IN THE SUPREME COURT OF OHIO

In re the Application of Suvon, LLC d/b/a/ FirstEnergy Advisors for Certification as a Competitive Retail Electric Service Power Broker and Aggregator in Ohio.	)))))	Supreme Court Case No. 2020-1009 On Appeal from the Public Utilities Commission of Ohio PUCO Case No. 20-103-EL-AGG

APPELLANT NORTHEAST OHIO PUBLIC ENERGY COUNCIL'S MOTION FOR JUDICIAL NOTICE

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Pursuant to Ohio Evid.R. 201, and in connection with its Merit Brief and Reply Brief filed October 28, 2020 and January 25, 2021, respectively, Appellant Northeast Ohio Public Energy Council ("NOPEC") hereby moves this Court to take judicial notice of the United States Securities and Exchange Commission's (the "SEC") and the Governor of the State of Ohio's (the "Governor") websites identified herein. On brief, NOPEC alleges that the order issued in this matter by the Public Utilities Commission of Ohio ("Commission") is unconscionably partial to FirstEnergy Corp and its subsidiaries, and constitutes an abuse of discretion. NOPEC asks this Court to take judicial notice of information in the following websites, which detail the corrupt relationship between FirstEnergy Corp and the Commission's former chair, Samuel Randazzo. The corrupt relationship provides a basis for the Commission's unconscionably partial order in this proceeding. The relevant websites are:

(1) The Governor's website, which contains press releases that (a) announced the appointment of Samuel Randazzo as Commission Chair on February 4, 2019 for a term commencing April 11, 2019[1] and (b) the Governor's acceptance of Chair Randazzo's resignation on November 20, 2020.[2]

(2) The SEC's website, which contains FirstEnergy Corp's Form 10Q, Quarterly Report filed with the SEC on November 19, 2020, for the period ended September 30, 2020 (the "Report").[3]

In the Report, FirstEnergy Corp admits that a state utility regulator, who was appointed to the Commission in February 2019 and assumed office in April 2019 (Randazzo), directly or

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[1] See https://governor.ohio.gov/wps/portal/gov/governor/media/news-and-media/020419 (reproduced as Attachment A hereto).

[2] See https://governor.ohio.gov/wps/portal/gov/governor/media/news-and-media/resignation-puco-chairman-11202020 (reproduced as Attachment B hereto).

[3] See https://www.sec.gov/ix?doc=/Archives/edgar/data/0001031296/000103129620000045/fe-20200930.htm (reproduced as Attachment C hereto).

indirectly received a $4.3 million payment to act "at the request or for the benefit" of FirstEnergy Corp while serving on the Commission. Randazzo served as the Commission's chair when it issued an order in this proceeding on April 22, 2020. The order benefitted FirstEnergy Corp's subsidiary by permitting it to commence operations (and make money), without the delay that could be caused if NOPEC's (and other parties') requests for discovery and hearing were granted on material disputed issues. The Commission permitted operations, knowing full well that the operations could be unlawful. The Report's admission of the corrupt relationship between Chair Randazzo and FirstEnergy Corp supports a basis for the order's unconscionable partiality to FirstEnergy Corp, and the need to reverse and remand this case to the Commission for discovery and hearing, as NOPEC requests on brief.

I. INTRODUCTION AND PROCEDURAL HISTORY

As more fully explained in NOPEC's Merit Brief and Reply Brief, NOPEC is a competitive retail electric service ("CRES") provider and a competitor of Intervening Appellee Suvon LLC d/b/a FirstEnergy Advisors ("FirstEnergy Advisors"). FirstEnergy Advisors also is a CRES provider. It is a wholly owned subsidiary of FirstEnergy Corp, and an affiliate of FirstEnergy Corp's three non-competitive, monopoly electric distribution utilities ("EDUs") in Ohio (The Toledo Edison Company, Ohio Edison Company and The Cleveland Electric Illuminating Company).

The Commission regulates EDUs and CRES providers. As a part of that regulation, the Commission promulgated code of conduct rules.[4] The rules apply to EDUs' relationships with their competitive affiliates to prevent the affiliates from having an unfair advantage over the affiliates' competitors in the electricity marketplace. When FirstEnergy Advisors filed an application to become certified as a CRES provider, NOPEC (and seven other parties) intervened

[4] See Ohio Admin. Code ("O.A.C.") 4901:1-37-04. NOPEC Appx. at 255.

and opposed the application. They opposed the application on the basis that FirstEnergy Advisors' relationship with the FirstEnergy EDUs violated the code of conduct rules, specifically, by sharing the same officers and directors as well as the same trade name. An independent audit report in another case pending before the Commission since 2017 found that the FirstEnergy EDUs' sharing the same employees and trade name with a competitive affiliate violated the code of conduct. Audit Report at 34, 39 and 98 (NOPEC Appx. at 102, 107 and 166). [5]

Despite the backdrop of the long-pending independent audit report, the Commission refused to permit discovery or hold a hearing on the disputed issues in this case and granted FirstEnergy Advisors' application without resolving these festering issues. The Commission's justification for not holding a hearing was that litigation would prejudice FirstEnergy Advisors by delaying the commencement of its operations (*i.e.*, its ability to make money). PUCO Merit Brief at 10, 17; Entry on Rehearing (R. 49 at 6, 7). In other words, for fear that FirstEnergy Advisors would lose money from a delay in initiating business operations, the Commission willfully permitted FirstEnergy Advisors to begin operations even though it recognized those operations could be unlawful, to the detriment of NOPEC, other CRES providers and Ohio's electricity market.

On brief, NOPEC argues that the Commission's unreasonable and unconscionable partiality to FirstEnergy Advisors was an abuse of discretion. Moreover, NOPEC noted the need for transparency in Commission orders, specifically in light of the scandals surrounding the

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[5] S*AGE Management Consultants, LLC Final Report for Compliance Audit of the FirstEnergy Operating Companies with the Corporate Separation Rules of the Public Utilities Commission of Ohio*, Case No. 17-974-EL-UNC (May 14, 2018) ("Audit Report"). NOPEC Appx. at 67.

passage of Ohio House Bill 6[6], which ultimately resulted in the resignation of the Chair Randazzo on November 20, 2020. During the time this matter was pending before the Commission, the corrupt relationship between Chair Randazzo and FirstEnergy Corp was not publicly available, and could not have been raised by NOPEC before the Commission.

II. FACTS CONCERNNG THE MATERIAL TO BE NOTICED AND ITS RELEVANCE.

A. The SEC website.

NOPEC asks the Court to take judicial notice of the following document published on the SEC's website. Specifically, NOPEC asks the Court to take judicial notice of FirstEnergy Corp's Form 10Q, Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the quarterly period ended September 30, 2020.[7] The following two portions of the Report are particularly relevant to this appeal:

1. <u>Internal Investigation Relating to United States v. Larry Householder, et al. (p. 36)</u>

This portion of the Report admits that certain members of FirstEnergy Corp's senior management team—who also were senior management officials for FirstEnergy Advisors—violated FirstEnergy Corp's internal code of conduct authorizing a payment of approximately $4 million to a consulting firm associated with an individual who subsequently was appointed to the Commission. This portion of the Report states:

[6] 2019 Am. Sub. H.B. No. 6.

[7] See https://www.sec.gov/ix?doc=/Archives/edgar/data/0001031296/000103129620000045/fe-20200930.htm (reproduced as Attachment C hereto).

> As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy's internal investigation, such committee determined on October 29, 2020, to terminate FirstEnergy's Chief Executive Officer, Charles E. Jones, together with two other executives: Dennis M. Chack, Senior Vice President of Product Development, Marketing, and Branding; and Michael J. Dowling, Senior Vice President of External Affairs. Each of these terminated executives violated certain FirstEnergy policies and its code of conduct. These executives were terminated as of October 29, 2020. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that *certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement.* Immediately following these terminations, the independent members of its Board appointed Mr. Steven E. Strah to the position of Acting Chief Executive Officer and Mr. Christopher D. Pappas, a current member of the Board, to the temporary position of Executive Director, each effective as of October 29, 2020. Mr. Donald T. Misheff will continue to serve as Non-Executive Chairman of the Board. Additionally, on November 8, 2020, Robert Reffner, Senior Vice President and Chief Legal Officer, and Ebony Yeboah-Amankwah, Vice President, General Counsel, and Chief Ethics Officer, were separated from FirstEnergy due to inaction and conduct that the Board determined was influenced by the improper tone at the top. The matter is a subject of the ongoing internal investigation as it relates to the government investigations. [Emphasis supplied.]

2. <u>Attachment 10.1. Waiver and Amendment No. 2 to Credit Agreement dated as of November 17, 2020, Schedule 1, Noncompliance Event</u>

Although the above text from the body of the Report states that "it has not been determined if the payments were for the purposes represented within the consulting agreement" (at 36), FirstEnergy Corp admitted in a schedule to an attachment to the Report that a $4.3

million payment was made to Randazzo to act at FirstEnergy Corp's request or for its benefit once Randazzo was appointed to the Commission. The language was attached as Schedule 1 to a document in which FirstEnergy Corp's creditors waived a credit agreement's anti-corruption provision. The waiver is dated November 17, 2020, one day after the Federal Bureau of Investigation raided the townhome owned by Randazzo. The waiver restored FirstEnergy Corp's ability to draw on the credit facilities. The schedule states as follows:

Schedule 1

Noncompliance Event

> Payment by FE in January 2019 to an individual (the "Individual") or the consulting firm related to such Individual of approximately $4.3 million in connection with the termination of a purported consulting agreement (which had been in place since 2013) and the conduct corresponding to such payment of such consulting firm and the Individual *(acting at the request or for the benefit of FE as a consequence of receiving such payment) and of FE (or any of FE's directors, officers or employees) during the time period after such payment during which the Individual was acting in any governmental or regulatory capacity*, in each case, as previously disclosed to the Administrative Agent and the Lenders on or prior to the date hereof. Following such payment, in February 2019 such Individual was appointed (and assumed such position in April 2019) to a full-time role as an Ohio governmental official directly involved in regulating CEI, OE and TE, including with respect to distribution rates. [Emphasis added.]

B. The Governor's website.

NOPEC asks the Court to take judicial notice of the following documents published on the Governor's website. Specifically, NOPEC asks the Court to take judicial notice of two press releases, the first of which announces Chair Randazzo's appointment to the Commission in

February 2019 and that he would assume his position in April 2019.[8] The second announces Randazzo's resignation on November 20, 2020.[9]

C. Relevancy

The press releases published on the Governor's website are relevant because they establish that Chair Randazzo was appointed to the Commission in February 2020, and began his term in April 2020. No other Commissioners were appointed or took office at those times. The press releases establish that Randazzo is the "Individual" referred to in the Report's quoted sections above. The press release announcing Randazzo's resignation merely confirms that Randazzo was the Commission's chair at the time it issued the unconscionably partial order in the case below on April 22, 2020.

The Report is relevant because its shows that Randazzo directly or indirectly received a payment of $4.3 million for no legitimate purpose. Instead it was paid for Randazzo to "act[] at the request or for the benefit of" FirstEnergy Corp. during his term of office. The Commission's April 22, 2020 order permitting FirstEnergy Advisors to operate (and make money), while knowing full well that such operations could be unlawful, clearly was a benefit provided to FirstEnergy Corp. The Report is relevant to support why the Commission's April 22, 2020 order in this proceeding was unconscionably partial and why the Commission abused its discretion by granting FirstEnergy Advisors' application without discovery or hearing to address material disputed issues.

[8] See https://governor.ohio.gov/wps/portal/gov/governor/media/news-and-media/020419 (reproduced as Attachment A hereto).

[9] See https://governor.ohio.gov/wps/portal/gov/governor/media/news-and-media/resignation-puco-chairman-11202020 (reproduced as Attachment B hereto).

III. LEGAL ARGUMENT

Pursuant to Ohio Evid.R. 201(F), a court may take judicial notice "at any stage of the proceeding." This rule permits this Court to take judicial notice on appeal of facts that could not be raised with the trier of fact. *Brown v. Cleveland*, 66 Ohio St.2d 93, 420 N.E.2d 103 (1981); *State v. Telshaw*, 195 Ohio App.3d 596, 2011-Ohio-3373, 961 N.E.2d 223 (7th Dist.).

Under Ohio Evid.R 201(B)(2), this Court may judicially notice a fact that is not subject to reasonable dispute because it "can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned. *The State ex rel. Arnold v. Gallagher*, 153 Ohio St.3d 234, 2018-Ohio-2628, 103 N.E.3d 2334. Ohio Evid.R. 201(B)(2) permits this Court to take judicial notice of information contained on governmental websites. *The State ex rel. Ohio Republican Party v. Fitzgerald*, 145 Ohio St.3d 92, 2015-Ohio-5056, 47 N.E.3d 124.

The dates that Chair Randazzo was appointed to the Commission (February 4, 2019), assumed office (April 11, 2019) and resigned (November 20, 2020) are not subject to reasonable dispute and should be judicially noticed.

Similarly, FirstEnergy Advisors cannot reasonably dispute the corrupt relationship between its parent (FirstEnergy Corp) and Randazzo, having admitted in the Report that Randazzo directly or indirectly received a payment of $4.3 million for no legitimate purpose, but to "act[] at the request or for the benefit of" FirstEnergy Corp. during his term of office. These facts also should be judicially noticed.

As stated above, the Commission's April 22, 2020 order permitting FirstEnergy Advisors to commence operations (to make money), while knowing full well that such operations could be unlawful, clearly was a benefit provided to FirstEnergy Corp. The Report is relevant to support why the Commission's April 22, 2020 order in this proceeding was unconscionably partial to

FirstEnergy Advisors and why the Commission abused its discretion by granting FirstEnergy Advisors' application without discovery or hearing to address material disputed issues.

IV. CONCLUSION

For the foregoing reasons, NOPEC respectfully requests that this Court take judicial notice of Attachments A, B, and C hereto, and the information contained therein, in considering the need to reverse and remand this case to the Commission for discovery and hearing, as NOPEC requests on brief.

Respectfully submitted,

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NORTHEAST OHIO PUBLIC ENERGY COUNCIL

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Appellant Northeast Ohio Public Energy Council's Motion for Judicial Notice was served upon the parties of record this 29th day of March 2021, via electronic transmission.

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ATTACHMENT A

Governor DeWine Selects Randazzo Next Chairman of the Public Utilities Commission of Ohio

February 04, 2019

(COLUMBUS, Ohio)—Ohio Governor Mike DeWine today announced that he has named Samuel Randazzo, of Columbus, to serve on the Public Utilities Commission of Ohio (PUCO). Governor DeWine intends to name Randazzo Chairman of the PUCO when his term commences.

Randazzo, an Independent, will be filling the position left open by the retirement of Thomas W. Johnson, whose term ends on April 10, 2019. Randazzo will serve a term beginning on April 11, 2019, and ending on April 10, 2024. This appointment is subject to confirmation by the Ohio Senate.

Randazzo was a partner at McNees Wallace & Nurick LLC and spent more than four decades representing clients in the communications, natural gas, electricity, and other regulated businesses. Before entering private practice, he served as a staff member of the PUCO and as an assistant attorney general.

“Sam Randazzo has the knowledge and experience to lead the PUCO, with expertise in a wide-range of utility-related issues,” said Governor DeWine. “I am confident that he will be an excellent Chairman.”

Governor DeWine also will have another PUCO member to appoint due to the resignation announced today of Asim Z. Haque, effective March 1, 2019. A timetable has not been set for the Nominating Council to begin its work to solicit names to submit to the Governor.

Randazzo will start as Chairman when his term commences.

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Governor Mike DeWine

Lt. Governor Jon Husted

First Lady Fran DeWine

Cabinet

Boards and Commissions

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Budget

Common Sense Initiative

Faith-Based And Community Initiatives

RecoveryOhio

Children's Initiative

H2Ohio

Expedited Pardon Project

MEDIA

News Releases

Executive Orders

Appointments

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ATTACHMENT B

Resignation of PUCO Chairman

November 20, 2020

(COLUMBUS, Ohio)—In a resignation letter submitted today, Sam Randazzo has voluntarily tendered his resignation as Chairman and a member of the Ohio Public Utilities Commission (PUCO) effective immediately.

As per statute, PUCO Vice Chairman M. Beth Trombold will be the acting PUCO Chairman until a new chairman is named.

The process of nominating a new commissioner to the PUCO is done by the PUCO Nominating Council, a broad-based 12-member panel charged with screening candidates for the position. By law, the Nominating Council is comprised of:

- The chair of the Consumers' Counsel Governing Board,
- The president of the Accountancy Board of Ohio,
- The chair of the State Board of Registration for Professional Engineers and Surveyors,
- The president of the Ohio State Bar Association,
- The president of the Ohio Municipal League,
- The director of the Ohio Development Services Agency, and
- Appointees of the Ohio Department on Aging, the president of the Ohio Senate, the speaker of the Ohio House and the governor. The governor's three appointees represent the utility industry, the business community and organized labor.

The Nominating Council will make final recommendations on a commissioner to the Governor.

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ATTACHMENT C

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

FORM 10-Q
(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

OR

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

For the transition period from ________________ to ________________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP (An Ohio Corporation) 76 South Main Street Akron OH 44308 Telephone (800) 736-3402	34-1843785

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.10 par value	FE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☑
Accelerated Filer	☐
Non-accelerated Filer	☐
Smaller Reporting Company	☐
Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AS OF SEPTEMBER 30, 2020
Common Stock, $0.10 par value	542,590,202

FirstEnergy Website and Other Social Media Sites and Applications

FirstEnergy's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, and all other documents filed with or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge on or through the "Investors" page of FirstEnergy's website at www.firstenergycorp.com. These documents are also available to the public from commercial document retrieval services and the website maintained by the SEC at www.sec.gov.

These SEC filings are posted on the website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Additionally, FirstEnergy routinely posts additional important information, including press releases, investor presentations, investor factbook, and notices of upcoming events under the "Investors" section of FirstEnergy's website and recognizes FirstEnergy's website as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under Regulation FD. Investors may be notified of postings to the website by signing up for email alerts and Rich Site Summary feeds on the "Investors" page of FirstEnergy's website. FirstEnergy also uses Twitter® and Facebook® as additional channels of distribution to reach public investors and as a supplemental means of disclosing material non-public information for complying with its disclosure obligations under Regulation FD. Information contained on FirstEnergy's website, Twitter® handle or Facebook® page, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.

Forward-Looking Statements: This Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 based on information currently available to management. Such statements are subject to certain risks and uncertainties and readers are cautioned not to place undue reliance on these forward-looking statements. 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 (see Glossary of Terms for definitions of capitalized terms):

- The results of the ongoing internal investigation matters and evaluation of our controls framework and remediation of our material weakness in internal control over financial reporting.
- The extent and duration of COVID-19 and the impacts to our business, operations and financial condition resulting from the outbreak of COVID-19 including, but not limited to, disruption of businesses in our territories, volatile capital and credit markets, legislative and regulatory actions, the effectiveness of our pandemic and business continuity plans, the precautionary measures we are taking on behalf of our customers, contractors and employees, our customers' ability to make their utility payment and the potential for supply-chain disruptions.
- The risks and uncertainties associated with government investigations regarding HB 6 and related matters including potential adverse impacts on federal or state regulatory matters including, but not limited to, matters relating to rates.
- The risks and uncertainties associated with litigation, arbitration, mediation and similar proceedings.
- Legislative and regulatory developments, including, but not limited to, matters related to rates, compliance and enforcement activity.
- Mitigating exposure for remedial activities associated with retired and formerly owned electric generation assets, including, but not limited to, risks associated with the decommissioning of TMI-2.
- The ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, executing our transmission and distribution investment plans, controlling costs, improving our credit metrics, strengthening our balance sheet, growing earnings and maintaining financial flexibility.
- Economic and weather conditions affecting future operating results, such as a recession, significant weather events and other natural disasters, and associated regulatory events or actions in response to such conditions.
- Changes in assumptions regarding economic conditions within our territories, the reliability of our transmission and distribution system, or the availability of capital or other resources supporting identified transmission and distribution investment opportunities.
- Changes in customers' demand for power, including, but not limited to, the impact of climate change or energy efficiency and peak demand reduction mandates.
- Changes in national and regional economic conditions affecting us and/or our major industrial and commercial customers or others with which we do business.
- The risks associated with cyber-attacks and other disruptions to our information technology system, which may compromise our operations, and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information.
- The ability to comply with applicable reliability standards and energy efficiency and peak demand reduction mandates.
- Changes to environmental laws and regulations, including, but not limited to, those related to climate change.
- Changing market conditions affecting the measurement of certain liabilities and the value of assets held in our pension trusts and other trust funds, or causing us to make contributions sooner, or in amounts that are larger, than currently anticipated.
- Labor disruptions by our unionized workforce.
- Changes to significant accounting policies.
- 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, including the increasing number of financial institutions evaluating the impact of climate change on their investment decisions.
- Actions that may be taken by credit rating agencies that could negatively affect either our access to or terms of financing or our financial condition and liquidity.
- The risks and other factors discussed from time to time in our SEC filings.

Dividends declared from time to time on our common stock during any period may in the aggregate vary from prior periods due to circumstances considered by our 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 together with, the risk factors included in FirstEnergy's 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 and Current Reports on Form 8-K. 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 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 obligation to update or revise, except as required by law, any forward-looking statements contained herein or in the information incorporated by reference as a result of new information, future events or otherwise.

