

# Quarterly Highlights

## 1Q 2017 Earnings Call

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# Forward-Looking Statements

Forward-Looking Statements: 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 ability to experience growth in the Regulated Distribution and Regulated Transmission segments and the effectiveness of our strategy to transition to a fully regulated business profile; the accomplishment of our regulatory and operational goals in connection with our transmission investment plan, including, but not limited to, our planned transition to forward-looking formula rates; 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 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; success of legislative and regulatory solutions for generation assets that recognize their environmental or energy security benefits; the risks and uncertainties associated with the lack of viable alternative strategies regarding the Competitive Energy Services (CES) segment, thereby causing FirstEnergy Solutions Corp. (FES), and possibly FirstEnergy Nuclear Operating Company (FENOC), to restructure its debt and other financial obligations with its creditors or seek protection under United States bankruptcy laws and the losses, liabilities and claims arising from such bankruptcy proceeding, including any obligations at FirstEnergy Corp.; the risks and uncertainties at the CES segment, including FES and its subsidiaries and FENOC, related to continued depressed wholesale energy and capacity markets, and the viability and/or success of strategic business alternatives, such as pending and potential CES generating unit asset sales, the potential conversion of the remaining generation fleet from competitive operations to a regulated or regulated-like construct or the potential need to deactivate additional generating units; the substantial uncertainty as to FES' ability to continue as a going concern and substantial risk that it may be necessary for FES, and possibly FENOC, to seek protection under United States bankruptcy laws; 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 uncertainties associated with the deactivation of older regulated and competitive 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; 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; costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices; replacement power costs being higher than anticipated or not fully hedged; 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 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); 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; 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; 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 labor disruptions by our unionized workforce; 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; 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; 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; 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; the ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates; other legislative and regulatory changes, including the new federal administration's required review and potential revision of 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; 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; 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 significant accounting policies; the impact of any changes in tax laws or regulations or adverse tax audit results or rulings; 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; further 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, increase requirements to post additional collateral to support, or accelerate payments under outstanding commodity positions, letters of credit and other financial guarantees, and the impact of these events on the financial condition and liquidity of FirstEnergy Corp. and/or its subsidiaries, specifically FES and its subsidiaries; issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business; 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. These forward-looking statements are also qualified by, 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. The foregoing review of factors also 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 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. We 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.

# Non-GAAP Financial Matters

This presentation contains references to non-GAAP financial measures including, among others, Operating earnings and CES Adjusted EBITDA. In addition, Basic EPS-Operating, calculated on a segment basis, is also a non-GAAP financial measure. 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". Special items represent charges incurred or benefits realized that management believes are not indicative of, or may obscure trends useful in evaluating the company's ongoing core activities and results of operations or otherwise warrant separate classification. Special items are not necessarily non-recurring. Basic EPS-Operating for each segment is calculated by dividing segment Operating earnings (losses), 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 and CES Adjusted EBITDA 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-Operating by segment to further evaluate the company's performance by segment and references this non-GAAP financial measure in its decision-making. Management believes that the non-GAAP financial measures of Operating earnings and Basic EPS-Operating by segment provide consistent and comparable measures of performance of its businesses on an ongoing basis. Management also believes that such measures are useful to shareholders and other interested parties to understand performance trends and evaluate the company against its peer group by presenting period-over-period operating results without the effect of certain charges or benefits that may not be consistent or comparable across periods or across the company's peer group. 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 slides 11-13 and 21.

# 1Q 2017 Results Summary

## 1Q17 in Review

- Excellent operational performance across the company
- Continue to execute regulated growth initiatives
- Encouraged by recent energy policy discussions

## 1Q17 Earnings Summary

- Reported 1Q17 GAAP earnings of \$0.46 per basic share
- Reported 1Q17 Operating (non-GAAP) earnings\* of \$0.78 per basic share
  - Difference between GAAP and operating earnings primarily reflects asset impairment/plant exit costs and mark-to-market adjustments

\* Refer to the appendix (slide 11) for reconciliation between GAAP and Operating (non-GAAP) earnings

# 1Q 2017 Earnings Drivers

Quarter-over-Quarter (Basic EPS / Operating\*)

1Q17 vs. 1Q16 EPS Variance	Basic EPS	Operating*
Regulated Distribution	+\$0.15	+\$0.08
Regulated Transmission	+\$0.01	+\$0.01
Corporate / Other	+\$0.01	+\$0.01
Competitive Energy Services	(\$0.49)	(\$0.12)
FE Consolidated	(\$0.32)	(\$0.02)

## ■ Regulated Distribution +\$0.15 / +\$0.08:

- Favorable results primarily from the impact of new rates in Pennsylvania and New Jersey and the Ohio DMR
- Mild temperatures drove total distribution deliveries decrease of ~1% in 1Q17
  - Heating-degree-days were 8% below 1Q16, and 16% below normal
  - On a weather-adjusted basis, Residential and Commercial deliveries improved slightly
- Industrial deliveries increased 0.5%, primarily due to higher usage in the shale and steel sectors
- Special Items – Include charges reflecting the impact of regulatory orders requiring certain commitments and/or disallowing the recoverability of certain costs

## ■ Regulated Transmission +\$0.01 / +\$0.01:

- Favorable results primarily from our Energizing the Future program

## ■ Corporate +\$0.01 / +\$0.01:

- Results primarily due to lower effective income tax rate

## ■ Competitive Energy Services (\$0.49) / (\$0.12):

- Results impacted by lower commodity margin due primarily to the expected decrease in capacity revenues, partially offset by lower depreciation expense
- Customer count is now 920,000; down from 1.6M at 3/31/2016
- Special Items – Include asset impairment/plant exit costs and mark-to-market adjustments

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 for the 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 38%.

