpose of the table above is to summarize the impact of changes in market prices on currently uncommitted sales to Adjusted EBITDA.

# 2016F CES Adjusted EBITDA Notes

## ■ Revenues:

- Volume in all sales channels except wholesale is subject to fluctuations due to weather and customer behavior
- Volume in the wholesale channel is subject to energy market prices and generating unit performance
- Portions of GA revenues are not fixed as they are indexed to the utility PTC
- Wholesale Financials represent gains on the settlement of forward financial sale transactions
- “Other” sales include distribution losses and pumping for Hydro units
- Transmission revenue includes congestion and other ancillary revenues
- Capacity Revenue includes revenues from the legacy BRA, incremental/transitional capacity auctions, bilateral transactions and CTRs

## ■ Expenses:

- Capacity expense is the cost associated with serving load
- Transmission expenses include congestion, losses, ancillaries, Network Integration Transmission Service, the cost of Financial Transmission Rights and net nodal basis swaps. Varies based on delivery location, channel and market conditions.
  - A delivery expense of ~\$2 – \$4/MWH is incurred to serve wholesale load
  - A delivery expense of ~\$3 – \$6/MWH is incurred to serve retail load
- Fossil Fuel expense includes Coal, Gas, and Hydro expenses
- The +/- \$50 M range is applied to account for potential variation in generation fleet performance, load fluctuations and other variable/fixed costs