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GLOSSARY OF TERMS

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

AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a subsidiary of FET, which owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FE	FirstEnergy Corp., a public utility holding company
FENOC	Energy Harbor Nuclear Corp. (formerly known as FirstEnergy Nuclear Operating Company), a subsidiary of EH, which operates NG's nuclear generating facilities
FES	Energy Harbor LLC. (formerly known as FirstEnergy Solutions Corp.), a subsidiary of EH, which provides energy-related products and services
FES Debtors	FES, FENOC, FG, NG, FE Aircraft Leasing Corp., Norton Energy Storage LLC, and FGMUC
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, the parent company of ATSI, MAIT and TrAIL, and has a joint venture in PATH
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	Energy Harbor Generation LLC (formerly known as FirstEnergy Generation, LLC), a subsidiary of EH, which owns and operates fossil generating facilities
FGMUC	FirstEnergy Generation Mansfield Unit 1 Corp., a subsidiary of FG
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	Global Rail Group, LLC, a subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
GPUN	GPU Nuclear, Inc., a subsidiary of FE, which operates TMI-2
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
KATCo	Keystone Appalachian Transmission Company
MAIT	Mid-Atlantic Interstate Transmission, LLC, a subsidiary of FET, which owns and operates transmission facilities
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	Energy Harbor Nuclear Generation LLC (formerly known as FirstEnergy Nuclear Generation, LLC), a subsidiary of EH, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PE	The Potomac Edison Company, a Maryland and West Virginia electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
Signal Peak	Signal Peak Energy, LLC, an indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Transmission Companies	ATSI, MAIT and TrAIL
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

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

ACE	Affordable Clean Energy
ADIT	Accumulated Deferred Income Taxes
AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
AMI	Advance Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
ASC	Accounting Standard Codification
ASU	Accounting Standards Update
Bankruptcy Court	U.S. Bankruptcy Court in the Northern District of Ohio in Akron
BGS	Basic Generation Service
CAA	Clean Air Act
CARES Act	Coronavirus Aid, Relief and Economic Security Act of 2020
CCR	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO_2	Carbon Dioxide
COVID-19	Coronavirus disease 2019
CPP	EPA's Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
CTA	Consolidated Tax Adjustment
CWA	Clean Water Act
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DSIC	Distribution System Improvement Charge
DSP	Default Service Plan
E&P	Earnings and Profits
EDC	Electric Distribution Company
EDIS	Electric Distribution Investment Surcharge
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
EGU	Electric Generation Units
EH	Energy Harbor Corp.
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
EPS	Earnings per Share
ERO	Electric Reliability Organization
ESP IV	Electric Security Plan IV
Facebook®	Facebook is a registered trademark of Facebook, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FES Bankruptcy	FES Debtors' voluntary petitions for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court
Fitch	Fitch Ratings Service
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IIP	Infrastructure Investment Program
kW	Kilowatt
LIBOR	London Inter-Bank Offered Rate
LOC	Letter of Credit
LTIIPs	Long-Term Infrastructure Improvement Plans
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plants
MISO	Midcontinent Independent System Operator, Inc.
mmBTU	One Million British Thermal Units
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
MWH	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NOI	Notice of Inquiry
NOL	Net Operating Loss
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
OCA	Office of Consumer Advocate
OCC	Ohio Consumers' Counsel
OH AG	Ohio Attorney General
OPEB	Other Post-Employment Benefits
OPIC	Other Paid-in Capital
OVEC	Ohio Valley Electric Corporation

PA DEP	Pennsylvania Department of Environmental Protection	SBC	Societal Benefits Charge
PJM	PJM Interconnection, LLC	SCOH	Supreme Court of Ohio
PJM Tariff	PJM Open Access Transmission Tariff	SCR	Selective Catalytic Reduction
POLR	Provider of Last Resort	SEC	United States Securities and Exchange Commission
POR	Purchase of Receivables	SEET	Significantly Excessive Earnings Test
PPA	Purchase Power Agreement	SIP	State Implementation Plan(s) Under the Clean Air Act
PPB	Parts per Billion	SNCR	Selective Non-Catalytic Reduction
PPUC	Pennsylvania Public Utility Commission	SO_2	Sulfur Dioxide
PUCO	Public Utilities Commission of Ohio	SOS	Standard Offer Service
PURPA	Public Utility Regulatory Policies Act of 1978	SREC	Solar Renewable Energy Credit
RCRA	Resource Conservation and Recovery Act	SSO	Standard Service Offer
Regulation FD	Regulation Fair Disclosure promulgated by the SEC	Tax Act	Tax Cuts and Jobs Act adopted December 22, 2017
RFC	Reliability*First* Corporation	TMI-2	Three Mile Island Unit 2
RFP	Request for Proposal	Twitter®	Twitter is a registered trademark of Twitter, Inc.
RGGI	Regional Greenhouse Gas Initiative	UCC	Official committee of unsecured creditors appointed in connection with the FES Bankruptcy
ROE	Return on Equity	VIE	Variable Interest Entity
RTO	Regional Transmission Organization	VSCC	Virginia State Corporation Commission
S&P	Standard & Poor's Ratings Service	WVPSC	Public Service Commission of West Virginia
S.D. Ohio	Southern District of Ohio	ZEC	Zero Emissions Certificate

PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
REVENUES:				
Distribution services and retail generation	$ 2,470	$ 2,411	$ 6,624	$ 6,651
Transmission	408	371	1,185	1,090
Other	144	181	444	621
Total revenues(1)	3,022	2,963	8,253	8,362
OPERATING EXPENSES:				
Fuel	101	122	276	382
Purchased power	766	798	2,073	2,190
Other operating expenses	937	758	2,416	2,143
Provision for depreciation	316	304	954	910
Amortization (deferral) of regulatory assets, net	(91)	43	(26)	85
General taxes	272	257	792	757
Total operating expenses	2,301	2,282	6,485	6,467
OPERATING INCOME	721	681	1,768	1,895
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	100	57	303	191
Pension and OPEB mark-to-market adjustment (Note 5)	—	—	(423)	—
Interest expense	(266)	(261)	(792)	(773)
Capitalized financing costs	21	19	57	53
Total other expense	(145)	(185)	(855)	(529)
INCOME BEFORE INCOME TAXES	576	496	913	1,366
INCOME TAXES	116	107	122	281
INCOME FROM CONTINUING OPERATIONS	460	389	791	1,085
Discontinued operations (Note 3)(2)	(6)	2	46	(62)
NET INCOME	$ 454	$ 391	$ 837	$ 1,023
INCOME ALLOCATED TO PREFERRED STOCKHOLDERS (Note 4)	—	—	—	7
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 454	$ 391	$ 837	$ 1,016
EARNINGS PER SHARE OF COMMON STOCK (Note 4):				
Basic - Continuing Operations	$ 0.85	$ 0.72	$ 1.46	$ 2.02
Basic - Discontinued Operations	(0.01)	0.01	0.08	(0.12)
Basic - Net Income Attributable to Common Stockholders	$ 0.84	$ 0.73	$ 1.54	$ 1.90
Diluted - Continuing Operations	$ 0.85	$ 0.72	$ 1.46	$ 2.00
Diluted - Discontinued Operations	(0.01)	—	0.08	(0.11)
Diluted - Net Income Attributable to Common Stockholders	$ 0.84	$ 0.72	$ 1.54	$ 1.89
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	542	538	542	533
Diluted	543	542	543	541

(1) Includes excise and gross receipts tax collections of $100 million during each of the three months ended September 30, 2020 and 2019, and $276 million and $283 million during the nine months ended September 30, 2020 and 2019, respectively.

(2) Net of income tax expense (benefits) of $6 million and $2 million for the three months ended September 30, 2020 and 2019, respectively, and $(29) million and $46 million for the nine months ended September 30, 2020 and 2019, respectively.

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
NET INCOME	$ 454	$ 391	$ 837	$ 1,023
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and OPEB prior service costs	(3)	(7)	(30)	(21)
Amortized losses on derivative hedges	—	—	1	1
Other comprehensive loss	(3)	(7)	(29)	(20)
Income tax benefits on other comprehensive loss	(1)	(3)	(7)	(6)
Other comprehensive loss, net of tax	(2)	(4)	(22)	(14)
COMPREHENSIVE INCOME	$ 452	$ 387	$ 815	$ 1,009

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 260	$ 627
Restricted cash	36	52
Receivables-		
Customers	1,220	1,137
Less — Allowance for uncollectible customer receivables	108	46
	1,112	1,091
Affiliated companies, net of allowance for uncollectible accounts of $1,063 in 2019	—	—
Other, net of allowance for uncollectible accounts of $24 in 2020 and $21 in 2019	228	203
Materials and supplies, at average cost	308	281
Prepaid taxes and other	218	157
Current assets - discontinued operations	—	33
	2,162	2,444
PROPERTY, PLANT AND EQUIPMENT:		
In service	43,177	41,767
Less — Accumulated provision for depreciation	11,971	11,427
	31,206	30,340
Construction work in progress	1,651	1,310
	32,857	31,650
PROPERTY, PLANT AND EQUIPMENT, NET - HELD FOR SALE (NOTE 9)	44	—
INVESTMENTS:		
Nuclear fuel disposal trust	281	270
Other	301	299
Investments - held for sale (Note 10)	881	882
	1,463	1,451
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	5,618	5,618
Regulatory assets	81	99
Other	713	1,039
	6,412	6,756
	$ 42,938	$ 42,301
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 77	$ 380
Short-term borrowings	300	1,000
Accounts payable	891	918
Accounts payable - affiliated companies	—	87
Accrued interest	283	249
Accrued taxes	601	545
Accrued compensation and benefits	339	258
Other	586	1,425
	3,077	4,862
CAPITALIZATION:		
Stockholders' equity-		
Common stock, $0.10 par value, authorized 700,000,000 shares - 542,590,202 and 540,652,222 shares outstanding as of September 30, 2020 and December 31, 2019, respectively	54	54
Other paid-in capital	10,266	10,868
Accumulated other comprehensive income (loss)	(2)	20
Accumulated deficit	(3,130)	(3,967)
Total stockholders' equity	7,188	6,975
Long-term debt and other long-term obligations	22,203	19,618
	29,391	26,593
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	3,036	2,849
Retirement benefits	3,342	3,065
Regulatory liabilities	2,053	2,360
Asset retirement obligations	173	165
Adverse power contract liability	31	49
Other	1,117	1,667
Noncurrent liabilities - held for sale (Note 10)	718	691
	10,470	10,846
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$ 42,938	$ 42,301

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Nine Months Ended September 30, 2020					
	Common Stock					
(In millions)	Shares	Amount	OPIC	AOCI	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2020	541	$ 54	$ 10,868	$ 20	$ (3,967)	$ 6,975
Net income					74	74
Other comprehensive loss, net of tax				(18)		(18)
Stock Investment Plan and share-based benefit plans	1		(6)			(6)
Cash dividends declared on common stock ($0.39 per share in March)			(211)			(211)
Balance, March 31, 2020	542	$ 54	$ 10,651	$ 2	$ (3,893)	$ 6,814
Net income					309	309
Other comprehensive loss, net of tax				(2)		(2)
Stock Investment Plan and share-based benefit plans			22			22
Balance, June 30, 2020	542	$ 54	$ 10,673	$ —	$ (3,584)	$ 7,143
Net income					454	454
Other comprehensive loss, net of tax				(2)		(2)
Stock Investment Plan and share-based benefit plans	1		17			17
Cash dividends declared on common stock ($0.39 per share in July and September)			(424)			(424)
Balance, September 30, 2020	543	$ 54	$ 10,266	$ (2)	$ (3,130)	$ 7,188

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

	Nine Months Ended September 30, 2019							
	Series A Convertible Preferred Stock		Common Stock					
(In millions)	Shares	Amount	Shares	Amount	OPIC	AOCI	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2019	0.7	$ 71	512	$ 51	$ 11,530	$ 41	$ (4,879)	$ 6,814
Net income							320	320
Other comprehensive loss, net of tax						(5)		(5)
Stock Investment Plan and share-based benefit plans			1		8			8
Cash dividends declared on common stock ($0.38per share in March)					(202)			(202)
Cash dividends declared on preferred stock ($0.38per as-converted share in March)					(3)			(3)
Conversion of Series A Convertible Preferred Stock to Common Stock	(0.5)	(50)	18	2	48			—
Balance, March 31, 2019	0.2	$ 21	531	$ 53	$ 11,381	$ 36	$ (4,559)	$ 6,932
Net income							312	312
Other comprehensive loss, net of tax						(5)		(5)
Stock Investment Plan and share-based benefit plans			1		30			30
Balance, June 30, 2019	0.2	$ 21	532	$ 53	$ 11,411	$ 31	$ (4,247)	$ 7,269
Net income							391	391
Other comprehensive loss, net of tax						(4)		(4)
Stock Investment Plan and share-based benefit plans			1		27			27
Cash dividends declared on common stock ($0.38per share in July and September)					(411)			(411)
Conversion of Series A Convertible Preferred Stock to Common Stock	(0.2)	(21)	7	1	20			—
Balance, September 30, 2019	—	$ —	540	$ 54	$ 11,047	$ 27	$ (3,856)	$ 7,272

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	For the Nine Months Ended September 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 837	$ 1,023
Adjustments to reconcile net income to net cash from operating activities-		
Loss (gain) on disposal, net of tax (Note 3)	(46)	16
Depreciation and amortization	804	1,069
Deferred income taxes and investment tax credits, net	124	251
Retirement benefits, net of payments	(218)	(81)
Pension trust contributions	—	(500)
Pension and OPEB mark-to-market adjustment	423	—
Settlement agreement and tax sharing payments to the FES Debtors	(978)	—
Changes in current assets and liabilities-		
Receivables	(33)	228
Materials and supplies	(23)	(14)
Prepaid taxes and other	(57)	(69)
Accounts payable	(72)	(102)
Accrued taxes	4	(105)
Accrued interest	34	27
Accrued compensation and benefits	65	(68)
Other current liabilities	(16)	2
Other	3	60
Net cash provided from operating activities	851	1,737
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	3,425	2,100
Redemptions and repayments-		
Long-term debt	(1,110)	(784)
Short-term borrowings, net	(700)	—
Preferred stock dividend payments	—	(6)
Common stock dividend payments	(634)	(609)
Other	(44)	(36)
Net cash provided from financing activities	937	665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,979)	(1,912)
Sales of investment securities held in trusts	45	506
Purchases of investment securities held in trusts	(63)	(536)
Asset removal costs	(175)	(158)
Other	1	19
Net cash used for investing activities	(2,171)	(2,081)
Net change in cash, cash equivalents, and restricted cash	(383)	321
Cash, cash equivalents, and restricted cash at beginning of period	679	429
Cash, cash equivalents, and restricted cash at end of period	$ 296	$ 750

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

FIRSTENERGY CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

FE was incorporated under Ohio law in 1996. FE's principal business is the holding, directly or indirectly, of all of the outstanding equity of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, AE Supply, MP, AGC (a wholly owned subsidiary of MP), PE, WP, and FET and its principal subsidiaries (ATSI, MAIT and TrAIL). In addition, FE holds all of the outstanding equity of other direct subsidiaries including: AESC, FirstEnergy Properties, Inc., FEV, FELHC, Inc., GPUN, Allegheny Ventures, Inc., and Suvon, LLC doing business as both FirstEnergy Home and FirstEnergy Advisors.

FE and its subsidiaries are principally involved in the transmission, distribution and generation of electricity. FirstEnergy's ten utility operating companies comprise one of the nation's largest investor-owned electric systems, based on serving over six million customers in the Midwest and Mid-Atlantic regions. FirstEnergy's transmission operations include approximately 24,500 miles of lines and two regional transmission operation centers. AGC, JCP&L and MP control 3,790 MWs of total capacity, 210 MWs of which is related to the Yards Creek generating plant that is being sold pursuant to an asset purchase agreement as further discussed below.

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2019.

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

FE and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation as appropriate and permitted pursuant to GAAP. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary. Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but do not have a controlling financial interest, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage of FE's ownership share of the entity's earnings is reported in the Consolidated Statements of Income and Comprehensive Income.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Capitalized Financing Costs

For each of the three months ended September 30, 2020 and 2019, capitalized financing costs on FirstEnergy's Consolidated Statements of Income include $13 million and $12million, respectively, of allowance for equity funds used during construction and $8 million and $7 million, respectively, of capitalized interest. For each of the nine months ended September 30, 2020 and 2019, capitalized financing costs on FirstEnergy's Consolidated Statements of Income include $36 million and $34 million, respectively, of allowance for equity funds used during construction and $21 million and $19 million, respectively, of capitalized interest.

COVID-19

The outbreak of COVID-19 is a global pandemic. FirstEnergy is continuously evaluating the global pandemic and taking steps to mitigate known risks. FirstEnergy is actively monitoring the continued impact COVID-19 is having on its customers' receivable balances, which include increasing arrears balances since the pandemic has begun. FirstEnergy has incurred, and it is expected to incur for the foreseeable future, incremental uncollectible and other COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that FirstEnergy is incurring to protect its employees, contractors and customers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible. The full impact on FirstEnergy's business from the COVID-19 pandemic, including the governmental and regulatory responses, is unknown at this time and difficult to predict. FirstEnergy provides a critical and essential service to its customers and the health and safety of its employees, contractors and customers is its first priority. FirstEnergy is continuously monitoring its supply chain and is working closely with essential vendors to understand the continued impact the COVID-19 pandemic is having on its business, however, FirstEnergy does not currently expect disruptions in its ability to deliver service to customers or any material impact on its capital spending plan.

FirstEnergy continues to effectively manage operations during the pandemic in order to provide critical service to customers and believes it is well positioned to manage through the economic slowdown. FirstEnergy Distribution and Transmission revenues benefit from geographic and economic diversity across a five-state service territory, which also allows for flexibility with capital investments and measures to maintain sufficient liquidity over the next twelve months. However, the situation remains fluid and future impacts to FirstEnergy that are presently unknown or unanticipated may occur. Furthermore, the likelihood of an impact to FirstEnergy, and the severity of any impact that does occur, could increase the longer the global pandemic persists.

Customer Receivables

Receivables from customers include distribution services and retail generation sales to residential, commercial and industrial customers of the Utilities. The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible accounts should be further adjusted in accordance with the accounting guidance for credit losses. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, payment options and programs available to customers, and the methods that the Utilities are able to utilize to ensure payment.

FirstEnergy reviews its allowance for uncollectible customer receivables utilizing a quantitative and qualitative assessment, which includes consideration of the outbreak of COVID-19 and the impact on customer receivable balances outstanding and the ability of customers to continue payment since the pandemic began. Beginning March 13, 2020, FirstEnergy temporarily suspended customer disconnections for nonpayment and ceased collection activities as a result of the ongoing pandemic and in accordance with state regulatory requirements. The following table summarizes when customer disconnections and collection activities have or are expected to resume based upon current state guidelines subject to applicable regulations to winter moratoriums for residential customers, which begin as early as November 1, 2020, and are in effect until April 15, 2021. However, see Note 9, "Regulatory Matters," for further discussion on applicable regulations that may alter residential customer disconnection and collection activity, such as winter moratoriums.

	Residential	Non-Residential
Ohio	10/5/2020	10/5/2020
Pennsylvania	11/9/2020	11/9/2020
New Jersey	3/15/2021	10/15/2020
Maryland	11/15/2020	10/1/2020
West Virginia	11/4/2020	9/15/2020
New York	11/4/2020	11/4/2020

The impact of COVID-19 on customers' ability to pay for service, along with the actions FirstEnergy has taken in response to the pandemic, is expected to result in an increase in customer receivable write-offs as compared to historically incurred losses. In order to estimate the additional losses and impacts expected, FirstEnergy analyzed the likelihood of loss based on increases in customer accounts in arrears since the pandemic began in mid-March 2020 as well as what collection methods are or were suspended, and that have historically been utilized to ensure payment. Based on this assessment, and consideration of other qualitative factors described above, FirstEnergy recognized incremental uncollectible expense of $63 million in the first nine months of 2020 ($20 million in the third quarter of 2020), of which approximately $40 million ($13 million in the third quarter of 2020) is not currently being collected through rates and as a result was deferred for future recovery under regulatory mechanisms described below.

The Ohio Companies and JCP&L had existing regulatory mechanisms in place prior to the outbreak of COVID-19, where incremental uncollectible expenses are able to be recovered through riders with no material impact to earnings. Additionally, in response to the COVID-19 pandemic, the MDPSC, NJBPU and WVPSC issued orders allowing PE, JCP&L and MP, respectively, to track and create a regulatory asset for future recovery of incremental costs, including uncollectible expenses and waived late payment charges, incurred as a result of the pandemic. In Pennsylvania, the PPUC has authorized the Pennsylvania Companies to track all prudently incurred incremental costs arising from COVID-19, and to create a regulatory asset for future recovery of incremental uncollectible expenses incurred as a result of COVID-19 above what is included in the Pennsylvania Companies existing rates. On October 13, 2020, the PPUC entered an order that permits the Pennsylvania Companies to create a regulatory asset for incremental expenses associated with lifting the service termination moratorium, as further discussed below.

Receivables from customers also include PJM receivables resulting from transmission and wholesale sales. FirstEnergy's credit risk on PJM receivables is reduced due to the nature of PJM's settlement process whereby members of PJM legally agree to share the cost of defaults and as a result there is no allowance for doubtful accounts.