\* Refer to the appendix (slide 11) for reconciliation between GAAP and Operating (non-GAAP) earnings

# Financial Guidance Updates

## 💰 CES Guidance Updates

- 2017 CES Adjusted EBITDA\* guidance affirmed at \$405M - \$475M
- 2018 CES Adjusted EBITDA\* guidance increased to \$130M - \$250M

## 💰 2017 Earnings Guidance

- 2Q17 GAAP earnings forecasted to be \$0.54 - \$0.64 per basic share
- 2Q17 Operating (Non-GAAP) earnings\* guidance of \$0.55 - \$0.65 per basic share

## 💰 2017 Earnings Guidance

- Revised 2017 GAAP earnings forecast to \$2.17 - \$2.47 per basic share
- Reaffirmed 2017 Operating (Non-GAAP) earnings\* guidance range of \$2.70 - \$3.00 per basic share

\* Refer to the appendix (slide 13) for reconciliations between GAAP and Operating (non-GAAP) earnings and the appendix (slide 21) for reconciliations between CES Net Income (Loss) - GAAP to CES Adjusted EBITDA

# Strategic Updates

## ⑤ FES Updates

- Our goal remains to complete our transformation into a fully regulated company by mid-2018
- Earlier this week, announced the outcome of the arbitration decision in one of FES' coal transportation contract disputes
  - Reached a settlement in principle for \$109M with BNSF and CSX; guaranteed by FirstEnergy
  - In active settlement discussions with BNSF and Norfolk Southern
  - Pre-tax charge of \$164M recognized in 1Q17

We continue to move forward with other strategic alternatives for the Competitive business

# Strategic Updates (Continued)

## 📄 Competitive Updates

- **In January, entered agreement to sell 1,572 MW of AE Supply's gas and hydro assets for \$925M**
  - Transaction expected to close in 3Q17
- **In April, entered into a \$40M agreement to sell a portion of AE Supply's property and certain assets at the Hatfield's Ferry Power Station**
  - Transaction expected to close in 3Q18
- **AE Supply's Pleasants Power Station selected as lowest-cost solution in Mon Power's RFP**
  - In March, Mon Power entered into an asset purchase agreement to acquire Pleasants Power Station from AE Supply for a purchase price of \$195M, or \$150/KW
  - FERC and WWPSC Orders are expected in 4Q17

Note: The transactions above are subject to customary and other closing conditions, including regulatory approvals. In addition, the sale of AE Supply's gas and hydro assets is subject to third party consents.



# Strategic Updates (Continued)

## Legislative Updates

- **In April, bills introduced in the Ohio House and Senate for a proposed Zero-Emission Nuclear (ZEN) resource program**
  - Initial hearing held in the House this week; hopeful that legislation will reach the Governor's desk before the end of June
- **In April, US Energy Secretary Rick Perry ordered a study at the Department of Energy (DOE) to examine the value of baseload generation**
  - Requested a plan by mid-June to evaluate factors impacting the premature retirement of baseload power plants and whether energy markets adequately compensate the inherent benefits of existing baseload assets
- **FE/FES plan to monitor the ZEN initiative and the 60-day DOE study**

We will continue working to position FirstEnergy for stable, predictable and customer service-oriented growth to benefit customers, employees and shareholders

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# Appendix

## Earnings Per Share (EPS) – 1Q 2017 and 1Q 2016

# Reconciliation of GAAP to Operating (Non-GAAP) Earnings

(In millions, except per share amounts)

Three Months Ended March 31, 2017					
	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate / Other	FirstEnergy Corp. Consolidated
2017 Net Income (Loss) - GAAP	\$ 237	\$ 88	\$ (67)	\$ (53)	\$ 205
2017 Basic Earnings (Loss) Per Share (avg. shares outstanding 443M)	\$ 0.53	\$ 0.20	\$ (0.15)	\$ (0.12)	\$ 0.46
Excluding Special Items:					
Mark-to-market adjustments	—	—	0.07	—	0.07
Regulatory charges	0.02	—	—	—	0.02
Asset impairment/Plant exit costs	—	—	0.23	—	0.23
Total Special Items	\$ 0.02	\$ —	\$ 0.30	\$ —	\$ 0.32
Basic Earnings (Loss) Per Share - Operating (Non-GAAP)	\$ 0.55	\$ 0.20	\$ 0.15	\$ (0.12)	\$ 0.78

Three Months Ended March 31, 2016					
	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate / Other	FirstEnergy Corp. Consolidated
2016 Net Income (Loss) - GAAP	\$ 158	\$ 81	\$ 144	\$ (55)	\$ 328
2016 Basic Earnings (Loss) Per Share (avg. shares outstanding 424M)	\$ 0.38	\$ 0.19	\$ 0.34	\$ (0.13)	\$ 0.78
Excluding Special Items:					
Mark-to-market adjustments	—	—	(0.09)	—	(0.09)
Merger accounting - commodity contracts	—	—	0.01	—	0.01
Regulatory charges	0.09	—	—	—	0.09
Trust securities impairment	—	—	0.01	—	0.01
Total Special Items	\$ 0.09	\$ —	\$ (0.07)	\$ —	\$ 0.02
Basic Earnings (Loss) Per Share - Operating (Non-GAAP)	\$ 0.47	\$ 0.19	\$ 0.27	\$ (0.13)	\$ 0.80

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 for the 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 38%. See slide 12 for details regarding special items.