Activity in the allowance for uncollectible accounts on customer receivables for the nine months ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

		(In millions)
Balance, January 1, 2019	$	50
Charged to income [1]		81
Charged to other accounts [2]		47
Write-offs		(132)
Balance, December 31, 2019	$	46
Charged to income [3]		112
Charged to other accounts [2]		35
Write-offs		(85)
Balance, September 30, 2020	$	108

[1] $25 million of which was deferred for future recovery in the twelve months ended December 31, 2019.
[2] Represents recoveries and reinstatements of accounts written off for uncollectible accounts.
[3] $54 million of which was deferred for future recovery in the first nine months of 2020.

Goodwill

FirstEnergy evaluates goodwill for impairment annually on July 31 and more frequently if indicators of impairment arise. For 2020, FirstEnergy performed a qualitative assessment of the Regulated Distribution and Regulated Transmission reporting units' goodwill, assessing economic, industry and market considerations in addition to the reporting units' overall financial performance. Key factors used in the assessment include: growth rates, interest rates, expected capital expenditures, utility sector market performance, regulatory and legal developments and other market considerations. It was determined that the fair value of these reporting units was, more likely than not, greater than their carrying value and a quantitative analysis was not necessary.

Restricted Cash

Restricted cash primarily relates to cash collected from JCP&L, MP, PE and the Ohio Companies' customers that is specifically used to service debt of their respective funding companies.

Short-Term Borrowings/ Revolving Credit Facilities

FE and the Utilities and FET and certain of its subsidiaries participate in two separate five-year syndicated revolving credit facilities providing for aggregate commitments of $3.5 billion, which are available until December 6, 2022. Under the FE credit facility, an aggregate amount of $2.5 billion is available to be borrowed, repaid and reborrowed, subject to separate borrowing sublimits for each borrower including FE and its regulated distribution subsidiaries. Under the FET credit facility, an aggregate amount of $1.0 billion is available to be borrowed, repaid and reborrowed under a syndicated credit facility, subject to separate borrowing sublimits for each borrower including FE's transmission subsidiaries. On November 17, 2020, FE and the Utilities and FET and certain of its subsidiaries entered into amendments to the FE credit facility and the FET credit facility, respectively. The amendments provide for modifications and/or waivers of (i) certain representations and warranties and (ii) certain affirmative and negative covenants, contained therein, which allowed FirstEnergy to regain compliance with such provisions. In addition, among other things, the amendment to the FE credit facility reduces the sublimit applicable to FE to $1.5 billion, and the amendments increased certain tiers of pricing applicable to borrowings under the credit facilities.

New Accounting Pronouncements

Recently Adopted Pronouncements

ASU 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" (Issued June 2016 and subsequently updated): ASU 2016-13 removes all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument's contractual life. Prior to adoption, FirstEnergy analyzed its financial instruments within the scope of this guidance, primarily trade receivables and AFS debt securities. The adoption of this standard upon January 1, 2020 did not have a material impact to FirstEnergy's financial statements and required additional disclosures in these Notes to the Consolidated Financial Statements. Please see above for additional information on FirstEnergy's allowance for uncollectible customer receivables.

ASU 2018-15, "*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*" (Issued August 2018): ASU 2018-15 allows implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customers in a software licensing arrangement. FirstEnergy adopted this standard as of January 1, 2020, with no material impact to its financial statements.

ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting"* (Issued March 2020): ASU 2020-04 provides temporary optional expedients and exceptions to the current guidance on contract modifications to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. FirstEnergy's $3.5 billion Revolving Credit Facility bears interest at fluctuating interest rates based on LIBOR and contains provisions (requiring an amendment) in the event that LIBOR can no longer be used. As of September 30, 2020, FirstEnergy has not utilized any of the expedients discussed within this ASU.

Recently Issued Pronouncements - The following new authoritative accounting guidance issued by the FASB has not yet been adopted. Unless otherwise indicated, FirstEnergy is currently assessing the impact such guidance may have on its financial statements and disclosures, as well as the potential to early adopt where applicable. FirstEnergy has assessed other FASB issuances of new standards not described below based upon the current expectation that such new standards will not significantly impact FirstEnergy's financial reporting.

ASU 2019-12, "*Simplifying the Accounting for Income Taxes"* (Issued in December 2019): ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance including the elimination of certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. FirstEnergy continues to evaluate the new guidance, but currently does not expect a material impact upon adopting this standard.

2. REVENUE

FirstEnergy accounts for revenues from contracts with customers under ASC 606, "*Revenue from Contracts with Customers.*" Revenue from leases, financial instruments, other contractual rights or obligations and other revenues that are not from contracts with customers are outside the scope of the standard and accounted for under other existing GAAP.

FirstEnergy has elected to exclude sales taxes and other similar taxes collected on behalf of third parties from revenue as prescribed in the standard. As a result, tax collections and remittances are excluded from recognition in the income statement and instead recorded through the balance sheet. Excise and gross receipts taxes that are assessed on FirstEnergy are not subject to the election and are included in revenue. FirstEnergy has elected the optional invoice practical expedient for most of its revenues and utilizes the optional short-term contract exemption for transmission revenues due to the annual establishment of revenue requirements, which eliminates the need to provide certain revenue disclosures regarding unsatisfied performance obligations.

FirstEnergy's revenues are primarily derived from electric service provided by the Utilities and Transmission Companies.

The following tables represent a disaggregation of revenue from contracts with customers for the three months ended September 30, 2020 and 2019, by type of service from each reportable segment:

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments [1]	Total
	For the Three Months Ended September 30, 2020			
	(In millions)			
Distribution services [2]	$ 1,503	$ —	$ (22)	$ 1,481
Retail generation	1,005	—	(16)	989
Wholesale sales	67	—	3	70
Transmission [2]	—	408	—	408
Other	35	—	—	35
Total revenues from contracts with customers	$ 2,610	$ 408	$ (35)	$ 2,983
ARP [3]	25	—	—	25
Other non-customer revenue	26	5	(17)	14
Total revenues	$ 2,661	$ 413	$ (52)	$ 3,022

[1] Includes eliminations and reconciling adjustments of inter-segment revenues.
[2] Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($1 million at Regulated Distribution and $3 million at Regulated Transmission).
[3] ARP revenue for the three months ended September 30, 2020, is primarily related to the reconciliation of Ohio decoupling rates that became effective on February 1, 2020.

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments[1]	Total
	For the Three Months Ended September 30, 2019			
	(In millions)			
Distribution services [2]	$ 1,457	$ —	$ (21)	$ 1,436
Retail generation	989	—	(14)	975
Wholesale sales	100	—	2	102
Transmission [2]	—	371	—	371
Other	42	—	—	42
Total revenues from contracts with customers	$ 2,588	$ 371	$ (33)	$ 2,926
ARP [3]	25	—	—	25
Other non-customer revenue	23	4	(15)	12
Total revenues	$ 2,636	$ 375	$ (48)	$ 2,963

[1] Includes eliminations and reconciling adjustments of inter-segment revenues.
[2] Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($4 million at Regulated Distribution and $4 million at Regulated Transmission) and Rider DMR as discussed in Note 9, "Regulatory Matters" (approximately $31 million at Regulated Distribution).
[3] ARP revenue for the three months ended September 30, 2019, includes DMR revenue, lost distribution and shared savings revenue in Ohio.

Other non-customer revenue includes revenue from late payment charges of $6 million and $9 million for the three months ended September 30, 2020 and 2019, respectively. Starting in mid-March 2020, and continuing through the third quarter, certain late payment charges began to be waived in response to the COVID-19 pandemic, and as a result, FirstEnergy stopped recognizing these revenues. See Note 1, "Organization and Basis of Presentation," for further discussion on the COVID-19 pandemic. Other non-customer revenue also includes revenue from derivatives of $8 million and $2 million for the three months ended September 30, 2020 and 2019, respectively.

The following tables represent a disaggregation of revenue from contracts with customers for the nine months ended September 30, 2020 and 2019, by type of service from each reportable segment:

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments (1)	Total
	For the Nine Months Ended September 30, 2020			
	(In millions)			
Distribution services (2)	$ 4,000	$ —	$ (65)	$ 3,935
Retail generation	2,735	—	(46)	2,689
Wholesale sales	188	—	6	194
Transmission (2)	—	1,185	—	1,185
Other	102	—	—	102
Total revenues from contracts with customers	$ 7,025	$ 1,185	$ (105)	$ 8,105
ARP (3)	108	—	—	108
Other non-customer revenue	74	13	(47)	40
Total revenues	$ 7,207	$ 1,198	$ (152)	$ 8,253

(1) Includes eliminations and reconciling adjustments of inter-segment revenues.
(2) Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($2 million at Regulated Distribution and $6 million at Regulated Transmission).
(3) ARP revenue for the nine months ended September 30, 2020, is primarily related to the reconciliation of Ohio decoupling rates that became effective on February 1, 2020.

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments (1)	Total
	For the Nine Months Ended September 30, 2019			
	(In millions)			
Distribution services (2)	$ 3,903	$ —	$ (63)	$ 3,840
Retail generation	2,853	—	(42)	2,811
Wholesale sales	316	—	9	325
Transmission (2)	—	1,090	—	1,090
Other	113	—	1	114
Total revenues from contracts with customers	$ 7,185	$ 1,090	$ (95)	$ 8,180
ARP (3)	142	—	—	142
Other non-customer revenue	74	13	(47)	40
Total revenues	$ 7,401	$ 1,103	$ (142)	$ 8,362

(1) Includes eliminations and reconciling adjustments of inter-segment revenues.
(2) Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($31 million at Regulated Distribution and $11 million at Regulated Transmission) and Rider DMR as discussed in Note 9, "Regulatory Matters" (approximately $31 million at Regulated Distribution).
(3) ARP revenue for the nine months ended September 30, 2019, includes DMR revenue, and lost distribution and shared savings revenue in Ohio.

Other non-customer revenue includes revenue from late payment charges of $22 million and $29 million for the nine months ended September 30, 2020 and 2019, respectively, that FirstEnergy expects are collectible. Other non-customer revenue also includes revenue from derivatives of $14 million and $7 million for the nine months ended September 30, 2020 and 2019, respectively.

Regulated Distribution

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies and also controls 3,790 MWs of regulated electric generation capacity located primarily in West Virginia, Virginia and New Jersey, 210 MWs of which are related to the Yards Creek generating plant that is being sold pursuant to an asset purchase agreement as further discussed below. Each of the Utilities earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. The Utilities are obligated under the regulated construct to deliver power to customers reliably, as it is needed, which creates an implied monthly contract with the end-use customer. See Note 9, "Regulatory Matters," for additional information on rate recovery mechanisms. Distribution and electric revenues are recognized over time as electricity is distributed and delivered to the customer and the customers consume the electricity immediately as delivery occurs.

Retail generation sales relate to POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey and Maryland, as well as generation sales in West Virginia that are regulated by the WVPSC. Certain of the Utilities have default service obligations to provide power to non-shopping customers who have elected to continue to receive service under regulated retail tariffs. The volume of these sales varies depending on the level of shopping that occurs. Supply plans vary by state and by service territory. Default service for the Ohio Companies, Pennsylvania Companies, JCP&L and PE's Maryland jurisdiction are provided through a competitive procurement process approved by each state's respective commission. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

The following table represents a disaggregation of the Regulated Distribution segment revenue from contracts with **distribution service and retail generation** customers for the three and nine months ended September 30, 2020 and 2019, by class:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Revenues by Customer Class	**2020**	**2019**	**2020**	**2019**
		(In millions)		
Residential	$ 1,621	$ 1,538	$ 4,220	$ 4,145
Commercial	589	600	1,640	1,759
Industrial	278	286	814	786
Other	20	22	61	66
Total Revenues	$ 2,508	$ 2,446	$ 6,735	$ 6,756

Wholesale sales primarily consist of generation and capacity sales into the PJM market from FirstEnergy's regulated electric generation capacity and NUGs. Certain of the Utilities may also purchase power in the PJM markets to supply power to their customers. Generally, these power sales from generation and purchases to serve load are netted hourly and reported as either revenues or purchased power on the Consolidated Statements of Income based on whether the entity was a net seller or buyer each hour. Capacity revenues are recognized ratably over the PJM planning year at prices cleared in the annual PJM Reliability Pricing Model Base Residual Auction and Incremental Auctions. Capacity purchases and sales through PJM capacity auctions are reported within revenues on the Consolidated Statements of Income. Certain capacity income (bonuses) and charges (penalties) related to the availability of units that have cleared in the auctions are unknown and not recorded in revenue until, and unless, they occur.

The Utilities' distribution customers are metered on a cycle basis. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts, customer shopping activity and prices in effect for each class of customer. In each accounting period, the Utilities accrue the estimated unbilled amount as revenue and reverse the related prior period estimate. Customer payments vary by state but are generally due within 30 days.

ASC 606 excludes industry-specific accounting guidance for recognizing revenue from ARPs as these programs represent contracts between the utility and its regulators, as opposed to customers. Therefore, revenue from these programs are not within the scope of ASC 606 and regulated utilities are permitted to continue to recognize such revenues in accordance with existing practice but are presented separately from revenue arising from contracts with customers. FirstEnergy currently has ARPs in Ohio, primarily under the DMR, lost distribution and shared savings revenue in 2019, and decoupling revenue in 2020. Please see Note 9, "Regulatory Matters," for further discussion on decoupling revenues in Ohio.

Regulated Transmission

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates at the Transmission Companies, as well as stated transmission rates at MP, PE and WP, although as further discussed in Note 9, "Regulatory Matters," MP, PE and WP filed with FERC on October 29, 2020, to convert their existing stated transmission rates to forward-looking formula rates, effective January 1, 2021. JCP&L had stated rates in 2019, but moved to forward-looking formula rates, subject to a refund, effective January 1, 2020, as further discussed in Note 9, "Regulatory Matters."

Both the forward-looking formula and stated rates recover costs that the regulatory agencies determine are permitted to be recovered and provide a return on transmission capital investment. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. Revenue requirements under stated rates are calculated annually by multiplying the highest one-hour peak load in each respective transmission zone by the approved, stated rate in that zone. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

The following table represents a disaggregation of revenue from contracts with regulated transmission customers for the three and nine months ended September 30, 2020 and 2019, by transmission owner:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Transmission Owner	**2020**	**2019**	**2020**	**2019**
		(In millions)		
ATSI	$ 202	$ 184	$ 598	$ 542
TrAIL	61	55	182	172
MAIT	68	58	183	157
JCP&L	43	40	122	120
Other	34	34	100	99
Total Revenues	$ 408	$ 371	$ 1,185	$ 1,090

3. DISCONTINUED OPERATIONS

FES and FENOC Chapter 11 Bankruptcy Filing

On March 31, 2018, the FES Debtors announced that, in order to facilitate an orderly financial restructuring, they filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court. In September 2018, the Bankruptcy Court approved a FES Bankruptcy settlement agreement by and among FirstEnergy, two groups of key FES creditors (collectively, the FES Key Creditor Groups), the FES Debtors and the UCC. The FES Bankruptcy settlement agreement resolved certain claims by FirstEnergy against the FES Debtors, all claims by the FES Debtors and the FES Key Creditor Groups against FirstEnergy, as well as releases from third parties who voted in favor of the FES Debtors' plan of reorganization, in return for among other things, a cash payment of $853 million upon emergence. The FES Bankruptcy settlement was conditioned on the FES Debtors confirming and effectuating a plan of reorganization acceptable to FirstEnergy.

On February 18, 2020, the FES Debtors and FirstEnergy entered into an IT Access Agreement that provided IT support to enable the FES Debtors to emerge from bankruptcy prior to full IT separation by the FES Debtors. As part of the IT Access Agreement, the FES Debtors and FirstEnergy resolved, among other things, the on-going reconciliation of outstanding tax sharing payments for tax years 2018, 2019 and 2020 for a total of $125 million. On February 25, 2020, the Bankruptcy Court approved the IT Access Agreement. On February 27, 2020, the FES Debtors effectuated their plan, emerged from bankruptcy and FirstEnergy tendered the settlement payments totaling $853 million and the $125 million tax sharing payment to the FES Debtors, with no material impact to net income in 2020.

By eliminating a significant portion of its competitive generation fleet with the deconsolidation of the FES Debtors, FirstEnergy has concluded the FES Debtors meet the criteria for discontinued operations, as this represents a significant event in management’s strategic review to exit commodity-exposed generation and transition to a fully regulated company.

Services Agreement

Pursuant to the FES Bankruptcy settlement agreement, FirstEnergy entered into an amended and restated shared services agreement with the FES Debtors to extend the availability of shared services until June 30, 2020, subject to reductions in services if requested by the FES Debtors, and extensions of time, subject to FirstEnergy’s approval. Under the amended shared services agreement, and consistent with the prior shared services agreements, costs are directly billed or assigned at no more than cost.

As of June 30, 2020, FirstEnergy had substantially ceased providing post-emergence services to FES Debtors under the terms of the amended and restated shared services agreement. In connection with the FES Debtors emergence from bankruptcy, FirstEnergy entered into an amended separation agreement with the FES Debtors to implement the separation of FES Debtors and their businesses from FirstEnergy.

Income Taxes

For U.S. federal income taxes, the FES Debtors were included in FirstEnergy’s consolidated tax return until emergence from bankruptcy on February 27, 2020. As a result of the FES Debtors’ deconsolidation, FirstEnergy recognized a worthless stock deduction for the remaining tax basis in the FES Debtors of approximately $4.9 billion, net of unrecognized tax benefits of $316 million. Tax-effected, the worthless stock deduction is approximately $1 billion, net of valuation allowances recorded against the state tax benefit ($83 million) and the aforementioned unrecognized tax benefits ($72 million).

Additionally, the Tax Act amended Section 163(j) of the Internal Revenue Code, limiting interest expense deductions for corporations but with exemption for certain regulated utilities. Based on interpretation of subsequently issued proposed regulations, FirstEnergy estimated the amount of deductible interest for its consolidated group in 2018 and 2019, with nondeductible portions being carried forward with an indefinite life and for which deferred tax assets were recorded. However, full valuation allowances were recorded against the deferred tax assets related to the carryforward of nondeductible interest as future utilization of the carryforwards requires taxable income from sources other than regulated utility businesses. Final regulations under Section 163(j) were issued in July 2020 but do not materially change these results. All tax expense related to nondeductible interest in 2018 and 2019 was recorded in discontinued operations as it was entirely attributed to the inclusion of the FES Debtors in FirstEnergy's consolidated tax group. Pursuant to certain safe harbor rules in the final regulations under Section 163(j), and due to the FES Debtors' emergence from bankruptcy on February 27, 2020, FirstEnergy expects all interest expense for 2020 to be fully deductible. See Note 7, "Income Taxes" for further information

Upon emergence, FirstEnergy paid the FES Debtors $125 million to settle all reconciliations under the Intercompany Tax Allocation Agreement for 2018, 2019 and 2020 tax years, including all issues regarding nondeductible interest. In September 2020, FirstEnergy filed its 2019 federal income tax return with the IRS and recognized a $6 million charge to discontinued operations in the third quarter of 2020, resulting from final adjustments to intercompany tax sharing related to the FES Debtors.

Competitive Generation Asset Sales

As contemplated under the FES Bankruptcy settlement agreement, AE Supply entered into an agreement on December 31, 2018, to transfer the 1,300 MW Pleasants Power Station and related assets to FG, while retaining certain specified liabilities. Under the terms of the agreement, FG acquired the economic interests in Pleasants as of January 1, 2019, and AE Supply operated Pleasants until ownership was transferred on January 30, 2020. AE Supply will continue to provide access to the McElroy's Run CCR Impoundment Facility, which was not transferred, and FE will provide guarantees for certain retained environmental liabilities of AE Supply, including the McElroy's Run CCR Impoundment Facility. During the first quarter of 2020, FG paid AE Supply approximately $65 million of cash for related materials and supplies (at book value) and the settlement of FG's economic interest in Pleasants.

Summarized Results of Discontinued Operations

Summarized results of discontinued operations for the three and nine months ended September 30, 2020 and 2019, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In millions)	**2020**	**2019**	**2020**	**2019**
Revenues	$ —	$ 62	$ 7	$ 147
Fuel	—	(50)	(6)	(105)
Other operating expenses	—	(16)	(6)	(42)
General taxes	—	(2)	—	(11)
Other income	—	2	5	10
Loss from discontinued operations, before tax	—	(4)	—	(1)
Income tax expense	—	17	—	45
Loss from discontinued operations, net of tax	—	(21)	—	(46)
Settlement Consideration	—	8	(1)	(15)
Accelerated net pension and OPEB prior service credits	—	—	18	—
Gain (loss) on Disposal of FES and FENOC, before tax	—	8	17	(15)
Income tax expense (benefit) including worthless stock deduction	6	(15)	(29)	1
Gain (loss) on disposal of FES and FENOC, net of tax	(6)	23	46	(16)
Income (loss) from discontinued operations	$ (6)	$ 2	$ 46	$ (62)

FirstEnergy's Consolidated Statement of Cash Flows combines cash flows from discontinued operations with cash flows from continuing operations within each cash flow category. For the nine months ended September 30, 2020 and 2019, cash flows from operating activities includes income (loss) from discontinued operations of $46 million and $(62) million, respectively.

4. EARNINGS PER SHARE OF COMMON STOCK

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

During 2019, EPS was computed using the two-class method required for participating securities. The convertible preferred stock issued in January 2018 were considered participating securities since the shares participated in dividends on common stock on an “as-converted” basis. All convertible preferred stock was converted to common stock during 2019.

The two-class method uses an earnings allocation formula that treats participating securities as having rights to earnings that otherwise would have been available only to common stockholders. Under the two-class method, net income attributable to common stockholders is derived by subtracting the following from income from continuing operations:

- preferred stock dividends,
- deemed dividends for the amortization of the beneficial conversion feature recognized at issuance of the preferred stock (if any), and
- an allocation of undistributed earnings between the common stock and the participating securities (convertible preferred stock) based on their respective rights to receive dividends.

Net losses were not allocated to the convertible preferred stock as they did not have a contractual obligation to share in the losses of FirstEnergy. FirstEnergy allocated undistributed earnings based upon income from continuing operations.

Diluted EPS reflects the dilutive effect of potential common shares from share-based awards and convertible shares of preferred stock. The dilutive effect of outstanding share-based awards was computed using the treasury stock method, which assumes any proceeds that could be obtained upon the exercise of the award would be used to purchase common stock at the average market price for the period. The dilutive effect of the convertible preferred stock was computed using the if-converted method, which assumes conversion of the convertible preferred stock at the beginning of the period, giving income recognition for the add-back of the preferred stock dividends, amortization of beneficial conversion feature, and undistributed earnings allocated to preferred stockholders.

The following table reconciles basic and diluted EPS of common stock:

Reconciliation of Basic and Diluted EPS of Common Stock	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
(In millions, except per share amounts)				
EPS of Common Stock				
Income from continuing operations	$ 460	$ 389	$ 791	$ 1,085
Less: Preferred dividends	—	—	—	(3)
Less: Undistributed earnings allocated to preferred stockholders	—	—	—	(4)
Income from continuing operations available to common stockholders	460	389	791	1,078
Discontinued operations, net of tax	(6)	2	46	(62)
Less: Undistributed earnings allocated to preferred stockholders	—	—	—	—
Income (loss) from discontinued operations available to common stockholders	(6)	2	46	(62)
Income available to common stockholders, basic	$ 454	$ 391	$ 837	$ 1,016
Income allocated to preferred shareholders, preferred dilutive	—	—	—	(7)
Income available to common stockholders, dilutive	$ 454	$ 391	$ 837	$ 1,023
Share Count information:				
Weighted average number of basic shares outstanding	542	538	542	533
Assumed exercise of dilutive stock options and awards	1	2	1	2
Assumed conversion of preferred stock	—	2	—	6
Weighted average number of diluted shares outstanding	543	542	543	541
Income available to common stockholders, per common share:				
Income from continuing operations, basic	$ 0.85	$ 0.72	$ 1.46	$ 2.02
Discontinued operations, basic	(0.01)	0.01	0.08	(0.12)
Income available to common stockholders, basic	$ 0.84	$ 0.73	$ 1.54	$ 1.90
Income from continuing operations, diluted	$ 0.85	$ 0.72	$ 1.46	$ 2.00
Discontinued operations, diluted	(0.01)	—	0.08	(0.11)
Income available to common stockholders, diluted	$ 0.84	$ 0.72	$ 1.54	$ 1.89

For the three months ended September 30, 2020, approximately 80 thousand shares from stock options and awards were excluded from the calculation of diluted shares outstanding, as their inclusion would be anti-dilutive. For the three and nine months ended September 30, 2019, no shares from stock options and awards were excluded from the calculation of diluted shares outstanding.

5. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The components of the consolidated net periodic costs (credits) for pension and OPEB were as follows:

Components of Net Periodic Benefit Costs (Credits) For the Three Months Ended September 30,	Pension 2020	Pension 2019	OPEB 2020	OPEB 2019
	(In millions)			
Service costs	$ 47	$ 48	$ 1	$ 1
Interest costs	71	93	4	6
Expected return on plan assets	(156)	(135)	(9)	(7)
Amortization of prior service costs (credits)	1	2	(4)	(9)
Net periodic costs (credits), including amounts capitalized	$ (37)	$ 8	$ (8)	$ (9)
Net periodic credits, recognized in earnings	$ (56)	$ (11)	$ (8)	$ (10)

Components of Net Periodic Benefit Costs (Credits) For the Nine Months Ended September 30,	Pension 2020	Pension 2019	OPEB 2020	OPEB 2019
	(In millions)			
Service costs	$ 147	$ 144	$ 3	$ 3
Interest costs	216	279	12	16
Expected return on plan assets	(464)	(405)	(25)	(21)
Special termination costs [(1)]	—	14	— —	—
Amortization of prior service costs (credits) [(2)]	12	6	(42)	(27)
One-time termination benefit [(3)]	8	—	—	—
Pension and OPEB mark-to-market adjustment	386	—	37	—
Net periodic costs (credits), including amounts capitalized	$ 305	$ 38	$ (15)	$ (29)
Net periodic costs (credits), recognized in earnings	$ 240	$ (19)	$ (15)	$ (30)

(1) Subject to a cap, FirstEnergy agreed to fund a pension enhancement through its pension plan, for voluntary enhanced retirement packages offered to certain FES employees, as well as offer certain other employee benefits. The costs are a component of discontinued operations in FirstEnergy's Consolidated Statements of Income.
(2) 2020 includes the acceleration of $18 million in net credits as a result of the FES Debtors' emergence during the first quarter of 2020 and is a component of discontinued operations in FirstEnergy's Consolidated Statements of Income.
(3) Costs represent additional benefits provided to FES and FENOC employees under the approved settlement agreement and are a component of discontinued operations in FirstEnergy's Consolidated Statements of Income.

FirstEnergy recognizes a pension and OPEB mark-to-market adjustment for the change in fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. Under the approved bankruptcy settlement agreement discussed above, upon emergence, FES and FENOC employees ceased earning years of service under the FirstEnergy pension and OPEB plans. The emergence on February 27, 2020, triggered a remeasurement of the affected pension and OPEB plans and as a result, FirstEnergy recognized a non-cash, pre-tax pension and OPEB mark-to-market adjustment of approximately $423 million in the first quarter of 2020. The pension and OPEB mark-to-market adjustment primarily reflects a 38 bps decrease in the discount rate used to measure benefit obligations from December 31, 2019, partially offset by a slightly higher than expected return on assets.

On February 1, 2019, FirstEnergy made a $500 million voluntary cash contribution to the qualified pension plan. FirstEnergy expects no required contributions through 2021.

Service costs, net of capitalization, are reported within Other operating expenses on FirstEnergy's Consolidated Statements of Income. Non-service costs, other than the pension and OPEB mark-to-market adjustment, which is separately shown, are reported within Miscellaneous income, net, within Other Income (Expense) on FirstEnergy's Consolidated Statements of Income.

6. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables show the changes in AOCI for the three and nine months ended September 30, 2020 and 2019:

	Gains & Losses on Cash Flow Hedges [1]	Defined Benefit Pension & OPEB Plans	Total
		(In millions)	
AOCI Balance, July 1, 2020	$ (8)	$ 8	$ —
Amounts reclassified from AOCI	—	(3)	(3)
Other comprehensive loss	—	(3)	(3)
Income tax benefits on other comprehensive loss	—	(1)	(1)
Other comprehensive loss, net of tax	—	(2)	(2)
AOCI Balance, September 30, 2020	$ (8)	$ 6	$ (2)
AOCI Balance, July 1, 2019	$ (10)	$ 41	$ 31
Amounts reclassified from AOCI	—	(7)	(7)
Other comprehensive loss	—	(7)	(7)
Income tax benefits on other comprehensive loss	—	(3)	(3)
Other comprehensive loss, net of tax	—	(4)	(4)
AOCI Balance, September 30, 2019	$ (10)	$ 37	$ 27

	Gains & Losses on Cash Flow Hedges [1]	Defined Benefit Pension & OPEB Plans	Total
		(In millions)	
AOCI Balance, January 1, 2020	$ (9)	$ 29	$ 20
Amounts reclassified from AOCI	1	(30)	(29)
Other comprehensive income (loss)	1	(30)	(29)
Income tax benefits on other comprehensive loss	—	(7)	(7)
Other comprehensive income (loss), net of tax	1	(23)	(22)
AOCI Balance, September 30, 2020	$ (8)	$ 6	$ (2)
AOCI Balance, January 1, 2019	$ (11)	$ 52	$ 41
Amounts reclassified from AOCI	1	(21)	(20)
Other comprehensive income (loss)	1	(21)	(20)
Income tax benefits on other comprehensive loss	—	(6)	(6)
Other comprehensive income (loss), net of tax	1	(15)	(14)
AOCI Balance, September 30, 2019	$ (10)	$ 37	$ 27

[1] Relates to previous cash flow hedges used to hedge fixed rate long-term debt securities prior to their issuance.

The following amounts were reclassified from AOCI in the three and nine months ended September 30, 2020 and 2019:

Reclassifications from AOCI[(1)]	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019	Affected Line Item in Consolidated Statements of Income
	(In millions)				
Gains & losses on cash flow hedges					
Long-term debt	$ —	$ —	$ 1	$ 1	Interest expense
	$ —	$ —	$ 1	$ 1	Net of tax
Defined benefit pension and OPEB plans					
Prior-service costs	$ (3)	$ (7)	$ (30)	$ (21)	(2)
	1	3	7	6	Income taxes
	$ (2)	$ (4)	$ (23)	$ (15)	Net of tax

(1) Amounts in parenthesis represent credits to the Consolidated Statements of Income from AOCI.

(2) Prior-service costs are reported within Miscellaneous income, net, within Other Income (Expense) on FirstEnergy's Consolidated Statements of Income. Components are included in the computation of net periodic costs (credits), see Note 5, "Pension and Other Post-Employment Benefits."

7. INCOME TAXES

FirstEnergy's interim effective tax rates reflect the estimated annual effective tax rates for 2020 and 2019. These tax rates are affected by estimated annual permanent items, such as AFUDC equity and other flow-through items, as well as discrete items that may occur in any given period but are not consistent from period to period.

FirstEnergy's effective tax rate on continuing operations for the three months ended September 30, 2020 and 2019, was 20.1% and 21.6%, respectively. The change in the effective tax rate was primarily due to various state flow-through items such as the tax treatment of allowance for equity funds used during construction, as well as the amortization of net excess deferred income taxes.

FirstEnergy's effective tax rate on continuing operations for the nine months ended September 30, 2020 and 2019, was 13.4% and 20.6%, respectively. The change in effective tax rate was primarily due to a $52 million reduction in valuation allowances from the recognition of deferred gains on prior intercompany generation asset transfers triggered by the FES Debtors' emergence from bankruptcy and deconsolidation from FirstEnergy's consolidated federal income tax group in the first quarter of 2020, and a $10 million benefit from accelerated amortization of certain investment tax credits in the second quarter of 2020. See Note 3, "Discontinued Operations," for other tax matters relating to the FES Bankruptcy that were recognized in discontinued operations.

During the nine months ended September 30, 2020, FirstEnergy remeasured its reserve for uncertain tax positions for federal and state tax benefits related to the worthless stock deduction, resulting in a net decrease to the reserve of approximately $28 million, none of which had an impact on the effective tax rate. As of September 30, 2020, it is reasonably possible that within the next twelve months FirstEnergy could record a net decrease of approximately $57 million to its reserve for uncertain tax positions due to the expiration of the statute of limitations or resolution with taxing authorities, of which approximately $55 million would impact FirstEnergy's effective tax rate.

On March 27, 2020, the President signed into law the CARES Act, an economic stimulus package in response to the COVID-19 pandemic. The CARES Act contains several corporate income tax provisions, including making remaining AMT credits immediately refundable; providing a 5-year carryback of NOLs generated in tax years 2018, 2019, and 2020, and removing the 80% taxable income limitation on utilization of those NOLs if carried back to prior tax years or utilized in tax years beginning before 2021; and temporarily liberalizing the interest deductibility rules under Section 163(j) of the Tax Act, by raising the adjusted taxable income limitation from 30% to 50% for tax years 2019 and 2020 and giving taxpayers the election of using 2019 adjusted taxable income for purposes of computing 2020 interest deductibility. FirstEnergy has approximately $18 million of refundable AMT credits that will be fully refundable through the CARES Act, however, does not expect to generate additional income tax refunds from the NOL carryback provision and expects interest to be fully deductible starting in 2020. FirstEnergy does not currently expect the other provisions of the CARES Act to have a material effect on current income tax expense or the realizability of deferred income tax assets.

On July 28, 2020, the IRS issued final regulations implementing interest expense deduction limitation rules under section 163(j) of the Internal Revenue Code. The final regulations changed certain rules on the computation of interest expense and limitation amount, as well as rules relevant to status as a regulated utility business and the allocation of consolidated group interest expense between utility and non-utility businesses. After reviewing the final regulations, FirstEnergy recorded a true-up to prior years' reserve estimates during the quarter, which did not have a material impact to FirstEnergy's income statement.

8. FAIR VALUE MEASUREMENTS

RECURRING FAIR VALUE MEASUREMENTS

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

Level 1
- Quoted prices for identical instruments in active market.

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

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

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

FirstEnergy produces a long-term power and capacity price forecast annually with periodic updates as market conditions change. When underlying prices are not observable, prices from the long-term price forecast are used to measure fair value.

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

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

FirstEnergy primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, FirstEnergy maximizes the use of observable inputs and minimizes the use of unobservable inputs. There were no changes in valuation methodologies used as of September 30, 2020, from those used as of December 31, 2019. The determination of the fair value measures takes into consideration various factors, including but not limited to, nonperformance risk, counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of these forms of risk was not significant to the fair value measurements.

The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy:

	September 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In millions)							
Assets								
Corporate debt securities	$ —	$ 135	$ —	$ 135	$ —	$ 135	$ —	$ 135
Derivative assets FTRs[1]	—	—	7	7	—	—	4	4
Equity securities	2	—	—	2	2	—	—	2
U.S. state debt securities	—	274	—	274	—	271	—	271
Other[2]	260	781	—	1,041	627	789	—	1,416
Total assets	$ 262	$ 1,190	$ 7	$ 1,459	$ 629	$ 1,195	$ 4	$ 1,828
Liabilities								
Derivative liabilities FTRs[1]	$ —	$ —	$ —	$ —	$ —	$ —	$ (1)	$ (1)
Derivative liabilities NUG contracts[1]	—	—	—	—	—	—	(16)	(16)
Total liabilities	$ —	$ —	$ —	$ —	$ —	$ —	$ (17)	$ (17)
Net assets (liabilities)[3]	$ 262	$ 1,190	$ 7	$ 1,459	$ 629	$ 1,195	$ (13)	$ 1,811

(1) Contracts are subject to regulatory accounting treatment and changes in market values do not impact earnings.
(2) Primarily consists of short-term cash investments.
(3) Excludes $2 million and $(16) million as of September 30, 2020 and December 31, 2019, respectively, of net receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG contracts and FTRs that are classified as Level 3 in the fair value hierarchy for the periods ended September 30, 2020, and December 31, 2019:

	NUG Contracts[1]			FTRs[1]		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
	(In millions)					
January 1, 2019 Balance	$ —	$ (44)	$ (44)	$ 10	$ (1)	$ 9
Unrealized loss	—	(11)	(11)	(1)	—	(1)
Purchases	—	—	—	6	(4)	2
Settlements	—	39	39	(11)	4	(7)
December 31, 2019 Balance	$ —	$ (16)	$ (16)	$ 4	$ (1)	$ 3
Unrealized loss	—	(3)	(3)	—	—	—
Purchases	—	—	—	7	(2)	5
Settlements	—	19	19	(4)	3	(1)
September 30, 2020 Balance	$ —	$ —	$ —	$ 7	$ —	$ 7

(1) Contracts are subject to regulatory accounting treatment and changes in market values do not impact earnings.

Level 3 Quantitative Information

The following table provides quantitative information for the FTRs contracts that are classified as Level 3 in the fair value hierarchy for the period ended September 30, 2020:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$ 7	Model	RTO auction clearing prices	$ 0.10 to $ 2.40	$1.20	Dollars/MWH

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets at cost, which approximates their fair market value. Investments other than cash and cash equivalents include equity securities, AFS debt securities and other investments. FirstEnergy has no debt securities held for trading purposes.

Generally, unrealized gains and losses on equity securities are recognized in income whereas unrealized gains and losses on AFS debt securities are recognized in AOCI. However, the NDTs and nuclear fuel disposal trusts of JCP&L, ME and PN are subject to regulatory accounting with all gains and losses on equity and AFS debt securities offset against regulatory assets.

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

Nuclear Decommissioning and Nuclear Fuel Disposal Trusts

JCP&L, ME and PN hold debt and equity securities within their respective NDT and nuclear fuel disposal trusts. The debt securities are classified as AFS securities, recognized at fair market value. As further discussed in Note 10, "Commitments, Guarantees and Contingencies", assets and liabilities held for sale on FirstEnergy's Consolidated Balance Sheets associated with the TMI-2 transaction consist of an ARO of $718 million, NDTs of $881 million, as well as property, plant and equipment with a net book value of zero, which are included in the regulated distribution segment.

The following table summarizes the amortized cost basis, unrealized gains, unrealized losses and fair values of investments held in NDT and nuclear fuel disposal trusts as of September 30, 2020, and December 31, 2019:

	September 30, 2020[1]				December 31, 2019[2]			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value [3]	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value [3]
	(In millions)							
Debt securities	$ 406	$ 11	$ (8)	$ 409	$ 403	$ 9	$ (11)	$ 401

[1] Excludes short-term cash investments of $753 million, of which $746 million is classified as held for sale.
[2] Excludes short-term cash investments of $751 million, of which $747 million is classified as held for sale.
[3] Includes $135 million classified as held for sale as of September 30, 2020 and December 31, 2019.

Proceeds from the sale of investments in equity and AFS debt securities, realized gains and losses on those sales and interest and dividend income for the three and nine months ended September 30, 2020 and 2019, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In millions)			
Sale proceeds	$ 6	$ 204	$ 45	$ 506
Realized gains	—	8	4	20
Realized losses	—	(7)	(7)	(18)
Interest and dividend income	4	10	18	30

Other Investments

Other investments include employee benefit trusts, which are primarily invested in corporate-owned life insurance policies and equity method investments. Other investments were $301 million and $299 million as of September 30, 2020, and December 31, 2019, respectively, and are excluded from the amounts reported above.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, FirstEnergy believes that their costs approximate their fair market value. The following table provides the approximate fair value and related carrying amounts of long-term debt, which excludes finance lease obligations and net unamortized debt issuance costs, premiums and discounts as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(In millions)	
Carrying value [1]	$ 22,389	$ 20,074
Fair value	$ 26,161	$ 22,928

[1] The carrying value as of September 30, 2020, includes $3,425 million of debt issuances and $1,110 million of redemptions that occurred in 2020.

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy. FirstEnergy classified short-term borrowings, long-term debt and other long-term obligations as Level 2 in the fair value hierarchy as of September 30, 2020, and December 31, 2019.

9. REGULATORY MATTERS

STATE REGULATION

Each of the Utilities' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the states in which it operates - in Maryland by the MDPSC, in New Jersey by the NJBPU, in Ohio by the PUCO, in Pennsylvania by the PPUC, in West Virginia by the WVPSC and in New York by the NYPSC. The transmission operations of PE in Virginia are subject to certain regulations of the VSCC. In addition, under Ohio law, municipalities may regulate rates of a public utility, subject to appeal to the PUCO if not acceptable to the utility. Further, if any of the FirstEnergy affiliates were to engage in the construction of significant new transmission facilities, depending on the state, they may be required to obtain state regulatory authorization to site, construct and operate the new transmission facility.

MARYLAND

PE operates under MDPSC approved base rates that were effective as of March 23, 2019. PE also provides SOS pursuant to a combination of settlement agreements, MDPSC orders and regulations, and statutory provisions. SOS supply is competitively procured in the form of rolling contracts of varying lengths through periodic auctions that are overseen by the MDPSC and a third-party monitor. Although settlements with respect to SOS supply for PE customers have expired, service continues in the same manner until changed by order of the MDPSC. PE recovers its costs plus a return for providing SOS.

The EmPOWER Maryland program requires each electric utility to file a plan to reduce electric consumption and demand 0.2% per year, up to the ultimate goal of 2% annual savings, for the duration of the 2018-2020 and 2021-2023 EmPOWER Maryland program cycles, to the extent the MDPSC determines that cost-effective programs and services are available. PE's approved 2018-2020 EmPOWER Maryland plan continues and expands upon prior years' programs, and adds new programs, for a projected total cost of $116 million over the three-year period. PE recovers program costs subject to a five-year amortization. Maryland law only allows for the utility to recover lost distribution revenue attributable to energy efficiency or demand reduction programs through a base rate case proceeding, and to date, such recovery has not been sought or obtained by PE. On September 1, 2020, PE filed its proposed plan for the 2021-2023 EmPOWER Maryland program cycle. The new plan largely continues PE's existing programs and is estimated to cost approximately $148 million over the three-year period. The MDPSC had a hearing on the proposed plan in October 2020.

On January 19, 2018, PE filed a joint petition along with other utility companies, work group stakeholders and the MDPSC electric vehicle work group leader to implement a statewide electric vehicle portfolio in connection with a 2016 MDPSC proceeding to consider an array of issues relating to electric distribution system design, including matters relating to electric vehicles, distributed energy resources, advanced metering infrastructure, energy storage, system planning, rate design, and impacts on low-income customers. PE proposed an electric vehicle charging infrastructure program at a projected total cost of $12 million, to be recovered over a five-year amortization. On January 14, 2019, the MDPSC approved the petition subject to certain reductions in the scope of the program. The MDPSC approved PE's compliance filing, which implements the pilot program, with minor modifications, on July 3, 2019.