# FE Corp. Income Statements – 1Q 2017 and 1Q 2016

## Consolidated GAAP and Special Items

(In millions, except per share amounts)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	GAAP	Special Items	GAAP	Special Items
(1) Revenues	\$ 3,552	\$ (5) <sup>(e)</sup>	\$ 3,869	\$ —
Operating Expenses				
(2) Fuel	368	—	381	(8) <sup>(b)</sup>
(3) Purchased power	863	—	1,124	—
(4) Other operating expenses	1,142	(219) <sup>(a,c,e)</sup>	918	3 <sup>(a,c)</sup>
(5) Provision for depreciation	275	—	329	—
(6) Amortization of regulatory assets, net	59	—	61	—
(7) General taxes	271	—	280	—
(8) Total Operating Expenses	2,978	(219)	3,093	(5)
(9) Operating Income	574	214	776	5
Other Income (Expense)				
(10) Investment income	24	3 <sup>(d)</sup>	28	7 <sup>(d,e)</sup>
(11) Interest expense	(287)	—	(288)	—
(12) Capitalized financing costs	20	—	25	—
(13) Total Other Expense	(243)	3	(235)	7
(14) Income Before Income Taxes	331	217	541	12
(15) Income taxes	126	78	213	3
(16) Net Income	\$ 205	\$ 139	\$ 328	\$ 9

The above special items, if any, provides additional transparency to our disclosures by providing specific line items to which the special items are recorded. Management consistently utilizes these reconciliations to assist in its analysis of historical and ongoing performance. Additionally, the table above summarizes the pre-tax impact of each special item and the cumulative impact to income taxes (benefits) based on the current and deferred income tax expense associated with each special item. See slide 11 for GAAP to Operating (non-GAAP) EPS Reconciliation.

- (a) **Regulatory charges: 2017 (\$0.02 per share)**, (\$8) million included in "Other operating expenses". **2016 (\$0.09 per share)**, (\$61) million included in "Other operating expenses".
- (b) **Merger accounting - commodity contracts: 2016 (\$0.01 per share)**, (\$8) million included in "Fuel".
- (c) **Mark-to-market adjustments: 2017 (\$0.07 per share)**, (\$47) million included in "Other operating expenses". **2016 ((\$0.09) per share)**, \$64 million included in "Other operating expenses".
- (d) **Trust securities impairment: 2017, \$3 million** included in "Investment income". **2016 (\$0.01 per share)**, \$9 million included in "Investment income".
- (e) **Asset impairment/Plant exit costs: 2017 (\$0.23 per share)**, (\$5) million included in "Revenues", and (\$164) million included in "Other operating expenses". **2016, \$(2) million** included in "Investment income".

Per share amounts included above are based on the after-tax effect of the above special items as discussed on slide 11 divided by the weighted average shares outstanding of 443 million shares in the first three months of 2017 and 424 million shares in the first three months of 2016.

## Earnings Per Share (EPS) – Forecast for 2017

# Reconciliation of GAAP to Operating (Non-GAAP) Earnings

(In millions, except per share amounts)

(In millions, except per share amounts)	Estimate for Year 2017*					Q2 of 2017*
	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate / Other	FirstEnergy Corp. Consolidated	FirstEnergy Corp. Consolidated
<b>2017F Net Income (Loss) - GAAP</b>	\$980 - \$1,025	\$360 - \$380	\$(130) - \$(75)	\$(245) - \$(230)	\$965 - \$1,100	\$240 - \$285
<b>2017F Basic Earnings (Loss) Per Share</b> (avg. shares outstanding 445M)	\$2.20 - \$2.30	\$0.81 - \$0.85	\$(0.29) - \$(0.17)	\$(0.55) - \$(0.51)	\$2.17 - \$2.47	\$0.54 - \$0.64
Excluding Special Items:						
Mark-to-market adjustments	—	—	0.07	—	0.07	—
Regulatory charges	0.04	—	—	—	0.04	0.01
Asset impairment/Plant exit costs	—	—	0.23	—	0.23	—
Debt redemption costs	—	—	0.19	—	0.19	—
Total Special Items	0.04	—	0.49	—	0.53	0.01
<b>2017F Basic Earnings (Loss) Per Share - Operating (Non-GAAP)</b> (avg. shares outstanding 445M)	<u>\$2.24 - \$2.34</u>	<u>\$0.81 - \$0.85</u>	<u>\$0.20 - \$0.32</u>	<u>\$(0.55) - \$(0.51)</u>	<u>\$2.70 - \$3.00</u>	<u>\$0.55 - \$0.65</u>

\* Per share amounts for the special items and earnings drivers above 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 2017, of which ~\$100 million relates to employee benefit and other 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%.

# Ohio – ZEN Legislation

The Zero-Emissions Nuclear Resource (ZEN) Program is designed to value the environment, fuel diversity and other benefits that nuclear resources provide.