On August 24, 2018, PE filed a base rate case with the MDPSC, which it supplemented on October 22, 2018, to update the partially forecasted test year with a full twelve months of actual data. The rate case requested an annual increase in base distribution rates of $19.7 million, plus creation of an EDIS to fund four enhanced service reliability programs. In responding to discovery, PE revised its request for an annual increase in base rates to $17.6 million. The proposed rate increase reflected $7.3 million in annual savings for customers resulting from the recent federal tax law changes. On March 22, 2019, the MDPSC issued a final order that approved a rate increase of $6.2 million, approved three of the four EDIS programs for four years, directed PE to file a new depreciation study within 18 months, and ordered the filing of a new base rate case in four years to correspond to the ending of the approved EDIS programs. On September 22, 2020, PE filed its depreciation study that indicated a slight increase in depreciation, and as a result, is seeking that the difference in depreciation be deferred for future recovery in PE's next base rate case. The MDPSC has set the matter for hearing and delegated it to a public utility law judge. On November 6, 2020, an order was issued scheduling evidentiary hearings in April 2021.

Maryland's Governor issued an order on March 16, 2020, forbidding utilities from terminating residential service or charging late fees for non-payment for the duration of the COVID-19 pandemic. On April 9, 2020, the MDPSC issued an order allowing utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic, including incremental uncollectible expense, incurred from the date of the Governor's order (or earlier if the utility could show that the expenses related to suspension of service terminations). On July 8, 2020, the MDPSC issued a notice opening a public conference to collect information from utilities and other stakeholders about the impacts of the COVID-19 pandemic on the utilities and their customers. The MDPSC subsequently issued orders allowing Maryland electric and gas utilities to resume residential service terminations for non-payment on November 15, 2020, subject to various restrictions, and clarifying that utilities could resume charging late fees on October 1, 2020.

NEW JERSEY

JCP&L operates under NJBPU approved rates that were effective as of January 1, 2017. JCP&L provides BGS for retail customers who do not choose a third-party EGS and for customers of third-party EGSs that fail to provide the contracted service. All New Jersey EDCs participate in this competitive BGS procurement process and recover BGS costs directly from customers as a charge separate from base rates.

On April 18, 2019, pursuant to the May 2018 New Jersey enacted legislation establishing a ZEC program to provide ratepayer funded subsidies of New Jersey nuclear energy supply, the NJBPU approved the implementation of a non-bypassable, irrevocable ZEC charge for all New Jersey electric utility customers, including JCP&L's customers. Once collected from customers by JCP&L, these funds will be remitted to eligible nuclear energy generators.

In December 2017, the NJBPU issued proposed rules to modify its current CTA policy in base rate cases to: (i) calculate savings using a five-year look back from the beginning of the test year; (ii) allocate savings with 75% retained by the company and 25% allocated to ratepayers; and (iii) exclude transmission assets of electric distribution companies in the savings calculation, which were published in the NJ Register in the first quarter of 2018. JCP&L filed comments supporting the proposed rulemaking. On January 17, 2019, the NJBPU approved the proposed CTA rules with no changes. On May 17, 2019, the Rate Counsel filed an appeal with the Appellate Division of the Superior Court of New Jersey. JCP&L is contesting this appeal but is unable to predict the outcome of this matter.

Also in December 2017, the NJBPU approved its IIP rulemaking. The IIP creates a financial incentive for utilities to accelerate the level of investment needed to promote the timely rehabilitation and replacement of certain non-revenue producing components that enhance reliability, resiliency, and/or safety. On May 8, 2019, the NJBPU approved a Stipulation of Settlement submitted by JCP&L, Rate Counsel, NJBPU Staff and New Jersey Large Energy Users Coalition to implement JCP&L's infrastructure plan, JCP&L Reliability Plus. The plan provides that JCP&L will invest up to approximately $97 million in capital investments beginning on June 1, 2019 through December 31, 2020, to enhance the reliability and resiliency of JCP&L's distribution system and reduce the frequency and duration of power outages. JCP&L shall seek recovery of the capital investment through an accelerated cost recovery mechanism, provided for in the rules, that includes a revenue adjustment calculation and a process for two rate adjustments. The NJBPU approved adjusted rates that took effect on March 1, 2020. As further discussed below, JCP&L will recover the IIP capital investments as part of its distribution base rate case.

On February 18, 2020, JCP&L submitted a filing with the NJBPU requesting a distribution base rate increase of $186.9 million on an annual basis, which represents an overall average increase in JCP&L rates of 7.8%. The filing seeks to recover certain costs associated with providing safe and reliable electric service to JCP&L customers, along with recovery of previously incurred storm costs. JCP&L proposed a rate effective date of March 19, 2020. The NJBPU issued orders suspending JCP&L's proposed rates until November 19, 2020. JCP&L filed updates to the requested distribution base rate in both June and July 2020, resulting in JCP&L seeking a total annual distribution base rate increase of approximately $185 million. On October 16, 2020, the parties submitted a stipulation of settlement to the administrative law judge, providing for, among other things, a $94 million annual base distribution revenues increase for JCP&L based on an ROE of 9.6%, which will become effective for customers on November 1, 2021. Until the rates become effective, and starting on January 1, 2021, JCP&L will be permitted to amortize an existing regulatory liability totaling approximately $86 million to offset the base rate increase that otherwise would have occurred in this period. The parties also agreed that the actual net gain from the sale of JCP&L's interest in the Yards Creek pumped-storage hydro generation facility in New Jersey (210 MWs), as further discussed below, shall be applied to reduce JCP&L's existing regulatory asset for previously deferred storm costs. On October 22, 2020, the administrative law judge entered an initial decision adopting the settlement. On October 28, 2020, the NJBPU approved the settlement and ordered an upcoming management audit for JCP&L.

On April 6, 2020, JCP&L signed an asset purchase agreement with Yards Creek Energy, LLC, a subsidiary of LS Power to sell its 50% interest in the Yards Creek pumped-storage hydro generation facility. Subject to terms and conditions of the agreement, the base purchase price is $155 million. Completion of the transaction is subject to several closing conditions, including approval by the NJBPU and FERC. On July 31, 2020, FERC approved the transfer of JCP&L's interest in the hydroelectric operating license. On October 8, 2020, FERC issued an order authorizing the transfer of JCP&L's ownership interest in the hydroelectric facilities. There can be no assurance that all closing conditions will be satisfied or that the transaction will be consummated. JCP&L currently anticipates closing of the transaction to occur in the next few months. Assets held for sale on FirstEnergy's Consolidated Balance Sheets associated with the transaction consist of property, plant and equipment of $44 million, which is included in the regulated distribution segment. On October 28, 2020, the NJBPU approved the sale of Yards Creek.

On August 27, 2020, JCP&L filed an AMI Program with the NJBPU, which proposes the deployment of approximately 1.2 million advanced meters over a three-year period beginning on January 1, 2023, at a total cost of approximately $418 million, including the pre-deployment phase. The 3-year deployment is part of the 20 year AMI Program that is expected to cost a total of approximately $732 million and proposes a cost recovery mechanism through a separate AMI tariff rider.

On June 10, 2020, the NJBPU issued an order establishing a framework for the filing of utility-run energy efficiency and peak demand reduction programs in accordance with the New Jersey Clean Energy Act. Under the established framework, JCP&L will recover its program investments over a ten year amortization period and its operations and maintenance expenses on an annual basis, be eligible to receive lost revenues on energy savings that resulted from its programs and be eligible for incentives or subject to penalties based on its annual program performance, beginning in the fifth year of its program offerings. On September 25, 2020, JCP&L filed its energy efficiency and peak demand reduction program. JCP&L's program consists of 11 energy efficiency and peak demand reduction programs and subprograms to be run from July 1, 2021 through June 30, 2024. The program also seeks approval of cost recovery totaling approximately $230 million as well as lost revenues associated with the energy savings resulting from the programs.

On July 2, 2020, the NJBPU issued an order allowing New Jersey utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic beginning March 9, 2020 through September 30, 2021, or until the Governor issues an order stating that the COVID-19 pandemic is no longer in effect. New Jersey utilities can request recovery of such regulatory asset in a stand-alone COVID-19 regulatory asset filing or future base rate case. On August 21, 2020, the Governor of New Jersey issued a press release announcing that the New Jersey utilities agreed to extend their voluntary moratorium preventing shutoffs to both residential and commercial customers during the COVID-19 pandemic until October 15, 2020. On October 15, 2020, the Governor issued an Executive Order prohibiting utilities from terminating service to any residential gas, electric, public and private water customer, through March 15, 2021, requiring the reconnection of certain customers, and disallowing the charging of late payment charges or reconnection fees during the public health emergency. On October 28, 2020, the NJBPU issued an order expanding the scope of the proceeding to examine all pandemic issues, including recovery of the COVID-19 regulatory assets, by way of a generic proceeding. Comments are due by November 30, 2020.

The recent credit rating actions taken on October 28, 2020, by S&P and Fitch triggered a requirement from various NJBPU orders that JCP&L file a mitigation plan, which was filed on November 5, 2020, to demonstrate that JCP&L has sufficient liquidity to meet its BGS obligations. On November 18, 2020, the NJBPU scheduled a public hearing on the mitigation plan for December 11, 2020.

OHIO

The Ohio Companies operate under base distribution rates approved by the PUCO effective in 2009. The Ohio Companies' residential and commercial base distribution revenues are decoupled, through a mechanism that took effect on February 1, 2020, to the base distribution revenue and lost distribution revenue associated with energy efficiency and peak demand reduction programs recovered as of the twelve-month period ending on December 31, 2018. The Ohio Companies currently operate under ESP IV effective June 1, 2016, and continuing through May 31, 2024, that continues the supply of power to non-shopping customers at a market-based price set through an auction process. ESP IV also continues the DCR rider, which supports continued investment related to the distribution system for the benefit of customers, with increased revenue caps of $20 million per year from June 1, 2019 through May 31, 2022; and $15 million per year from June 1, 2022 through May 31, 2024. In addition, ESP IV includes: (1) continuation of a base distribution rate freeze through May 31, 2024; (2) the collection of lost distribution revenues associated with energy efficiency and peak demand reduction programs; (3) a goal across FirstEnergy to reduce CO_2 emissions by 90% below 2005 levels by 2045; and (4) contributions, totaling $51 million to: (a) fund energy conservation programs, economic development and job retention in the Ohio Companies' service territories; (b) establish a fuel-fund in each of the Ohio Companies' service territories to assist low-income customers; and (c) establish a Customer Advisory Council to ensure preservation and growth of the competitive market in Ohio. ESP IV further provided for the Ohio Companies to collect through the DMR $132.5 million annually for three years beginning in 2017, grossed up for federal income taxes, resulting in an approved amount of approximately $168 million annually in 2018 and 2019. On appeal, the SCOH, on June 19, 2019, reversed the PUCO's determination that the DMR is lawful, and remanded the matter to the PUCO with instructions to remove the DMR from ESP IV. On August 20, 2019, the SCOH denied the Ohio Companies' motion for reconsideration. The PUCO entered an order directing the Ohio Companies to cease further collection through the DMR, credit back to customers a refund of the DMR funds collected since July 2, 2019, and remove the DMR from ESP IV. On July 15, 2019, OCC filed a Notice of Appeal with the SCOH, challenging the PUCO's exclusion of the DMR revenues from the determination of the existence of significantly excessive earnings under ESP IV for calendar year 2017 and claiming a $42 million refund is due to OE customers. The Ohio Companies are contesting this appeal but are unable to predict the outcome of this matter. The SCOH heard the argument on this matter on May 12, 2020.

On July 23, 2019, Ohio enacted legislation establishing support for nuclear energy supply in Ohio. In addition to the provisions supporting nuclear energy, the legislation included a provision implementing a decoupling mechanism for Ohio electric utilities and ending current energy efficiency program mandates on December 31, 2020, provided that statewide energy efficiency mandates are achieved as determined by the PUCO. On February 26, 2020, the PUCO ordered that a wind-down of statutorily required energy efficiency programs shall commence on September 30, 2020, and the programs shall terminate on December 31, 2020, and that the Ohio Companies' existing portfolio plans are extended through 2020 without changes.

On November 21, 2019, the Ohio Companies applied to the PUCO for approval of a decoupling mechanism, which would set residential and commercial base distribution related revenues at the levels collected in 2018. As such, those base distribution revenues would no longer be based on electric consumption, which allows continued support of energy efficiency initiatives while also providing revenue certainty to the Ohio Companies. On January 15, 2020, the PUCO approved the Ohio Companies' decoupling application, and the decoupling mechanism took effect on February 1, 2020. Various Ohio House and Senate Bills were introduced in the third quarter of 2020 to, among other things, repeal HB 6, the legislation that established support for nuclear energy supply in Ohio, provided for a decoupling mechanism for Ohio electric utilities, and provided for the ending of current energy efficiency program mandates. FirstEnergy is unable to predict the outcome of the legislative activity in response to the investigation of HB 6, however, a repeal of the decoupling provision of HB 6 is reasonably possible. As of September 30, 2020, the uncollected amount recognized as a regulatory asset on FirstEnergy's Consolidated Balance Sheet from the decoupling mechanism was approximately $100 million. However, absent the decoupling mechanism and other provisions of HB 6, it is expected that the Ohio Companies would have collected lost distribution revenues estimated at approximately $63 million for the nine months ended September 30, 2020, for a pre-tax net impact of approximately $37 million. Furthermore, as FirstEnergy would not have financially benefited from the zero nuclear credit included in HB 6, there is no expected impact to FirstEnergy due to the repeal of that provision in HB 6. On November 2, 2020, the Ohio Companies filed their annual update to the Ohio decoupling rider with an estimated annual revenue requirement of approximately $113 million with a proposed effective date of January 1, 2021, unless otherwise ordered by the PUCO.

On July 17, 2019, the PUCO approved, with no material modifications, a settlement agreement that provides for the implementation of the Ohio Companies' first phase of grid modernization plans, including the investment of $516 million over three years to modernize the Ohio Companies' electric distribution system, and for all tax savings associated with the Tax Act to flow back to customers. The settlement had broad support, including PUCO Staff, the OCC, representatives of industrial and commercial customers, a low-income advocate, environmental advocates, hospitals, competitive generation suppliers and other parties.

In March 2020, the PUCO issued entries directing utilities to review their service disconnection and restoration policies and suspend, for the duration of the COVID-19 pandemic, otherwise applicable requirements that may impose a service continuity hardship or service restoration hardship on customers. The Ohio Companies are utilizing their existing approved cost recovery mechanisms where applicable to address the financial impacts of these directives. On July 31, 2020, the Ohio Companies filed with the PUCO their transition plan and requests for waivers to allow for the safe resumption of normal business operations, including service disconnections for non-payment, on or after September 15, 2020. On September 23, 2020, the PUCO approved the Ohio Companies' transition plan, including approval of the resumption of service disconnections for non-payment, which the Ohio Companies began on October 5, 2020.

On July 29, 2020, the PUCO consolidated the Ohio Companies' Applications for determination of the existence of significantly excessive earnings, or SEET, under ESP IV for calendar years 2018 and 2019, which had been previously filed on July 15, 2019, and May 15, 2020, respectively, and set a procedural schedule with evidentiary hearings scheduled for October 29, 2020. The calculations included in the Ohio Companies' SEET filings for calendar years 2018 and 2019 demonstrate that the Ohio Companies did not have significantly excessive earnings, however, FirstEnergy and the Ohio Companies are unable to predict the PUCO's ultimate determination of the applications. On August 3, 2020, the OCC filed an interlocutory appeal asking the PUCO to stay the SEET proceeding until the SCOH determines whether DMR should be excluded from the SEET, as further discussed above. Furthermore, on July 29, 2020, Ohio House Bill 740 was introduced, which would repeal legislation passed last year that permitted the Ohio Companies to file their SEET results on a consolidated basis instead of on an individual company basis. On September 4, 2020, the PUCO opened its quadrennial review of ESP IV, consolidated it with the Ohio Companies' 2018 and 2019 SEET Applications, and set a procedural schedule for the consolidated matters. On October 29, 2020, the PUCO issued an entry extending the deadline for the Ohio Companies to file quadrennial review of ESP IV testimony to March 1, 2021, with the evidentiary hearings to commence no sooner than May 3, 2021.

On September 8, 2020, the OCC filed motions in the Ohio Companies' Corporate Separation Audit and Rider DMR Audit dockets, requesting the PUCO to open an investigation and management audit, hire an independent auditor, and require FirstEnergy to show it did not improperly use money collected from consumers or violate any utility regulatory laws, rules or orders in its activities regarding HB 6. The Ohio Companies' filed a response in opposition to the OCC's motions on September 23, 2020.

On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, directing the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by ratepayers. The Ohio Companies filed a response on September 30, 2020, stating that any political and charitable spending in support of HB 6 or the subsequent referendum were not included in rates or charges paid for by its customers. Several parties requested that the PUCO broaden the scope of the review of political and charitable spending.

In connection with an on-going audit of the Ohio Companies' policies and procedures relating to the code of conduct rules between affiliates, on November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the FirstEnergy leadership transition announcement made on October 29, 2020, further discussed below. The additional audit is to ensure compliance by the Ohio Companies and their affiliates with corporate separation laws and the Ohio Companies' Corporate Separation Plan. The additional audit is for the period from November 2016 through October 2020, and the PUCO intends to select an auditor by December 2, 2020, with a final audit report to be filed in April 2021.

See Note 10, "Commitments, Guarantees and Contingencies" for additional details on the government investigation and subsequent litigation surrounding the investigation of HB 6.

PENNSYLVANIA

The Pennsylvania Companies operate under rates approved by the PPUC, effective as of January 27, 2017. These rates were adjusted for the net impact of the Tax Act, effective March 15, 2018. The net impact of the Tax Act for the period January 1, 2018 through March 14, 2018 was separately tracked and its treatment will be addressed in a future rate proceeding. The Pennsylvania Companies operate under DSPs for the June 1, 2019 through May 31, 2023 delivery period, which provide for the competitive procurement of generation supply for customers who do not choose an alternative EGS or for customers of alternative EGSs that fail to provide the contracted service. Under the 2019-2023 DSPs, supply will be provided by wholesale suppliers through a mix of 3, 12 and 24-month energy contracts, as well as two RFPs for 2-year SREC contracts for ME, PN and Penn.

Pursuant to Pennsylvania Act 129 of 2008 and PPUC orders, Pennsylvania EDCs implement energy efficiency and peak demand reduction programs. The Pennsylvania Companies' Phase III EE&C plans for the June 2016 through May 2021 period, which were approved in March 2016, with expected costs up to $390 million, are designed to achieve the targets established in the PPUC's Phase III Final Implementation Order with full recovery through the reconcilable EE&C riders. On June 18, 2020, the PPUC entered a Final Implementation Order for a Phase IV EE&C Plan, operating from June 2021 through May 2026. The Final Implementation Order set demand reduction targets, relative to 2007 to 2008 peak demands, at 2.9% MW for ME, 3.3% MW for PN, 2.0% MW for Penn, and 2.5% MW for WP; and energy consumption reduction targets, as a percentage of the Pennsylvania Companies' historic 2009 to 2010 reference load at 3.1% MWH for ME, 3.0% MWH for PN, 2.7% MWH for Penn, and 2.4% MWH for WP. Phase IV plans must be filed by November 30, 2020.

Pennsylvania EDCs may file with the PPUC for approval of an LTIIP for infrastructure improvements and costs related to highway relocation projects, after which a DSIC may be approved to recover LTIIP costs. On August 30, 2019, the Pennsylvania Companies filed Petitions for approval of new LTIIPs for the five-year period beginning January 1, 2020 and ending December 31, 2024 for a total capital investment of approximately $572 million for certain infrastructure improvement initiatives. On January 16, 2020, the PPUC approved the LTIIPs without modification. The Pennsylvania Companies' approved DSIC riders for quarterly cost recovery went into effect July 1, 2016. On August 30, 2019, Penn filed a Petition seeking approval of a waiver of the statutory DSIC cap of 5% of distribution rate revenue and approval to increase the maximum allowable DSIC to 11.81% of distribution rate revenue for the five-year period of its proposed LTIIP. On March 12, 2020, an order was entered approving a settlement by all parties to that case which provides for a temporary increase in the recoverability cap from 5% to 7.5%, to expire on the earlier of the effective date of new base rates following Penn's next base rate case or the expiration of its LTIIP II program.

Following the Pennsylvania Companies' 2016 base rate proceedings, the PPUC ruled in a separate proceeding related to the DSIC mechanisms that the Pennsylvania Companies were not required to reflect federal and state income tax deductions related to DSIC-eligible property in DSIC rates, which decision was appealed by the Pennsylvania OCA to the Pennsylvania Commonwealth Court. The Commonwealth Court reversed the PPUC's decision and remanded the matter to require the Pennsylvania Companies to revise their tariffs and DSIC calculations to include ADIT and state income taxes. On April 7, 2020, the Pennsylvania Supreme Court issued an order granting Petitions for Allowance of Appeal by both the PPUC and the Pennsylvania Companies of the Commonwealth Court's Opinion and Order. Briefs and Reply Briefs of the parties were filed, and oral argument before the Supreme Court was held on October 21, 2020. An adverse ruling by the Pennsylvania Supreme Court is not expected to result in a material impact to FirstEnergy.

The PPUC issued an order on March 13, 2020, forbidding utilities from terminating service for non-payment for the duration of the COVID-19 pandemic. On May 13, 2020, the PPUC issued a Secretarial letter directing utilities to track all prudently incurred incremental costs arising from the COVID-19 pandemic, and to create a regulatory asset for future recovery of incremental uncollectibles incurred as a result of the COVID-19 pandemic and termination moratorium. On October 13, 2020, the PPUC entered an order lifting the service termination moratorium effective November 9, 2020 subject to certain additional notification, payment procedures and exceptions, and permits the Pennsylvania Companies to create a regulatory asset for all incremental expenses associated with their compliance with the order. Customers with income levels at 300% of federal poverty income guidelines and below are not subject to termination through March 31, 2021 as long as they apply for assistance programs and payment arrangements. Utilities may create a regulatory asset for all incremental expenses associated with their compliance with the order. On October 27, 2020, several stakeholders filed a joint petition for clarification of the order. Answers to the joint petition for clarification were due on November 6, 2020.

WEST VIRGINIA

MP and PE provide electric service to all customers through traditional cost-based, regulated utility ratemaking and operate under rates approved by the WVPSC effective February 2015. MP and PE recover net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. MP's and PE's ENEC rate is updated annually.

On March 13, 2020, the WVPSC urged all utilities to suspend utility service terminations except where necessary as a matter of safety or where requested by the customer. On May 15, 2020, the WVPSC issued an order to authorize MP and PE to record a deferral of additional, extraordinary costs directly related to complying with the various COVID-19 government shut-down orders and operational precautions, including impacts on uncollectible expense and cash flow related to temporary discontinuance of service terminations for non-payment and any credits to minimum demand charges associated with business customers adversely impacted by shut-downs or temporary closures related to the pandemic. MP and PE resumed disconnection activity for commercial and industrial customers on September 15, 2020, and for residential customers on November 4, 2020.

On August 28, 2020, MP and PE filed with the WVPSC their annual ENEC case requesting a decrease in ENEC rates of $55 million beginning January 1, 2021, representing a 4% decrease in rates compared to those in effect on August 28, 2020. The decrease in the ENEC rates is net of recovering approximately $10.5 million in previously deferred, incremental uncollectible and other related costs resulting from the COVID-19 pandemic. A hearing is set to begin on December 2, 2020, and an order is expected in December 2020.

Also on August 28, 2020, MP and PE filed with the WVPSC for recovery of costs associated with modernization and improvement program for their coal-fired boilers. The proposed annual revenue increase for these environmental compliance projects is $5 million beginning January 1, 2021. A hearing is set to begin on December 2, 2020.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters, including construction and operation of hydroelectric projects. With respect to their wholesale services and rates, the Utilities, AE Supply and the Transmission Companies are subject to regulation by FERC. FERC regulations require JCP&L, MP, PE, WP and the Transmission Companies to provide open access transmission service at FERC-approved rates, terms and conditions. Transmission facilities of JCP&L, MP, PE, WP and the Transmission Companies are subject to functional control by PJM and transmission service using their transmission facilities is provided by PJM under the PJM Tariff.

FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. The Utilities and AE Supply each have been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although in the case of the Utilities major wholesale purchases remain subject to review and regulation by the relevant state commissions.

Federally enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on the Utilities, AE Supply, and the Transmission Companies. NERC is the ERO designated by FERC to establish and enforce these reliability standards, although NERC has delegated day-to-day implementation and enforcement of these reliability standards to six regional entities, including RFC. All of the facilities that FirstEnergy operates are located within the RFC region. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy believes that it is in material compliance with all currently effective and enforceable reliability standards. Nevertheless, in the course of operating its extensive electric utility systems and facilities, FirstEnergy occasionally learns of isolated facts or circumstances that could be interpreted as excursions from the reliability standards. If and when such occurrences are found, FirstEnergy develops information about the occurrence and develops a remedial response to the specific circumstances, including in appropriate cases "self-reporting" an occurrence to RFC. Moreover, it is clear that NERC, RFC and FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. Any inability on FirstEnergy's part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, or obligations to upgrade or build transmission facilities, that could have a material adverse effect on its financial condition, results of operations and cash flows.

ATSI Transmission Formula Rate

On May 1, 2020, ATSI filed amendments to its formula rate to recover regulatory assets for certain costs that ATSI incurred as a result of its 2011 move from MISO to PJM, certain costs allocated to ATSI by FERC for transmission projects that were constructed by other MISO transmission owners, certain income tax-related adjustments, including, but not limited to impacts from the Tax Act discussed further below, and certain costs for transmission-related vegetation management programs. The amount on FirstEnergy's Consolidated Balance Sheet for these regulatory assets was approximately $76 million and $73 million, as of September 30, 2020 and December 31, 2019, respectively. Per prior FERC orders, ATSI included a “cost-benefit study” to support recovery of ATSI’s costs to move to PJM, and the MISO transmission project costs that were allocated to ATSI. Certain intervenors filed protests of the formula rate amendments on May 29, 2020, and ATSI filed a reply on June 15, 2020. On June 30, 2020, FERC issued an initial order accepting the tariff amendments subject to refund, suspending the effective date for five months to be effective December 1, 2020, and setting the matter for hearing and settlement proceedings. ATSI is engaged in settlement negotiations with the other parties.

FERC Actions on Tax Act

On March 15, 2018, FERC initiated proceedings on the question of how to address possible changes to ADIT and bonus depreciation as a result of the Tax Act. Such possible changes could impact FERC-jurisdictional rates, including transmission rates. On November 21, 2019, FERC issued a final rule (Order No. 864). Order No. 864 requires utilities with transmission formula rates to update their formula rate templates to include mechanisms to (i) deduct any excess ADIT from or add any deficient ADIT to their rate base; (ii) raise or lower their income tax allowances by any amortized excess or deficient ADIT; and (iii) incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT. Per FERC directives, ATSI submitted its compliance filing on May 1, 2020. MAIT submitted its compliance filing on June 1, 2020. Certain intervenors filed protests of the compliance filings, to which ATSI and MAIT responded. On October 28, 2020, FERC Staff requested additional information about ATSI’s proposed rate base adjustment mechanism. ATSI has 30 days to respond in writing to FERC Staff’s request. On May 15, 2020, TrAIL submitted its compliance filing and on June 1, 2020, PATH submitted its required compliance filing. These compliance filings each remain pending before FERC. MP, WP and PE (as holders of a “stated” transmission rate) are addressing these requirements in the transmission formula rates amendments that were filed on October 29, 2020. JCP&L is addressing these requirements as part of its pending transmission formula rate case.

Transmission ROE Methodology

FERC’s methodology for calculating electric transmission utility ROE has been in transition as a result of an April 14, 2017 ruling by the D.C. Circuit that vacated FERC’s then-effective methodology. On October 16, 2018, FERC issued an order in which it proposed a revised ROE methodology. FERC proposed that, for complaint proceedings alleging that an existing ROE is not just and reasonable, FERC will rely on three financial models - discounted cash flow, capital-asset pricing, and expected earnings - to establish a composite zone of reasonableness to identify a range of just and reasonable ROEs. FERC then will utilize the transmission utility’s risk relative to other utilities within that zone of reasonableness to assign the transmission utility to one of three quartiles within the zone. FERC would take no further action (i.e., dismiss the complaint) if the existing ROE falls within the identified quartile. However, if the replacement ROE falls outside the quartile, FERC would deem the existing ROE presumptively unjust and unreasonable and would determine the replacement ROE. FERC would add a fourth financial model risk premium to the analysis to calculate a ROE based on the average point of central tendency for each of the four financial models. On March 21, 2019, FERC established NOIs to collect industry and stakeholder comments on the revised ROE methodology that is described in the October 16, 2018 decision, and also whether to make changes to FERC’s existing policies and practices for awarding transmission rates incentives. On November 21, 2019, FERC announced in a complaint proceeding involving MISO utilities that FERC would rely on the discounted cash flow and capital-asset pricing models as the basis for establishing ROE. Certain parties, including the Utilities, sought rehearing of FERC’s decision in the MISO utilities proceeding and, on May 21, 2020, FERC issued Opinion No. 569-A that changed FERC’s ROE methodology. Under this methodology FERC established an ROE that is based on three financial models – discounted cash flow, capital-asset pricing, and risk premium – to calculate a composite zone of reasonableness. FERC noted that utilities could, in utility-specific proceedings, ask to have the expected earnings methodology included in calculating the utility’s authorized ROE. FERC also noted that, going forward, it will divide that zone into three equal parts, to be used for high risk, normal risk, and low risk utilities. A given utility will be assigned to one of these three parts of the zone of reasonableness, and its ROE will be set at the median or midpoint of the other utilities that are in the applicable third of the zone. FirstEnergy filed a request for rehearing, which FERC denied on July 22, 2020. FirstEnergy also initiated appellate proceedings of FERC’s Opinion Nos. 569 and 569-A, as did a number of other parties. These proceedings are pending before the United States Court of Appeals for the District of Columbia Circuit. Any changes to FERC’s transmission rate ROE and incentive policies would be applied on a prospective basis.

On March 20, 2020, FERC initiated a rulemaking proceeding on the transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act. Initial comments were submitted July 1, 2020, and reply comments were filed on July 16, 2020. FirstEnergy participated through EEI and through a consortium of PJM Transmission Owners. This proceeding is pending before FERC.

JCP&L Transmission Formula Rate

On October 30, 2019, JCP&L filed tariff amendments with FERC to convert JCP&L’s existing stated transmission rate to a forward-looking formula transmission rate. JCP&L requested that the tariff amendments become effective January 1, 2020. On December 19, 2019, FERC issued its initial order in the case, allowing JCP&L to transition to a forward-looking formula rate as of January 1, 2020 as requested, subject to refund, pending further hearing and settlement proceedings. JCP&L and the parties to the FERC proceeding are engaged in settlement negotiations.

Allegheny Power Zone Transmission Formula Rate Filings

On October 29, 2020, MP, PE and WP filed tariff amendments with FERC to convert their existing stated transmission rate to a forward-looking formula transmission rate, effective January 1, 2021. In addition, on October 30, 2020, KATCo filed a proposed new tariff to establish a forward-looking formula rate, and requested that the new rate become effective January 1, 2021. In its filing, KATCo explained that while it currently owns no transmission assets, it may build new transmission facilities in the Allegheny zone, and that it may seek required state and federal authorizations to acquire transmission assets from PE and WP by January 1, 2022. These transmission rate filings are pending before FERC. FirstEnergy intends to include KATCo in the Regulated Transmission reportable segment.

10. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

FirstEnergy has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. FirstEnergy enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party.

As of September 30, 2020, outstanding guarantees and other assurances aggregated approximately $1.7 billion, consisting of parental guarantees on behalf of its consolidated subsidiaries ($1.0 billion), other guarantees ($114 million) and other assurances ($502 million).

COLLATERAL AND CONTINGENT-RELATED FEATURES

In the normal course of business, FE and its subsidiaries may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require FE or its subsidiaries to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon FE's or its subsidiaries' credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty.

Certain agreements entered into by FE and its subsidiaries have margining provisions that require posting of collateral. As of September 30, 2020, $1 million of collateral has been posted by FE or its subsidiaries.

These credit-risk-related contingent features stipulate that if the subsidiary were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. The following table discloses the potential additional credit rating contingent contractual collateral obligations as of September 30, 2020:

Potential Collateral Obligations	**Utilities and FET**	**FE**	**Total**
		(In millions)	
Contractual Obligations for Additional Collateral			
Upon Further Downgrade (1)	$ 40	$ —	$ 40
Surety Bonds (Collateralized Amount) (2)	66	257	323
Total Exposure from Contractual Obligations	$ 106	$ 257	$ 363

(1) As a result of certain credit rating downgrades in October 2020, FirstEnergy may be required to provide $4.5 million in collateral.
(2) Surety Bonds are not tied to a credit rating. Surety Bonds' impact assumes maximum contractual obligations (typical obligations require 30 days to cure).

OTHER COMMITMENTS AND CONTINGENCIES

FE is a guarantor under a $120 million syndicated senior secured term loan facility due November 12, 2024, under which Global Holding's outstanding principal balance is $114million as of September 30, 2020. In addition to FE, Signal Peak, Global Rail, Global Mining Group, LLC and Global Coal Sales Group, LLC, each being a direct or indirect subsidiary of Global Holding, continue to provide their joint and several guaranties of the obligations of Global Holding under the facility.

In connection with the facility, 69.99% of Global Holding's direct and indirect membership interests in Signal Peak, Global Rail and their affiliates along with FEV's and WMB Marketing Ventures, LLC's respective 33-1/3% membership interests in Global Holding, are pledged to the lenders under the current facility as collateral.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While FirstEnergy's environmental policies and procedures are designed to achieve compliance with applicable environmental laws and regulations, such laws and regulations are subject to periodic review and potential revision by the implementing agencies. FirstEnergy cannot predict the timing or ultimate outcome of any of these reviews or how any future actions taken as a result thereof may materially impact its business, results of operations, cash flows and financial condition.

Clean Air Act

FirstEnergy complies with SO_2 and NOx emission reduction requirements under the CAA and SIP(s) by burning lower-sulfur fuel, utilizing combustion controls and post-combustion controls and/or using emission allowances.

CSAPR requires reductions of NOx and SO_2 emissions in two phases (2015 and 2017), ultimately capping SO_2 emissions in affected states to 2.4 million tons annually and NOx emissions to 1.2 million tons annually. CSAPR allows trading of NOx and SO_2 emission allowances between power plants located in the same state and interstate trading of NOx and SO_2 emission allowances with some restrictions. The D.C. Circuit ordered the EPA on July 28, 2015, to reconsider the CSAPR caps on NOx and SO_2 emissions from power plants in 13 states, including Ohio, Pennsylvania and West Virginia. This follows the 2014 U.S. Supreme Court ruling generally upholding the EPA's regulatory approach under CSAPR, but questioning whether the EPA required upwind states to reduce emissions by more than their contribution to air pollution in downwind states. The EPA issued a CSAPR update rule on September 7, 2016, reducing summertime NOx emissions from power plants in 22 states in the eastern U.S., including Ohio, Pennsylvania and West Virginia, beginning in 2017. Various states and other stakeholders appealed the CSAPR update rule to the D.C. Circuit in November and December 2016. On September 13, 2019, the D.C. Circuit remanded the CSAPR update rule to the EPA citing that the rule did not eliminate upwind states' significant contributions to downwind states' air quality attainment requirements within applicable attainment deadlines. Depending on the outcome of the appeals, the EPA's reconsideration of the CSAPR update rule and how the EPA and the states ultimately implement CSAPR, the future cost of compliance may materially impact FirstEnergy's operations, cash flows and financial condition.

In February 2019, the EPA announced its final decision to retain without changes the NAAQS for SO_2, specifically retaining the 2010 primary (health-based) 1-hour standard of 75 PPB. As of September 30, 2020, FirstEnergy has no power plants operating in areas designated as non-attainment by the EPA.

In March 2018, the State of New York filed a CAA Section 126 petition with the EPA alleging that NOx emissions from nine states (including West Virginia) significantly contribute to New York's inability to attain the ozone NAAQS. The petition seeks suitable emission rate limits for large stationary sources that are affecting New York's air quality within the three years allowed by CAA Section 126. On September 20, 2019, the EPA denied New York's CAA Section 126 petition. On October 29, 2019, the State of New York appealed the denial of its petition to the D.C. Circuit. On July 14, 2020, the D.C. Circuit reversed and remanded the New York petition to the EPA for further consideration. FirstEnergy is unable to predict the outcome of these matters or estimate the loss or range of loss.

Climate Change

There are a number of initiatives to reduce GHG emissions at the state, federal and international level. Certain northeastern states are participating in the RGGI and western states led by California, have implemented programs, primarily cap and trade mechanisms, to control emissions of certain GHGs. Additional policies reducing GHG emissions, such as demand reduction programs, renewable portfolio standards and renewable subsidies have been implemented across the nation.

At the international level, the United Nations Framework Convention on Climate Change resulted in the Kyoto Protocol requiring participating countries, which does not include the U.S., to reduce GHGs commencing in 2008 and has been extended through 2020. The Obama Administration submitted in March 2015, a formal pledge for the U.S. to reduce its economy-wide GHG emissions by 26 to 28 percent below 2005 levels by 2025. In 2015, FirstEnergy set a goal of reducing company-wide CO_2 emissions by at least 90 percent below 2005 levels by 2045. As of December 31, 2018, FirstEnergy has reduced its CO_2 emissions by approximately 62 percent. In September 2016, the U.S. joined in adopting the agreement reached on December 12, 2015, at the United Nations Framework Convention on Climate Change meetings in Paris. The Paris Agreement's non-binding obligations to limit global warming to below two degrees Celsius became effective on November 4, 2016. On June 1, 2017, the Trump Administration announced that the U.S. would cease all participation in the Paris Agreement. FirstEnergy cannot currently estimate the financial impact of climate change policies, although potential legislative or regulatory programs restricting CO_2 emissions, or litigation alleging damages from GHG emissions, could require material capital and other expenditures or result in changes to its operations.

In December 2009, the EPA released its final "Endangerment and Cause or Contribute Findings for GHG under the Clean Air Act" concluding that concentrations of several key GHGs constitutes an "endangerment" and may be regulated as "air pollutants" under the CAA and mandated measurement and reporting of GHG emissions from certain sources, including electric generating plants. The EPA released its final CPP regulations in August 2015 to reduce CO_2 emissions from existing fossil fuel-fired EGUs and finalized separate regulations imposing CO_2 emission limits for new, modified, and reconstructed fossil fuel fired EGUs. Numerous states and private parties filed appeals and motions to stay the CPP with the D.C. Circuit in October 2015. On February 9, 2016, the U.S. Supreme Court stayed the rule during the pendency of the challenges to the D.C. Circuit and U.S. Supreme Court. On March 28, 2017, an executive order, entitled "Promoting Energy Independence and Economic Growth," instructed the EPA to review the CPP and related rules addressing GHG emissions and suspend, revise or rescind the rules if appropriate. On October 16, 2017, the EPA issued a proposed rule to repeal the CPP. On June 19, 2019, the EPA repealed the CPP and replaced it with the ACE rule that establishes guidelines for states to develop standards of performance to address GHG emissions from existing coal-fired power plants. Depending on the outcomes of further appeals and how any final rules are ultimately implemented, the future cost of compliance may be material.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal CWA and its amendments, apply to FirstEnergy's facilities. In addition, the states in which FirstEnergy operates have water quality standards applicable to FirstEnergy's operations.

The EPA finalized CWA Section 316(b) regulations in May 2014, requiring cooling water intake structures with an intake velocity greater than 0.5 feet per second to reduce fish impingement when aquatic organisms are pinned against screens or other parts of a cooling water intake system to a 12% annual average and requiring cooling water intake structures exceeding 125 million gallons per day to conduct studies to determine site-specific controls, if any, to reduce entrainment, which occurs when aquatic life is drawn into a facility's cooling water system. Depending on any final action taken by the states with respect to impingement and entrainment, the future capital costs of compliance with these standards may be material.

On September 30, 2015, the EPA finalized new, more stringent effluent limits for the Steam Electric Power Generating category (40 CFR Part 423) for arsenic, mercury, selenium and nitrogen for wastewater from wet scrubber systems and zero discharge of pollutants in ash transport water. The treatment obligations were to phase-in as permits are renewed on a five-year cycle from 2018 to 2023. However, on April 13, 2017, EPA granted a Petition for Reconsideration and on September 18, 2017, EPA postponed certain compliance deadlines for two years. On August 31, 2020, EPA issued a final rule revising the effluent limits for discharges from wet scrubber systems, retaining the zero-discharge standard for ash transport water, (with some limited discharge allowances), and extending the deadline for compliance to December 31, 2025 for both. In addition, the EPA allows for less stringent limits for sub-categories of generating units based on capacity utilization, flow volume from the scrubber system, and unit retirement date. Depending on the outcome of appeals, how final rules are ultimately implemented and the compliance options MP elects to take with the new rules, the compliance with these standards, which could include capital expenditures at Ft. Martin and Harrison power stations, may be substantial and changes to MP's operations at those power stations may also result.

On September 29, 2016, FirstEnergy received a request from the EPA for information pursuant to CWA Section 308(a) for information concerning boron exceedances of effluent limitations established in the NPDES Permit for the former Mitchell Power Station's Mingo landfill, owned by WP. On November 1, 2016, WP provided an initial response that contained information related to a similar boron issue at the former Springdale Power Station's landfill. The EPA requested additional information regarding the Springdale landfill and on November 15, 2016, WP provided a response and intends to fully comply with the Section 308(a) information request. On March 3, 2017, WP proposed to the PA DEP a re-route of its wastewater discharge to eliminate potential boron exceedances at the Springdale landfill. On January 29, 2018, WP submitted an NPDES permit renewal application to PA DEP proposing to re-route its wastewater discharge to eliminate potential boron exceedances at the Mingo landfill. On February 20, 2018, the DOJ issued a letter and tolling agreement on behalf of EPA alleging violations of the CWA at the Mingo landfill while seeking to enter settlement negotiations in lieu of filing a complaint. The EPA has proposed a penalty of $900,000 to settle alleged past boron exceedances at the Mingo and Springdale landfills. Negotiations are continuing and WP is unable to predict the outcome of this matter.