- Senate Bill 128 introduced on April 6, 2017;  
House Bill 178 introduced on April 10, 2017
- Term: The program would run for eight successive two-year periods
- As proposed:
  - Initial price would be set by the PUCO and start at \$17 per credit. In subsequent periods, the price may be adjusted for inflation.
  - Costs of purchasing ZENs would be recovered by the utilities through a non-bypassable rider
  - An Ohio electric distribution company with a nuclear plant in its service territory would participate
  - The amount of the non-bypassable rider cannot cause customer bills to increase by more than 5% as compared to June 2015
  - An entity with a corporate headquarters in Ohio that owns or operates a ZEN resource and receives ZEN credits must maintain its corporate headquarters in Ohio

# West Virginia – Regulatory Update

- **Mon Power issued an RFP in December to address its capacity shortfall identified in its 2015 Integrated Resource Plan (IRP) for the combined Mon Power and Potomac Edison-WV jurisdictions**
  - Updated its load forecast from the 2015 IRP and sought to satisfy its capacity shortfall through a combination of approximately 1,300 MW (UCAP) of generation capacity and up to 100 MW of demand resources
  - Bids submitted on February 3, 2017
    - CRA International was retained to manage the RFP and evaluate the proposals on behalf of Mon Power
    - 5 bids submitted for generation resources, 0 bids submitted for demand resources
- **CRA International recommended AE Supply's Pleasants Power Station as the lowest-cost solution**
  - Mon Power and AE Supply signed an asset purchase agreement, subject to customary and other closing conditions, including regulatory approval
  - Filed petition on March 7, 2017, for WVPSC and FERC review/approval of Pleasants transaction
    - Expect Orders in the fourth quarter of 2017
  - Regulatory approvals required:
    - WVPSC: Must demonstrate need for additional capacity, economic and reliable source of supply, reasonable terms and conditions, that neither party is given undue advantage over another, and that there is no adverse impact to the public
    - FERC: Must establish that there is no adverse impact on wholesale rates, competition, or regulatory oversight; no cross-subsidy from Mon Power to AE Supply

# MAIT and JCP&L Transmission – Regulatory Update

- **MAIT and JCP&L filed to update their respective transmission rates**
  - On October 28, 2016, MAIT and JCP&L filed under Federal Power Act section 205 a “forward-looking” formula rate for recovery of MAIT’s and JCP&L’s transmission costs; requested that rates become effective January 1, 2017, subject to regulatory approval
- **FERC Staff issued “Deficiency Letters” to MAIT & JCP&L on December 28, 2016**
- **MAIT & JCP&L submitted to FERC on January 10, 2017, their written responses to the deficiency letters**
  - MAIT requested rates to be effective upon the closing of the transaction in which MAIT acquires the transmission facilities of Met-Ed and Penelec (rates to be effective February 1, 2017)
  - JCP&L requested rates to be effective retroactively to January 1, 2017
- **FERC Orders issued on March 10, 2017**
  - Issued a 5-month suspension for MAIT’s & JCP&L’s forward-looking formula rates
  - Will begin collecting forward-looking formula rates on July 1 for MAIT and June 1 for JCP&L, subject to refund, pending the outcome of further settlement and hearing proceedings
  - Final rates will be established only after FERC either accepts a negotiated settlement agreement or issues an order in a litigated proceeding
- **MAIT and JCP&L filed motions for reconsideration/requests for rehearing on April 10, 2017, on the FERC suspension Orders**



# 2017F Adjusted EBITDA

## Competitive Energy Services

Average \$/MWH

2017F (\$M)

<b>Closed Q1</b>	X	\$51	Contract Rate	}	=	\$240
<b>Contract Sales: 11M MWH</b>		<i>less</i> (\$19)	Supply Cost			
		<i>less</i> (\$10)	Delivery Cost			
		<b>\$22 avg. net margin</b>				
<b>Committed Q2-Q4</b>	X	\$51	Contract Rate	}	=	\$460 - \$500
<b>Contract Sales: 26M MWH</b>		<i>less</i> (\$18)	Supply Cost			
		<i>less</i> (\$14 - \$15)	Delivery Cost			
		<b>\$18-\$19 avg. net margin</b>				
<b>Q1 Closed: 3M MWH</b>	X	\$29	Wholesale Price	}	=	\$65
<b>Q1 Financially-Hedged: 2M MWH</b>		<i>plus</i> \$3	Financial Gain			
<b>Total Q1 Wholesale: 5M MWH</b>		<i>less</i> (\$19)	Supply Cost			
		<b>\$13 avg. net margin</b>				
<b>Q2-Q4 Open: 22M MWH</b>	X	\$30-\$32	Wholesale Price	}	=	\$350 - \$380
<b>Q2-Q4 Financially-Hedged: 3M MWH</b>		<i>plus</i> \$2 - \$1	Financial Gain			
<b>Total Q2-Q4 Wholesale: 25M MWH</b>		<i>less</i> (\$18)	Supply Cost			
<b>(Excludes ~1M MWh of annual distribution losses/pumping)</b>		<b>\$14-\$15 avg. net margin</b>				
		<b>Capacity Revenue</b>			=	\$545
		<b>Other Revenue</b>			=	\$75
		<b>Other Operating Expenses</b>			=	(\$1,330)
		<b>CES 2017F Adjusted EBITDA<sup>(1)</sup></b>			=	<b>\$405 - \$475</b>

See slide 18 for additional notes describing the line items

<sup>(1)</sup> Total CES 2017F Adjusted EBITDA, a non-GAAP financial measure, is reconciled to 2017F CES Net Income on slide 21, and is based on market prices as of March 31, 2017

Excludes the contribution of 1,572 MW of AE Supply assets beginning in the third quarter of 2017 (sale pending)