Regulation of Waste Disposal

Federal and state hazardous waste regulations have been promulgated as a result of the RCRA, as amended, and the Toxic Substances Control Act. Certain CCRs, such as coal ash, were exempted from hazardous waste disposal requirements pending the EPA's evaluation of the need for future regulation.

In April 2015, the EPA finalized regulations for the disposal of CCRs (non-hazardous), establishing national standards for landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to assure the safe disposal of CCRs from electric generating plants. On September 13, 2017, the EPA announced that it would reconsider certain provisions of the final regulations. On July 17, 2018, the EPA Administrator signed a final rule extending the deadline for certain CCR facilities to cease disposal and commence closure activities, as well as, establishing less stringent groundwater monitoring and protection requirements. On August 21, 2018, the D.C. Circuit remanded sections of the CCR Rule to the EPA to provide additional safeguards for unlined CCR impoundments that are more protective of human health and the environment. On December 2, 2019, the EPA published a proposed rule accelerating the date that certain CCR impoundments must cease accepting waste and initiate closure to August 31, 2020. The proposed rule allows for an extension of the closure deadline based on meeting proscribed site-specific criteria.

On July 29, 2020, the EPA published a final rule revising the date that certain CCR impoundments must cease accepting waste and initiate closure to April 11, 2021. The final rule allows for an extension of the closure deadline based on meeting proscribed site-specific criteria.

FE or its subsidiaries have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on FirstEnergy's Consolidated Balance Sheets as of September 30, 2020, based on estimates of the total costs of cleanup, FirstEnergy's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately $104 million have been accrued through September 30, 2020. Included in the total are accrued liabilities of approximately $68 million for environmental remediation of former MGP and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable SBC. FE or its subsidiaries could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. No contingency has been reflected in FirstEnergy's consolidated financial statements as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

Legal Proceedings Relating to United States v. Larry Householder, et al.

In addition to the subpoenas referenced above under "—United States v. Larry Householder, et. al.", certain FE stockholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder.

- *Gendrich v. Anderson, et al. and Sloan v. Anderson, et al.* (Common Pleas Court, Summit County, OH); on July 26, 2020 and July 31, 2020, respectively, purported stockholders of FE filed shareholder derivative action lawsuits against certain FE directors and officers, alleging, among other things, breaches of fiduciary duty.
- *Smith v. FirstEnergy Corp. et al., Buldas v. FirstEnergy Corp. et al., and Hudock and Cameo Countertops, Inc. v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio); on July 27, 2020, July 31, 2020, and August 5, 2020, respectively, purported customers of FirstEnergy filed putative class action lawsuits against FE and FESC, as well as certain current and former FirstEnergy officers, alleging civil Racketeer Influenced and Corrupt Organizations Act violations and related state law claims. These actions have been consolidated.
- *Owens v. FirstEnergy Corp. et al.* and *Frand v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio); on July 28, 2020 and August 21, 2020, purported stockholders of FE filed putative class action lawsuits against FE and certain FE officers, purportedly on behalf of all purchasers of FE common stock from February 21, 2017 through July 21, 2020, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by FirstEnergy concerning its business and results of operations.
- *Emmons v. FirstEnergy Corp. et al.* (Common Pleas Court, Cuyahoga County, OH); on August 4, 2020, a purported customer of FirstEnergy filed a putative class action lawsuit against FE, FESC, OE, TE and CEI, along with FES, alleging several causes of action, including negligence and/or gross negligence, breach of contract, unjust enrichment, and unfair or deceptive consumer acts or practices. On October 1, 2020, plaintiffs filed a First Amended Complaint, adding as a plaintiff a purported customer of FirstEnergy and alleging a civil violation of the Ohio Corrupt Activity Act and civil conspiracy against FE, FESC and FES.
- *Miller v. Anderson, et al.* (Federal District Court, N.D. Ohio); *Bloom, et al. v. Anderson, et al.; Employees Retirement System of the City of St. Louis v. Jones, et al.; Beck v. Anderson et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Anderson et al.; Massachusetts Laborers Pension Fund v. Anderson et al.; The City of Philadelphia Board of Pensions and Retirement v. Anderson et al.; Atherton v. Dowling et al; Behar v. Anderson, et al.* (U.S. District Court, S.D. Ohio); beginning on August 7, 2020, purported stockholders of FE filed shareholder derivative actions alleging the board and officers breached their fiduciary duties and committed violations of Section 14(a) of the Securities Exchange Act of 1934.
- *State of Ohio ex rel. Dave Yost, Ohio Attorney General v. FirstEnergy Corp., et al.* (Common Pleas Court, Franklin County, OH); on September 23, 2020, the OH AG filed a complaint against several parties including FE and FESC, alleging, one cause of action, a civil violation of the Ohio Corrupt Activity Act in connection with the passage of HB 6. The OH AG sought a preliminary injunction to prevent each of the defendants, including FE and FESC, through the end of 2020, from: (i) contributing to any groups whose purpose is to keep or modify HB 6; (ii) making any public statements

for or against any repeal or modification legislation concerning HB 6; (iii) lobbying, consulting, or advising on these matters; or (iv) contributing to any Ohio legislative candidates. The court denied the OH AG's request for preliminary injunctive relief on October 2, 2020.

- *City of Cincinnati and City of Columbus v. FirstEnergy Corp. (Common Pleas Court, Franklin County, OH);* on October 27, 2020, the Cities of Cincinnati and Columbus filed a complaint against several parties including FE, alleging a civil violation of the Ohio Corrupt Activity Act and seeking to enjoin the collection of the zero nuclear credit included in HB 6.
- *Mitchell v. FirstEnergy Corp. et al.* (Common Pleas Court, Fairfield County, OH); on October 6, 2020, an unsuccessful candidate for the Ohio legislature filed an amended complaint adding FirstEnergy Corp. to a previously filed Ohio Corrupt Activity Act civil lawsuit against now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The amended complaint sought an amount in excess of $875,000, plus treble damages and other relief. On November 2, 2020, the plaintiff moved to voluntarily dismiss the claims without prejudice.

The plaintiffs in each of the above cases, seek, among other things, to recover an unspecified amount of damages (unless otherwise noted). In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers. The outcome of any of these lawsuits and investigations are uncertain and could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows. No contingency has been reflected in FirstEnergy's consolidated financial statements as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

Internal Investigation Relating to United States v. Larry Householder, et al.

As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy's internal investigation, such committee determined on October 29, 2020, to terminate FirstEnergy's Chief Executive Officer, Charles E. Jones, together with two other executives: Dennis M. Chack, Senior Vice President of Product Development, Marketing, and Branding; and Michael J. Dowling, Senior Vice President of External Affairs. Each of these terminated executives violated certain FirstEnergy policies and its code of conduct. These executives were terminated as of October 29, 2020. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. Immediately following these terminations, the independent members of its Board appointed Mr. Steven E. Strah to the position of Acting Chief Executive Officer and Mr. Christopher D. Pappas, a current member of the Board, to the temporary position of Executive Director, each effective as of October 29, 2020. Mr. Donald T. Misheff will continue to serve as Non-Executive Chairman of the Board. Additionally, on November 8, 2020, Robert Reffner, Senior Vice President and Chief Legal Officer, and Ebony Yeboah-Amankwah, Vice President, General Counsel, and Chief Ethics Officer, were separated from FirstEnergy due to inaction and conduct that the Board determined was influenced by the improper tone at the top. The matter is a subject of the ongoing internal investigation as it relates to the government investigations.

Nuclear Plant Matters

Under NRC regulations, JCP&L, ME and PN must ensure that adequate funds will be available to decommission their retired nuclear facility, TMI-2. As of September 30, 2020, JCP&L, ME and PN had in total approximately $881 million invested in external trusts to be used for the decommissioning and environmental remediation of their retired TMI-2 nuclear generating facility. The values of these NDTs also fluctuate based on market conditions. If the values of the trusts decline by a material amount, the obligation to JCP&L, ME and PN to fund the trusts may increase. Disruptions in the capital markets and their effects on particular businesses and the economy could also affect the values of the NDTs.

On October 15, 2019, JCP&L, ME, PN and GPUN executed an asset purchase and sale agreement with TMI-2 Solutions, LLC, a subsidiary of Energy*Solutions*, LLC, concerning the transfer and dismantlement of TMI-2. This transfer of TMI-2 to TMI-2 Solutions, LLC will include the transfer of: (i) the ownership and operating NRC licenses for TMI-2; (ii) the external trusts for the decommissioning and environmental remediation of TMI-2; and (iii) related liabilities of approximately $900 million as of September 30, 2020. There can be no assurance that the transfer will receive the required regulatory approvals and, even if approved, whether the conditions to the closing of the transfer will be satisfied. On November 12, 2019, JCP&L filed a Petition with the NJBPU seeking approval of the transfer and sale of JCP&L's entire 25% interest in TMI-2 to TMI-2 Solutions, LLC. On October 28, 2020, Rate Counsel submitted comments recommending that the NJBPU only approve the sale of TMI-2 on the condition that any liability for TMI-2 be absorbed by the joint owners and that JCP&L should agree to not seek to recover any such costs from its utility customers. On November 2, 2020, JCP&L submitted reply comments accepting Rate Counsel's condition. JCP&L is awaiting a NJBPU order. Also on November 12, 2019, JCP&L, ME, PN, GPUN and TMI-2 Solutions, LLC filed an application with the NRC seeking approval to transfer the NRC license for TMI-2 to TMI-2 Solutions, LLC. On August 10, 2020, JCP&L, ME, PN, GPUN, TMI-2 Solutions, LLC, and the PA DEP reached a settlement agreement regarding the decommissioning of TMI-2. The settlement agreement provides for increased and detailed oversight by the PA DEP over the decommissioning work, expenditures, and environmental impacts of the dismantlement of TMI-2 by TMI-2 Solutions, LLC. In addition, the PA DEP withdrew its objection to the TMI-2 transfer in the NRC proceedings. Both the NRC and NJBPU proceedings are ongoing. Assets and liabilities held for sale on FirstEnergy's Consolidated Balance Sheet associated with the transaction consist of asset retirement obligations of$718 million, NDTs of $881 million as well as property, plant and equipment with a net book value of zero, which are included in the regulated distribution segment.

FES Bankruptcy

On March 31, 2018, FES, including its consolidated subsidiaries, FG, NG, FE Aircraft Leasing Corp., Norton Energy Storage L.L.C. and FGMUC, and FENOC filed voluntary petitions for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court and emerged on February 27, 2020. See Note 3, "Discontinued Operations," for additional discussion.

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FirstEnergy's normal business operations pending against FE or its subsidiaries. The loss or range of loss in these matters is not expected to be material to FE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 9, "Regulatory Matters."

FirstEnergy accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that FE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows.

11. SEGMENT INFORMATION

FE and its subsidiaries are principally involved in the transmission, distribution and generation of electricity through its reportable segments, Regulated Distribution and Regulated Transmission.

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies, serving approximately six million customers within 65,000square miles of Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York, and purchases power for its POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey and Maryland. This segment also controls 3,790 MWs of regulated electric generation capacity located primarily in West Virginia, Virginia and New Jersey, of which, 210 MWs are related to the Yards Creek generating station that is being sold pursuant to an asset purchase agreement as further discussed below. The segment's results reflect the costs of securing and delivering electric generation from transmission facilities to customers, including the deferral and amortization of certain related costs. Included within the segment are $881 million and $882 million of assets classified as held for sale as of September 30, 2020 and December 31, 2019 associated with the asset purchase and sale agreements with TMI-2 Solutions to transfer TMI-2 to TMI-2 Solutions, LLC. See Note 10, "Commitments, Guarantees and Contingencies" for additional information. Also included within the segment is $44 million of assets classified as held for sale as of September 30, 2020 associated with the asset purchase agreement with Yards Creek Energy, LLC to transfer JCP&L's 50% interest in the Yards Creek pumped-storage hydro generation station (210 MWs). See Note 9, "Regulatory Matters" for additional information.

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates at the Transmission Companies as well as stated transmission rates at JCP&L, MP, PE and WP; although as explained in Note 9, "Regulatory Matters", on October 29, 2020, MP, PE and WP filed with FERC to convert their existing stated rates to forward-looking formula rates, effective January 1, 2021. Effective January 1, 2020, JCP&L's transmission rates became forward-looking formula rates, subject to refund, pending further hearing and settlement proceedings. Both the forward-looking formula and stated rates recover costs that the regulatory agencies determine are permitted to be recovered and provide a return on transmission capital investment. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. The segment's results also reflect the net transmission expenses related to the delivery of electricity on FirstEnergy's transmission facilities.

Corporate/Other reflects corporate support costs not charged to FE's subsidiaries, including FE's retained Pension and OPEB assets and liabilities of the FES Debtors, interest expense on FE's holding company debt and other businesses that do not constitute an operating segment. Reconciling adjustments for the elimination of inter-segment transactions and discontinued operations are shown separately in the following table of Segment Financial Information. As of September 30, 2020, 67 MWs of electric generating capacity, representing AE Supply's OVEC capacity entitlement, was included in continuing operations of Corporate/Other. As of September 30, 2020, Corporate/Other had approximately $7.85 billion of FE holding company debt.

Financial information for each of FirstEnergy's reportable segments is presented in the tables below:

Segment Financial Information

For the Three Months Ended	Regulated Distribution	Regulated Transmission	Corporate/ Other	Reconciling Adjustments	FirstEnergy Consolidated
			(In millions)		
September 30, 2020					
External revenues	$ 2,611	$ 408	$ 3	$ —	$ 3,022
Internal revenues	50	5	—	(55)	—
Total revenues	$ 2,661	$ 413	$ 3	$ (55)	$ 3,022
Depreciation	223	79	—	14	316
Amortization of regulatory assets, net	(91)	—	—	—	(91)
Miscellaneous income (expense), net	81	7	13	(1)	100
Interest expense	124	55	88	(1)	266
Income taxes (benefits)	109	35	(28)	—	116
Income (loss) from continuing operations	413	115	(68)	—	460
Property additions	$ 391	$ 278	$ 18	$ —	$ 687
September 30, 2019					
External revenues	$ 2,590	$ 371	$ 2	$ —	$ 2,963
Internal revenues	46	4	—	(50)	—
Total revenues	$ 2,636	$ 375	$ 2	$ (50)	$ 2,963
Depreciation	215	71	—	18	304
Amortization of regulatory assets, net	42	1	—	—	43
Miscellaneous income (expense), net	36	4	24	(7)	57
Interest expense	124	49	95	(7)	261
Income taxes (benefits)	103	26	(22)	—	107
Income (loss) from continuing operations	370	113	(94)	—	389
Property additions	$ 365	$ 304	$ 15	$ —	$ 684
For the Nine Months Ended					
September 30, 2020					
External revenues	$ 7,062	$ 1,185	$ 6	$ —	$ 8,253
Internal revenues	145	13	—	(158)	—
Total revenues	$ 7,207	$ 1,198	$ 6	$ (158)	$ 8,253
Depreciation	672	233	2	47	954
Amortization of regulatory assets, net	(32)	6	—	—	(26)
Miscellaneous income (expense), net	246	21	45	(9)	303
Interest expense	374	162	265	(9)	792
Income taxes (benefits)	144	103	(125)	—	122
Income (loss) from continuing operations	800	346	(355)	—	791
Property additions	$ 1,115	$ 817	$ 47	$ —	$ 1,979
September 30, 2019					
External revenues	$ 7,261	$ 1,091	$ 10	$ —	$ 8,362
Internal revenues	140	12	—	(152)	—
Total revenues	$ 7,401	$ 1,103	$ 10	$ (152)	$ 8,362
Depreciation	644	211	3	52	910
Amortization of regulatory assets, net	79	6	—	—	85
Miscellaneous income (expense), net	128	12	73	(22)	191
Interest expense	370	142	283	(22)	773
Income taxes (benefits)	259	87	(65)	—	281
Income (loss) from continuing operations	957	333	(205)	—	1,085
Property additions	$ 1,037	$ 835	$ 40	$ —	$ 1,912
As of September 30, 2020					
Total assets	$ 30,249	$ 12,078	$ 611	$ —	$ 42,938
Total goodwill	$ 5,004	$ 614	$ —	$ —	$ 5,618
As of December 31, 2019					
Total assets	$ 29,642	$ 11,611	$ 1,015	$ 33	$ 42,301
Total goodwill	$ 5,004	$ 614	$ —	$ —	$ 5,618

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FIRSTENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRSTENERGY'S BUSINESS

FE and its subsidiaries are principally involved in the transmission, distribution and generation of electricity through its reportable segments, Regulated Distribution and Regulated Transmission.

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies, serving approximately six million customers within 65,000 square miles of Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York, and purchases power for its POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey and Maryland. This segment also controls 3,790 MWs of regulated electric generation capacity located primarily in West Virginia, Virginia and New Jersey, of which, 210 MWs are related to the Yards Creek generating station that is being sold pursuant to an asset purchase agreement as further discussed below. The segment's results reflect the costs of securing and delivering electric generation from transmission facilities to customers, including the deferral and amortization of certain related costs.

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates at the Transmission Companies as well as stated transmission rates at JCP&L, MP, PE and WP; although as explained in Note 9, "Regulatory Matters", on October 29, 2020, MP, PE and WP filed with FERC to convert their existing stated rates to forward-looking formula rates, effective January 1, 2021. Effective January 1, 2020, JCP&L's transmission rates became forward-looking formula rates, subject to refund, pending further hearing and settlement proceedings. Both the forward-looking formula and stated rates recover costs that the regulatory agencies determine are permitted to be recovered and provide a return on transmission capital investment. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. The segment's results also reflect the net transmission expenses related to the delivery of electricity on FirstEnergy's transmission facilities.

Corporate/Other reflects corporate support costs not charged to FE's subsidiaries, including FE's retained Pension and OPEB assets and liabilities of the FES Debtors, interest expense on FE's holding company debt and other businesses that do not constitute an operating segment. Additionally, reconciling adjustments for the elimination of inter-segment transactions and discontinued operations are included in Corporate/Other. As of September 30, 2020, 67 MWs of electric generating capacity, representing AE Supply's OVEC capacity entitlement, was included in continuing operations of Corporate/Other. As of September 30, 2020, Corporate/Other had approximately $7.85 billion of FE holding company debt.

EXECUTIVE SUMMARY

FirstEnergy is a forward-thinking fully regulated electric utility focused on stable and predictable earnings and cash flow from its regulated business units - Regulated Distribution and Regulated Transmission - through delivering enhanced customer service and reliability that supports FE's dividend.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. In addition to the subpoenas referenced above, the OH AG, certain FE shareholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, each relating to the allegations against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers.

As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy's internal investigation, such committee determined on October 29, 2020, to terminate FirstEnergy's Chief Executive Officer, Charles E. Jones, together with two other executives: Dennis M. Chack, Senior Vice President of Product Development, Marketing, and Branding; and Michael J. Dowling, Senior Vice President of External Affairs. Each of these terminated executives violated certain FirstEnergy policies and its code of conduct. These executives were terminated as of October 29, 2020. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. Immediately following these terminations, the independent members of its Board appointed Mr. Steven E. Strah to the position of Acting Chief Executive Officer and Mr. Christopher D. Pappas, a current member of the Board, to the temporary position of Executive Director, each effective as of October 29, 2020. Mr. Donald T. Misheff will continue to serve as Non-Executive Chairman of the Board. Additionally, on November 8, 2020, Robert Reffner, Senior Vice President and Chief Legal Officer, and Ebony Yeboah-Amankwah, Vice President, General Counsel, and Chief Ethics Officer, were separated from FirstEnergy due to inaction and conduct that the Board determined was influenced by the improper tone at the top. The matter is a subject of the ongoing internal investigation as it relates to the government investigations.

The Board has formed a new sub-committee of our Audit committee to, together with the Board, assess FirstEnergy's compliance program and implement potential changes, as appropriate. In addition, in his new role of Executive Director, Mr. Pappas will assist the FirstEnergy leadership team with execution of strategic initiatives, engage with FirstEnergy's external stakeholders, and support the development of enhanced controls and governance policies and procedures. Despite the many disruptions FirstEnergy is currently facing, the leadership team remains committed and focused on executing its strategy and running the business. See "Outlook - Other Legal Proceedings" below for additional details on the government investigation and subsequent litigation surrounding the investigation of HB 6. See also "Outlook - State Regulation - Ohio" below for details on the PUCO proceeding reviewing political and charitable spending and legislative activity in response to the investigation of HB 6. The outcome of the government investigations, PUCO proceedings, legislative activity, and any of these lawsuits is uncertain and could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows. FirstEnergy is considering reductions to its Regulated Distribution and Regulated Transmission capital investment plans and reductions to operating expenses, as well as changes to its planned equity issuances, to allow for flexibility should a fine be imposed as a result of the government investigation.

The outbreak of COVID-19 is a global pandemic. FirstEnergy is taking steps to mitigate known risks and is continuously evaluating the rapidly evolving situation based on guidance from governmental officials and public health experts. The full impact on FirstEnergy's business from the COVID-19 pandemic, including the governmental and regulatory responses, is unknown at this time and difficult to predict. FirstEnergy provides a critical and essential service to its customers and the health and safety of FirstEnergy's employees, contractors and customers is its first priority. FirstEnergy is effectively managing its operations, while still providing flexibility for approximately 7,000 of its 12,000 employees to work from home.