# Notes on 2017F Adjusted EBITDA

## Competitive Energy Services

<b>Closed Q1 Contract Sales:</b>	<ul style="list-style-type: none"><li>▪ Includes actual physical volume of contract sales through 03/31/2017</li><li>▪ Contract Rate represents average realized rate based on actual committed contract prices &amp; customer usage</li><li>▪ Supply Cost rate represents the overall realized cost of all supply sources to serve contract sales obligations, including Fuel (coal, natural gas and nuclear generation) &amp; Purchased Power (firm and spot purchased power). Average Fossil fuel rate = \$26/MWh and Average Nuclear fuel rate = \$7/MWh</li><li>▪ Delivery Cost rate represents the average realized capacity &amp; transmission expenses, including delivery expenses associated with serving loads &amp; net of transmission revenues (including Financial Transmission Rights and ancillary services)</li></ul>
<b>Committed Q2-Q4 Contract Sales:</b>	<ul style="list-style-type: none"><li>▪ Expected physical volume &amp; average realized rate of contract sales based on expected power flow for the remainder of 2017</li><li>▪ Volume is subject to fluctuations due to weather and customer behavior</li></ul>
<b>Closed Q1 Wholesale:</b>	<ul style="list-style-type: none"><li>▪ Includes actual volume of physical wholesale spot sales at the average realized price and Financial Gains through 03/31/2017</li><li>▪ Financial Gains represent the impact of realized gains on settlement of forward financially-settled transactions</li></ul>
<b>Total Q2-Q4 Wholesale:</b>	<ul style="list-style-type: none"><li>▪ Includes expected volume of physical wholesale spot sales for the remainder of 2017 at a range of expected realized prices at CES' generation resources and based on 03/31/2017 market forwards. Includes volumes that may be sold through incremental Contract Sales.</li><li>▪ A portion of the total expected volume of physical spot sales into PJM is price-hedged through forward financial transactions that will settle at Q2-Q4 market prices. Financial gain range is based on expected settlement value of the notional amount of firm forward financial wholesale sales transactions at a forward AD Hub price range of \$30-\$32/MWh.</li><li>▪ Volume is subject to energy market prices and generating unit performance</li></ul>
<b>Capacity Revenue:</b>	<ul style="list-style-type: none"><li>▪ Capacity revenue includes revenues from Base Residual/Capacity Performance auctions, incremental/transitional capacity auctions, bilateral transactions and capacity transmission rights</li></ul>
<b>Other Revenue:</b>	<ul style="list-style-type: none"><li>▪ Projected annual non-commodity revenue primarily comprised of lease revenue on sale and leaseback transactions and other affiliated transactions, that is included in "Revenues – Unregulated Businesses" on the Consolidated Statements of Income</li><li>▪ Excludes Investment Income that is excluded from Adjusted EBITDA (see slide 21)</li></ul>
<b>Other Operating Expenses:</b>	<ul style="list-style-type: none"><li>▪ Projected annual expenses related primarily to generation, retail, corporate support and general taxes, that are included in "Other Operating Expenses" on the Consolidated Statements of Income</li><li>▪ Excludes Income Taxes, Depreciation, Amortization and Interest Expense, net, that is excluded from Adjusted EBITDA (see slide 21)</li></ul>

# 2018F Adjusted EBITDA

## Competitive Energy Services

	Average \$/MWH	2018F (\$M)								
<b>Committed Contract Sales: 21M MWH</b>	$\times$ <table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: right;">\$50</td> <td>Contract Rate</td> </tr> <tr> <td style="text-align: right;"><i>less</i> (\$17)</td> <td>Supply Cost</td> </tr> <tr> <td style="text-align: right;"><i>less</i> (\$15 - \$16)</td> <td>Delivery Cost</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: center;"><b>\$17 - \$18 avg. net margin</b></td> </tr> </table>	\$50	Contract Rate	<i>less</i> (\$17)	Supply Cost	<i>less</i> (\$15 - \$16)	Delivery Cost	<b>\$17 - \$18 avg. net margin</b>		$=$ <b>\$360 - \$380</b>
\$50	Contract Rate									
<i>less</i> (\$17)	Supply Cost									
<i>less</i> (\$15 - \$16)	Delivery Cost									
<b>\$17 - \$18 avg. net margin</b>										
 <b>2018 Open: 43M MWH</b> <b>2018 Financially-Hedged: 1M MWH</b> <b>Total 2018 Wholesale: 44M MWH</b> (Excludes ~1M MWH of distribution losses)	$\times$ <table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: right;">\$29 - \$31</td> <td>Wholesale Price</td> </tr> <tr> <td style="text-align: right;"><i>plus</i> \$1 - \$0</td> <td>Financial Gain</td> </tr> <tr> <td style="text-align: right;"><i>less</i> (\$17)</td> <td>Supply Cost</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: center;"><b>\$13 - \$14 avg. net margin</b></td> </tr> </table>	\$29 - \$31	Wholesale Price	<i>plus</i> \$1 - \$0	Financial Gain	<i>less</i> (\$17)	Supply Cost	<b>\$13 - \$14 avg. net margin</b>		$=$ <b>\$545 - \$645</b>
\$29 - \$31	Wholesale Price									
<i>plus</i> \$1 - \$0	Financial Gain									
<i>less</i> (\$17)	Supply Cost									
<b>\$13 - \$14 avg. net margin</b>										
	<b>Capacity Revenue</b>	<b>\$545</b>								
	<b>Other Revenue</b>	<b>\$20</b>								
	<b>Other Operating Expenses</b>	<b>(\$1,340)</b>								
	<b>CES 2018F Adjusted EBITDA<sup>(1)</sup></b>	<b>\$130 - \$250</b>								

See slide 20 for additional notes describing the line items

<sup>(1)</sup> Total CES 2018F Adjusted EBITDA, a non-GAAP financial measure, is reconciled to 2018F CES Net Income on slide 21, and is based on market prices as of March 31, 2017

Excludes the contribution of 1,572 MW of AE Supply assets beginning in the third quarter of 2017 (sale pending)

# Notes on 2018F Adjusted EBITDA

## Competitive Energy Services

<b>Committed Contract Sales:</b>	<ul style="list-style-type: none"><li>▪ Includes expected physical volume of contract sales</li><li>▪ Volume is subject to fluctuations due to weather and customer behavior</li><li>▪ Contract Rate represents average expected rate based on committed contract prices and customer usage. Portions of “committed” governmental aggregation sales are not priced-fixed as they are indexed to utility price-to-compare.</li><li>▪ Supply Cost rate represents the overall average expected cost of all supply sources to serve contract sales obligations, including Fuel (coal, natural gas and nuclear fuel amortization) and Purchased Power (firm and spot purchased power). Average Fossil fuel rate = \$25/MWH and Average Nuclear fuel rate = \$5/MWH</li><li>▪ Delivery Cost rate represents the average expected capacity and transmission expenses, including delivery expenses associated with serving loads and net of transmission revenues (including Financial Transmission Rights and ancillary services)</li></ul>
<b>Total 2018 Wholesale:</b>	<ul style="list-style-type: none"><li>▪ Includes expected physical volume of wholesale spot sales given current Committed Contract Sales. Includes volumes that may be sold through incremental Contract Sales</li><li>▪ Volume is subject to energy market prices and generating unit performance</li></ul>
<b>Capacity Revenue:</b>	<ul style="list-style-type: none"><li>▪ Capacity revenue includes revenues from Base Residual/Capacity Performance auctions, incremental/transitional capacity auctions, bilateral transactions and capacity transmission rights</li></ul>
<b>Other Revenue:</b>	<ul style="list-style-type: none"><li>▪ Projected annual non-commodity revenue primarily comprised of lease revenue on sale and leaseback transactions and other affiliated transactions, that is included in “Revenues – Unregulated Businesses” on the Consolidated Statements of Income</li><li>▪ Excludes Investment Income that is excluded from Adjusted EBITDA (see slide 21)</li></ul>
<b>Other Operating Expenses:</b>	<ul style="list-style-type: none"><li>▪ Projected annual expenses related primarily to generation, retail, corporate support and general taxes, that is included in “Other Operating Expenses” on the Consolidated Statements of Income</li><li>▪ Excludes Income Taxes, Depreciation, Amortization and Interest Expense, net, that is excluded from Adjusted EBITDA (see slide 21)</li></ul>

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

## Competitive Energy Services

(\$ Millions)	2017F	2018F
Net Income (Loss) – GAAP	(\$130) – (\$75)	(\$100) – \$0
Special Items (after tax) <sup>(1)</sup>	220	–
Operating Earnings (Loss)	\$90 – \$145	(\$100) – \$0
Income Taxes <sup>(2)</sup>	45 – 75	(45) – (10)
Interest Expense, Net	145 – 135	135 – 125
Depreciation	120 – 115	135 – 130
Amortization <sup>(3)</sup>	55	55
Investment Income	(50)	(50)
Adjusted EBITDA <sup>(1)</sup>	\$405 – \$475	\$130 – \$250

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP measure and represents Net Income (Loss) - GAAP adjusted for special items listed on slide 13 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 as summarized on slide 13

<sup>(3)</sup> Amortization expense included in Other Operating Expenses on the Consolidated Statements of Income (Loss). Primarily related to amortization of customer contract intangible assets, as disclosed in Form 10-K Note 8 – Intangible Assets and deferred costs on sale leaseback transaction, net as disclosed in the Consolidated Statements of Cash Flow. Does not include nuclear fuel amortization of approximately \$210M, and \$160M in 2017, and 2018, respectively.

# Financial – Liquidity

## Available Liquidity

(\$M)

	FES	FET	FEU	FE Corp.	FE Consolidated <sup>1</sup>
Revolving Credit Facility	\$ 500	\$ 1,000	\$ 4,000		\$ 5,000
Short-Term borrowings	–	–	–	(2,750)	(2,750)
Letters of Credit (LOC)	–	–	–	(10)	(10)
Total Utilization	–	–	\$ (2,760)		\$ (2,760)
Available Credit Capacity	\$ 500	\$ 1,000	\$ 1,240		\$ 2,240
Cash & Investments	2	75	2	85	164
Available Liquidity	\$ 502	\$ 1,075	\$ 1,327		\$ 2,404

As of March 31, 2017

<sup>1</sup> FES has \$500M in available credit capacity from a two-year secured credit facility with FirstEnergy Corp, which is excluded from the available credit capacity to FE Consolidated.

# Financial – Parental Guarantees

	FirstEnergy Corp. Parent					
	Competitive		Regulated		Corp/Other	
	\$M	Expiration	\$M	Expiration	\$M	Expiration
	Energy-Related & Retail Contracts	\$5	2017	–	–	–
Deferred Compensation Arrangements	\$144	–	\$183	–	\$241	–
Other	\$2	2017	\$4	2030	\$3	–
<b>Total FE Corp. Guarantees on behalf of subsidiaries<sup>1</sup></b>	<b>\$151</b>		<b>\$187</b>		<b>\$244</b>	
<b>Unfunded Pension/OPEB Obligations<sup>2</sup></b> As of 12/31/2016	<b>\$712</b>		<b>\$1,333</b>		<b>\$1,458</b>	

<sup>1</sup> In addition, FE Corp. provides FES with other assurances of \$169M related to surety bonds for the benefit of the Pennsylvania Department of Environmental Protection with respect to Little Blue Run, \$60M related to sale-leasebacks, and, will be a guarantor of \$109M related to a settlement in principle in a long-term coal transportation contract dispute

<sup>2</sup> FE Corp. is committed to fund all unfunded pension/OPEB obligations

As of March 31, 2017

# Financial – Potential Collateral Requirements

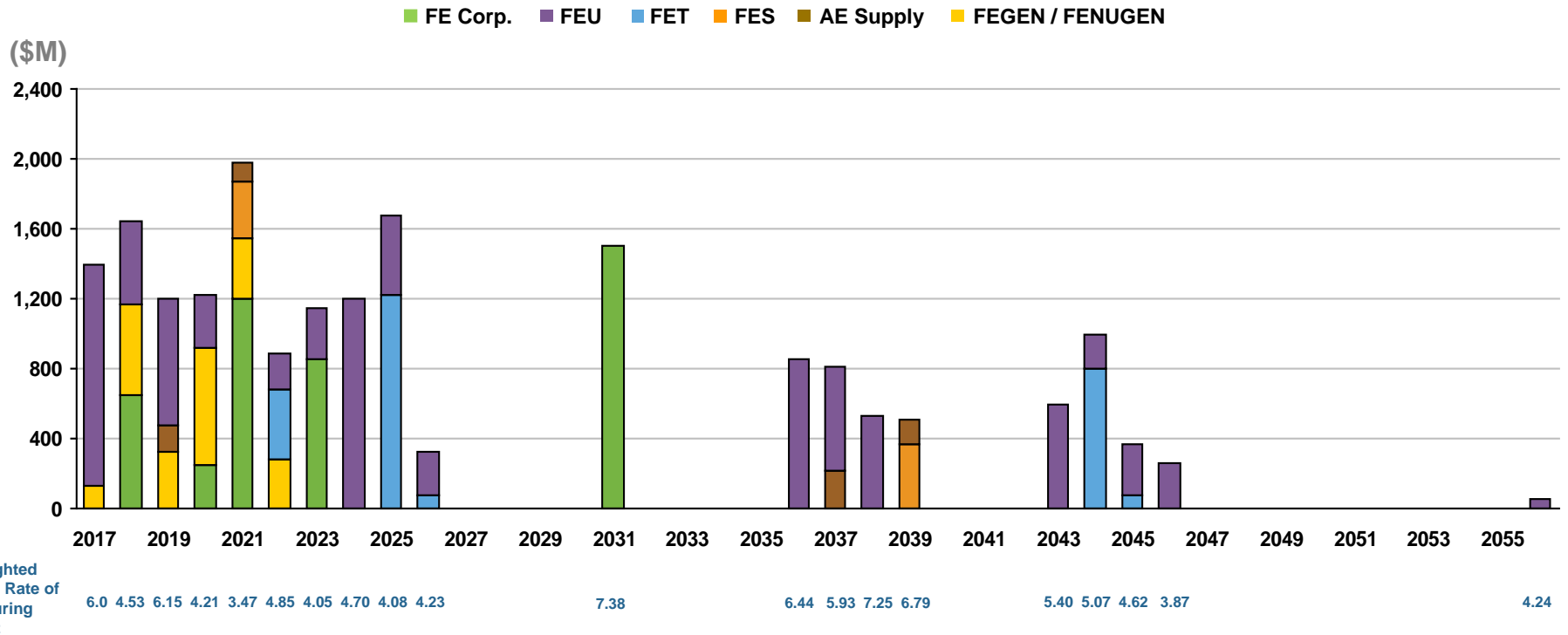
(\$M)

Contractual Obligations for Additional Credit As of March 31, 2017	FES	AES	Regulated	FE Corp	Total
At Current Credit Rating	\$8	\$3	–	–	\$11
Upon Further Downgrade	–	–	\$50	–	\$50
Surety Bonds <sup>1</sup>	\$233	\$25	\$93	\$7	\$358
<b>Maximum Potential</b>	<b>\$241</b>	<b>\$28</b>	<b>\$143</b>	<b>\$7</b>	<b>\$419</b>

<sup>1</sup> Surety Bonds are not tied to a credit rating. Surety Bonds impact assumes maximum contractual obligations (typical obligations require 30 days to cure). Effective January 2017, FE is a guarantor for \$169 million of FG surety bonds for the benefit of the Pennsylvania Department of Environmental Protection.



# Financial – Consolidated Long-Term Debt Maturities



Excludes securitization bonds

As of March 31, 2017

# Financial – Outstanding Debt by Legal Entity

(\$M)

Hold Co. At 3/31/2017	FE Hold Co.
Short-term Debt	2,750
Long-term Debt	4,450
<b>Debt Subtotal</b>	<b>7,200</b>
Discounts	-
Unamortized Issuance Costs	(10)
<b>Total Balance Sheet Debt</b>	<b>7,190</b>

Utilities At 3/31/2017	Ohio Edison	Cleveland Electric	Toledo Edison	Penn Power	Metropolitan Edison	Pennsylvania Electric	Jersey Central	Mon Power	Potomac Edison	West Penn Power
Short-term Debt	-	2	-	8	65	43	55	297	-	109
Long-term Debt	650	1,330	350	153	850	1,125	1,950	1,074	500	625
Securitization Bonds	133	155	39	-	-	-	74	285	95	-
<b>Debt Subtotal</b>	<b>783</b>	<b>1,487</b>	<b>389</b>	<b>161</b>	<b>915</b>	<b>1,168</b>	<b>2,079</b>	<b>1,655</b>	<b>595</b>	<b>734</b>
Discounts	(8)	(2)	-	-	(1)	(1)	(6)	(1)	-	-
Unamortized Issuance Costs	(2)	(4)	(2)	(1)	(3)	(4)	(7)	(11)	(5)	(2)
Purchase Accounting	-	-	-	-	-	-	-	11	4	3
Capital Leases	17	14	8	3	13	20	-	4	4	7
<b>Total Balance Sheet Debt</b>	<b>789</b>	<b>1,495</b>	<b>395</b>	<b>163</b>	<b>924</b>	<b>1,183</b>	<b>2,067</b>	<b>1,658</b>	<b>598</b>	<b>741</b>

Transmission At 3/31/2017	FET Hold Co.	ATSI	TrAIL
Short-term Debt	115	11	-
Long-term Debt	1,000	950	625
<b>Debt Subtotal</b>	<b>1,115</b>	<b>961</b>	<b>625</b>
Discounts	(2)	(4)	-
Unamortized Issuance Costs	(7)	(6)	(4)
<b>Total Balance Sheet Debt</b>	<b>1,106</b>	<b>951</b>	<b>621</b>

Competitive Energy Services At 3/31/2017	FES Hold Co.	FE Generation	FE Nuclear Generation	Allegheny Energy Supply	Allegheny Generating
Short-term Debt	110	3	1	-	16
Long-term Debt	696	1,145	1,131	521	100
<b>Debt Subtotal</b>	<b>805</b>	<b>1,148</b>	<b>1,132</b>	<b>521</b>	<b>116</b>
Discounts	(1)	-	-	-	-
Unamortized Issuance Costs	(4)	(5)	(6)	-	-
Purchase Accounting	-	-	-	(27)	-
Capital Leases	-	7	-	-	-
<b>Total Balance Sheet Debt</b>	<b>801</b>	<b>1,149</b>	<b>1,126</b>	<b>494</b>	<b>116</b>

Totals may not foot due to rounding

# Financial – Credit Ratings

As of 04/28/2017	Corporate Credit Rating (S&P) / Issuer Rating (Moody's) <sup>(1)</sup> / Issuer Default (Fitch)			Senior Secured			Senior Unsecured			Outlook		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	FirstEnergy Corp.	BBB-	Baa3	BBB-	-	-	-	BB+	Baa3	BBB-	negative	stable
FirstEnergy Solutions	CCC+	Caa1	CC	B	B1	-	CCC+	Caa1	C	negative	negative	-
Allegheny Energy Supply	B+	B1	B	BB	-	BB	BB-	B1	BB-	cr. watch	negative	stable
Allegheny Generating Co.	B+	Baa3	B+	-	-	-	BB-	Baa3	BB	cr. watch	stable	stable
American Transmission Systems Inc.	BBB-	Baa2	BBB	-	-	-	BBB-	Baa2	BBB+	negative	stable	stable
Cleveland Electric Illuminating	BBB-	Baa3	BBB	BBB+	Baa1	A-	BBB-	Baa3	BBB+	negative	stable	stable
FirstEnergy Transmission	BBB-	Baa3	BBB-	-	-	-	BB+	Baa3	BBB-	negative	stable	stable
Jersey Central Power & Light	BBB-	Baa2	BBB-	-	-	-	BBB-	Baa2	BBB	negative	stable	stable
Metropolitan Edison	BBB-	A3	BBB	-	-	-	BBB-	A3	BBB+	negative	stable	stable
Monongahela Power	BBB-	Baa2	BBB-	BBB+	A3	BBB+	-	-	-	negative	stable	stable
Ohio Edison Co.	BBB-	Baa1	BBB	BBB+	A2	A-	BBB-	Baa1	BBB+	negative	stable	stable
Pennsylvania Electric Co.	BBB-	Baa1	BBB	-	-	-	BBB-	Baa1	BBB+	negative	stable	stable
Pennsylvania Power Co.	BBB-	Baa1	BBB	-	A2	A-	-	-	-	negative	stable	stable
Potomac Edison Co.	BBB-	Baa2	BBB-	-	-	-	-	-	-	negative	stable	stable
Toledo Edison Co.	BBB-	Baa3	BBB	BBB+	Baa1	A-	-	-	-	negative	stable	stable
Trans-Allegheny Interstate Line Co.	BBB-	A3	BBB	-	-	-	BBB-	A3	BBB+	negative	stable	stable
West Penn Power Co.	BBB-	A3	BBB	BBB+	A1	A-	-	-	-	negative	stable	stable

<sup>(1)</sup> Ratings shown for FES and AES reflect Moody's "Corporate Family Rating" (CFR) which are employed for speculative grade issuers

# Financial – Credit Providers

26 financial institutions provide ~\$6.6B aggregate credit commitment

(\$M)			
Revolving Credit Facilities	\$5,000		
Term Loans	1,450		
<b>SUB-TOTAL</b>	<b>\$6,450</b>		
Vehicle Leases	170		
Sale Leaseback LOC	2		
<b>TOTAL</b>	<b>\$6,622</b>		

Bank of America	JP Morgan Chase
Bank of New York Mellon	Keybank
Bank of Nova Scotia	Lord Abbett
Barclays Bank	Mizuho
CIBC	Morgan Stanley
Citibank	PNC
Citizens Bank	Sabadell
CoBank	Santander
Fifth Third Bank	Sumitomo Mitsui
First National Bank	TD Bank
Goldman Sachs	Union Bank/Bank of Tokyo Mitsubishi
Huntington National Bank	US Bank
Ind & Comm Bank of China	Wells Fargo

As of March 31, 2017