Beginning March 13, 2020, FirstEnergy temporarily suspended customer disconnections for nonpayment and ceased collection activities as a result of the ongoing pandemic. Starting September 15, 2020, certain FirstEnergy utilities began non-residential disconnections for non-payment, and began the same on October 5, 2020 for residential disconnections. FirstEnergy is actively monitoring the impact COVID-19 is having on customers' receivable balances, which include increasing arrears balance since the pandemic has begun. Additionally, FirstEnergy has incurred, and it is expected to incur for the foreseeable future, incremental uncollectible and other COVID-19 related expenses. Such incrementally incurred COVID-19 pandemic related expenses consist of additional costs that FirstEnergy is incurring to protect its employees, contractors and customers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible. The Ohio Companies and JCP&L had existing regulatory mechanisms in place prior to the outbreak of COVID-19, where incremental uncollectible expenses are able to be recovered through riders with no material impact to earnings. Additionally, in response to the COVID-19 pandemic, the MDPSC, NJBPU and WVPSC issued orders allowing PE, JCP&L and MP to track and create a regulatory asset for future recovery of incremental costs, including uncollectible expenses and waived late payment charges, incurred as a result of the pandemic. In Pennsylvania, the PPUC authorized utilities to track all prudently incurred incremental costs arising from COVID-19, and to create a regulatory asset for future recovery of incremental uncollectible expense incurred as a result of COVID-19 above what is included in the Pennsylvania Companies' existing rates.

FirstEnergy is continuously monitoring its supply chain and is working closely with essential vendors to understand the continued impact of COVID-19 to its business and does not currently expect disruptions in its ability to deliver service to customers or any material impact to its capital spending plan. FirstEnergy's Distribution and Transmission revenues benefit from geographic and economic diversity across a five-state service territory. Two-thirds of base distribution revenues come from the residential customer class, along with a decoupled rate structure in Ohio, which accounts for approximately 20% of total retail load. FirstEnergy's commercial and industrial revenues are primarily fixed and demand-based, rather than volume-based. As a result of this, FirstEnergy's Distribution and Transmission investments provide stable and predictable earnings. However, due to the actions taken by state governments in our service territories limiting certain commercial and industrial activities, FirstEnergy's residential load has increased, while commercial and industrial loads have declined, however, the magnitude of future load trends are currently unknown and difficult to predict. Related to FirstEnergy's pension investments, the asset allocation is conservative, with no required contributions until 2022 and the funded status was at 77% as of September 30, 2020, which is essentially unchanged from the end of 2019 at 79%. FirstEnergy believes it is well positioned to manage the economic slowdown resulting from the COVID-19 pandemic. However, the situation remains fluid and future impacts to FirstEnergy, that are presently unknown or unanticipated, may occur.

FE and the Utilities and FET and certain of its subsidiaries participate in two separate five-year syndicated revolving credit facilities providing for aggregate commitments of $3.5 billion, which are available until December 6, 2022. Under the FE credit facility, an aggregate amount of $2.5 billion is available to be borrowed, repaid and reborrowed, subject to separate borrowing sublimits for each borrower including FE and its regulated distribution subsidiaries. Under the FET credit facility, an aggregate amount of $1.0 billion is available to be borrowed, repaid and reborrowed under a syndicated credit facility, subject to separate borrowing sublimits for each borrower including FE's transmission subsidiaries. On November 17, 2020, FE and the Utilities and FET and certain of its subsidiaries entered into amendments to the FE credit facility and the FET credit facility, respectively. The amendments provide for modifications and/or waivers of (i) certain representations and warranties and (ii) certain affirmative and negative covenants, contained therein, which allowed FirstEnergy to regain compliance with such provisions. In addition, among other things, the amendment to the FE credit facility reduces the sublimit applicable to FE to $1.5 billion, and the amendments increased certain tiers of pricing applicable to borrowings under the credit facilities.

In 2020, FirstEnergy continues to execute its regulated growth plans, through the following achievements and plans:

- Implemented forward-looking rates, subject to refund, at JCP&L effective January 1, 2020,
- OH Decoupling rider went into effect on February 1, 2020,
- In October 2020, the NJBPU approved JCP&L's distribution base rate case settlement agreement, resulting in, among other things, a $94 million increase in annual base distribution revenues,
- Filed for rider recovery of smart meters in NJ, to be deployed beginning in 2023 with a total program cost estimated at $732 million,
- PAPUC-approved DSIC waiver for Penn, which increased the cap from 5% to 7.5% on March 12, 2020,
- Completed final step of FirstEnergy's strategy to exit the competitive generation business with FES Debtors' emergence from bankruptcy on February 27, 2020,
- IRP filing in West Virginia to be made by December 30, 2020,
- Issued Climate Position and Strategy Statement, including a pledge to be carbon neutral by 2050, and
- Filed tariff amendments with FERC to convert the existing stated transmission rates of MP, PE and WP to a forward-looking formula transmission rate, effective January 1, 2021.

With an operating territory of 65,000 square miles, the scale and diversity of the ten Utilities that comprise the Regulated Distribution business uniquely position this business for growth through opportunities for additional investment. Over the past several years, Regulated Distribution has experienced rate base growth through investments that have improved reliability and added operating flexibility to the distribution infrastructure, which provide benefits to the customers and communities those Utilities serve. Based on its current capital plan, which includes over $10 billion in forecasted capital investments from 2018 through 2023, Regulated Distribution's rate base compounded annual growth rate is expected to be approximately 4% from 2018 through 2023. Additionally, this business is exploring other opportunities for growth, including investments in electric system improvement and modernization projects to increase reliability and improve service to customers, as well as exploring opportunities in customer engagement that focus on the electrification of customers' homes and businesses by providing a full range of products and services.

With approximately 24,500 miles of transmission lines in operation, the Regulated Transmission business is the centerpiece of FirstEnergy's regulated investment strategy with, 100% of its capital investments expected to be recovered under forward-looking formula rates at the Transmission Companies, subject to approval for WP, MP and PE, who filed to move forward-looking formula rates effective January 1, 2021. Regulated Transmission has also experienced significant growth as part of its Energizing the Future transmission plan with plans to invest over $7 billion in capital from 2018 to 2023, which is expected to result in Regulated Transmission rate base compounded annual growth rate of approximately 10% from 2018 through 2023.

FirstEnergy believes there are incremental investment opportunities for its existing transmission infrastructure of over $20 billion beyond those identified through 2023, which are expected to strengthen grid and cyber-security and make the transmission system more reliable, robust, secure and resistant to extreme weather events, with improved operational flexibility.

In November 2018, the Board of Directors approved a dividend policy that includes a targeted payout ratio. Dividend payments are subject to declaration by the Board and future dividend decisions determined by the Board may be impacted by earnings growth, cash flows, credit metrics and other business conditions.

In November 2020, we published our Climate Story which includes our climate position and strategy, as well as a new comprehensive and ambitious greenhouse gas emission goal. FirstEnergy pledged to achieve carbon neutrality by 2050 and set an interim goal for a 30% reduction in greenhouse gases within the company's direct operational control by 2030, based on 2019 levels. In addition, FirstEnergy has also set a fleet electrification goal in which beginning in 2021, FirstEnergy plans for 100% of new purchases for our light duty and aerial truck fleet to be electric or hybrid vehicles, creating a path to 30% fleet electrification by 2030. Also in 2021, FirstEnergy will seek approval to construct a solar generation source of at least 50 MWs in West Virginia. Future resource plans to achieve carbon reductions, including any determination of retirement dates of our regulated coal-fired generating facilities, will be developed by working collaboratively with regulators in West Virginia. Determination of the useful life of our regulated coal-fired generating facilities could result in changes in depreciation, and/or continued collection of net plant in rates after retirement, securitization, sale, impairment or regulatory disallowances. If MP is unable to recover these costs, it could have a material adverse effect on FE and MP's financial condition, results of operations, and cash flow.

The $2.5 billion equity issuance in 2018 strengthened FirstEnergy's balance sheet and supported the company's transition to a fully regulated utility company. The shares of preferred stock participated in the dividend paid on common stock on an as-converted basis and were non-voting except in certain limited circumstances. Because of this investment, FirstEnergy does not currently anticipate the need to issue additional equity through 2021 and expects to issue, subject to, among other things, market conditions, pricing terms and business operations, up to $600 million of equity annually in 2022 and 2023, including approximately $100 million in equity for its regular stock investment and employee benefit plans.

On March 31, 2018, the FES Debtors announced that, in order to facilitate an orderly financial restructuring, they filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court. In September 2018, the Bankruptcy Court approved a FES Bankruptcy settlement agreement by and among FirstEnergy, two groups of key FES creditors (collectively, the FES Key Creditor Groups), the FES Debtors and the UCC. The FES Bankruptcy settlement agreement resolved certain claims by FirstEnergy against the FES Debtors, all claims by the FES Debtors and the FES Key Creditor Groups against FirstEnergy, as well as releases from third parties who voted in favor of the FES Debtors' plan of reorganization, in return for among other things, a cash payment of $853 million upon emergence. The FES Bankruptcy settlement was conditioned on the FES Debtors confirming and effectuating a plan of reorganization acceptable to FirstEnergy.

On February 18, 2020, the FES Debtors and FirstEnergy entered into an IT Access Agreement that provided IT support to enable the FES Debtors to emerge from bankruptcy prior to full IT separation by the FES Debtors. As part of the IT Access Agreement, the FES Debtors and FirstEnergy resolved, among other things, the on-going reconciliation of outstanding tax sharing payments for tax years 2018, 2019 and 2020 for a total of $125 million. On February 25, 2020, the Bankruptcy Court approved the IT Access Agreement. On February 27, 2020, the FES Debtors effectuated their plan, emerged from bankruptcy and FirstEnergy tendered the settlement payments totaling $853 million and the $125 million tax sharing payment to the FES Debtors, with no material impact to net income in 2020.

As contemplated under the FES Bankruptcy settlement agreement, AE Supply entered into an agreement on December 31, 2018, to transfer the 1,300 MW Pleasants Power Station and related assets to FG, while retaining certain specified liabilities. Under the terms of the agreement, FG acquired the economic interests in Pleasants as of January 1, 2019, and AE Supply operated Pleasants until ownership was transferred on January 30, 2020. AE Supply will continue to provide access to the McElroy's Run CCR Impoundment Facility, which was not transferred, and FE will provide guarantees for certain retained environmental liabilities of AE Supply, including the McElroy's Run CCR Impoundment Facility.

As of June 30, 2020, FirstEnergy had substantially ceased providing post-emergence services to FES Debtors under the terms of the amended and restated shared services agreement. In connection with the FES Debtors emergence from bankruptcy, FirstEnergy entered into an amended separation agreement with the FES Debtors to implement the separation of FES Debtors and their businesses from FirstEnergy.

The emergence of the FES Debtors from bankruptcy represents the final step in FirstEnergy's previously announced strategy to exit the competitive generation business and become a fully regulated utility company with a stronger balance sheet, solid cash flows and more predictable earnings.

FINANCIAL OVERVIEW AND RESULTS OF OPERATIONS

(In millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Revenues	$ 3,022	$ 2,963	$ 59	2 %	$ 8,253	$ 8,362	$ (109)	(1)%
Operating expenses	2,301	2,282	19	1 %	6,485	6,467	18	— %
Operating income	721	681	40	6 %	1,768	1,895	(127)	(7)%
Other expenses, net	(145)	(185)	40	22 %	(855)	(529)	(326)	(62)%
Income before income taxes	576	496	80	16 %	913	1,366	(453)	(33)%
Income taxes	116	107	9	8 %	122	281	(159)	(57)%
Income from continuing operations	460	389	71	18 %	791	1,085	(294)	(27)%
Discontinued operations, net of tax	(6)	2	(8)	NM	46	(62)	108	NM
Net income	$ 454	$ 391	$ 63	16 %	$ 837	$ 1,023	$ (186)	(18)%

*NM= not meaningful

The financial results discussed below include revenues and expenses from transactions among FirstEnergy's business segments. A reconciliation of segment financial results is provided in Note 11, "Segment Information," of the Notes to Consolidated Financial Statements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Summary of Results of Operations — Third Quarter 2020 Compared with Third Quarter 2019

Financial results for FirstEnergy's business segments in the third quarter of 2020 and 2019 were as follows:

Third Quarter 2020 Financial Results	**Regulated Distribution**	**Regulated Transmission**	**Corporate/Other and Reconciling Adjustments**	**FirstEnergy Consolidated**
			(In millions)	
Revenues:				
Electric	$ 2,600	$ 408	$ (35)	$ 2,973
Other	61	5	(17)	49
Total Revenues	2,661	413	(52)	3,022
Operating Expenses:				
Fuel	101	—	—	101
Purchased power	762	—	4	766
Other operating expenses	913	86	(62)	937
Provision for depreciation	223	79	14	316
Deferral of regulatory assets, net	(91)	—	—	(91)
General taxes	199	59	14	272
Total Operating Expenses	2,107	224	(30)	2,301
Operating Income (Loss)	554	189	(22)	721
Other Income (Expense):				
Miscellaneous income, net	81	7	12	100
Interest expense	(124)	(55)	(87)	(266)
Capitalized financing costs	11	9	1	21
Total Other Expense	(32)	(39)	(74)	(145)
Income (Loss) Before Income Taxes (Benefits)	522	150	(96)	576
Income taxes (benefits)	109	35	(28)	116
Income (Loss) From Continuing Operations	413	115	(68)	460
Discontinued operations, net of tax	—	—	(6)	(6)
Net Income (Loss)	$ 413	$ 115	$ (74)	$ 454

Third Quarter 2019 Financial Results	**Regulated Distribution**	**Regulated Transmission**	**Corporate/Other and Reconciling Adjustments**	**FirstEnergy Consolidated**
			(In millions)	
Revenues:				
Electric	$ 2,571	$ 371	$ (33)	$ 2,909
Other	65	4	(15)	54
Total Revenues	2,636	375	(48)	2,963
Operating Expenses:				
Fuel	122	—	—	122
Purchased power	794	—	4	798
Other operating expenses	715	75	(32)	758
Provision for depreciation	215	71	18	304
Amortization of regulatory assets, net	42	1	—	43
General taxes	197	53	7	257
Total Operating Expenses	2,085	200	(3)	2,282
Operating Income (Loss)	551	175	(45)	681
Other Income (Expense):				
Miscellaneous income, net	36	4	17	57
Interest expense	(124)	(49)	(88)	(261)
Capitalized financing costs	10	9	—	19
Total Other Expense	(78)	(36)	(71)	(185)
Income (Loss) Before Income Taxes (Benefits)	473	139	(116)	496
Income taxes (benefits)	103	26	(22)	107
Income (Loss) From Continuing Operations	370	113	(94)	389
Discontinued operations, net of tax	—	—	2	2
Net Income (Loss)	$ 370	$ 113	$ (92)	$ 391

Changes Between Third Quarter 2020 and Third Quarter 2019 Financial Results	**Regulated Distribution**	**Regulated Transmission**	**Corporate/Other and Reconciling Adjustments**	**FirstEnergy Consolidated**
			(In millions)	
Revenues:				
Electric	$ 29	$ 37	$ (2)	$ 64
Other	(4)	1	(2)	(5)
Total Revenues	25	38	(4)	59
Operating Expenses:				
Fuel	(21)	—	—	(21)
Purchased power	(32)	—	—	(32)
Other operating expenses	198	11	(30)	179
Provision for depreciation	8	8	(4)	12
Amortization (deferral) of regulatory assets, net	(133)	(1)	—	(134)
General taxes	2	6	7	15
Total Operating Expenses	22	24	(27)	19
Operating Income (Loss)	3	14	23	40
Other Income (Expense):				
Miscellaneous income, net	45	3	(5)	43
Interest expense	—	(6)	1	(5)
Capitalized financing costs	1	—	1	2
Total Other Expense	46	(3)	(3)	40
Income (Loss) Before Income Taxes (Benefits)	49	11	20	80
Income taxes (benefits)	6	9	(6)	9
Income (Loss) From Continuing Operations	43	2	26	71
Discontinued operations, net of tax	—	—	(8)	(8)
Net Income (Loss)	$ 43	$ 2	$ 18	$ 63

Regulated Distribution — Third Quarter 2020 Compared with Third Quarter 2019

Regulated Distribution's net income increased $43 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to lower pension and OPEB non-service expenses, increased residential sales due to the continued impact of COVID-19, partially offset by higher operating and maintenance expenses, as further discussed below.

Revenues —

The $25 million increase in total revenues resulted from the following sources:

Revenues by Type of Service	For the Three Months Ended September 30, 2020	2019	Increase (Decrease)
	(In millions)		
Distribution[(1)]	$ 1,528	$ 1,482	$ 46
Generation sales:			
Retail	1,005	989	16
Wholesale	67	100	(33)
Total generation sales	1,072	1,089	(17)
Other	61	65	(4)
Total Revenues	$ 2,661	$ 2,636	$ 25

[(1)] Includes $25 million of ARP revenues for the three months ended September 30, 2020 and 2019.

Distribution revenues increased $46 million in the third quarter of 2020, as compared to the same period of 2019, primarily resulting from higher rates associated with incremental riders in Ohio and Pennsylvania, including the recovery of distribution capital investment programs and transmission expenses, increased residential sales due to the continued impact of COVID-19, and higher weather-related customer usage, partially offset by the absence of the NJ storm recovery rider, the expiration of a NUG contract in 2020, and lower commercial and industrial sales due to the continued impact of COVID-19. Distribution services by customer class are summarized in the following table:

Electric Distribution MWH Deliveries	For the Three Months Ended September 30, 2020	2019	Increase (Decrease)
	(In thousands)		
Residential	16,091	15,306	5.1 %
Commercial[(1)]	9,589	10,148	(5.5)%
Industrial	13,560	14,477	(6.3)%
Total Electric Distribution MWH Deliveries	39,240	39,931	(1.7)%

[(1)] Includes street lighting.

Distribution services to residential customers primarily reflects an increase in customer load due to the continued impact of COVID-19 and higher weather-related usage. Deliveries to commercial customers were lower due to the continued impact of COVID-19, partially offset by higher weather-related usage. Cooling degree days were relatively flat compared to 2019, and 21% above normal. Deliveries to industrial customers were also negatively impacted due to the continued impact of COVID-19 contributing to lower steel, mining, and educational services customer usage, partially offset by higher shale customer usage.

The following table summarizes the price and volume factors contributing to the $17 million decrease in generation revenues for the third quarter of 2020, as compared to the same period of 2019:

Source of Change in Generation Revenues	Increase (Decrease)
	(In millions)
Retail:	
Change in sales volumes	$ 30
Change in prices	(14)
	16
Wholesale:	
Change in sales volumes	(21)
Change in prices	(1)
Capacity revenue	(11)
	(33)
Decrease in Generation Revenues	$ (17)

The increase in retail generation sales volumes was primarily due to decreased customer shopping in New Jersey and Pennsylvania, an increase in residential load due to the continued impact of COVID-19 in our service territories, and higher weather-related usage. Total generation provided by alternative suppliers as a percentage of total MWH deliveries decreased to 43% from 45% in New Jersey and to 63% from 66% in Pennsylvania. The decrease in retail generation prices primarily resulted from lower non-shopping generation rates at WPP.

Wholesale generation revenues decreased $33 million in the third quarter of 2020, as compared to the same period in 2019, primarily due to decreased volumes associated with lower economic dispatch of MP's generating units resulting from low spot market energy prices, the expiration of a NUG contract, and lower capacity revenues. The difference between current wholesale generation revenues and certain energy costs incurred are deferred for future recovery or refund, with no material impact to earnings.

Operating Expenses —

Total operating expenses increased $22 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to the following:

- Fuel expense decreased $21 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to lower unit costs and lower fuel consumption as a result of economic dispatch.

- Purchased power costs were $32 million lower in the third quarter of 2020, as compared to the same period in 2019, primarily due to lower prices and capacity expenses and fewer purchases resulting from the expiration of a NUG contract, partially offset by increased volumes as described above.

Source of Change in Purchased Power	Increase (Decrease)
	(In millions)
Purchases	
Change due to unit costs	$ (40)
Change due to volumes	13
	(27)
Capacity expense	(5)
Decrease in Purchased Power Costs	$ (32)

- Other operating expenses increased $198 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to the following:

  - Increased storm restoration costs of $136 million, primarily related to tropical storm Isaias, which were mostly deferred for future recovery, resulting in no material impact on current period earnings.
  - Higher incremental uncollectible and other COVID-19 related expenses of $49 million, of which $22 million was deferred for future recovery.
  - Higher network transmission expenses of $15 million. These costs are deferred for future recovery, resulting in no material impact on current period earnings.
  - Higher pension and OPEB service costs of $11 million.
  - Higher other operating and maintenance expenses of $4 million primarily associated with regulated generation maintenance activities.
  - Lower energy efficiency program costs and vegetation management spend of $17 million. These costs are deferred for future recovery, resulting in no material impact on earnings.

- Depreciation expense increased $8 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to a higher asset base.

- Deferral of regulatory assets increased $133 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to higher storm restoration, uncollectible and other COVID-19 related costs, partially offset by lower generation and transmission deferrals, the recovery of distribution investment programs and lower energy efficiency related costs.

Other Expenses —

Other expense decreased $46 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to higher net miscellaneous income resulting from lower pension non-service costs.

Income Taxes —

Regulated Distribution's effective tax rate was 20.9% and 21.8% for the three months ended September 30, 2020 and 2019, respectively.

Regulated Transmission — Third Quarter 2020 Compared with Third Quarter 2019

Regulated Transmission's net income increased $2 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to higher rate base at ATSI and MAIT associated with Energizing the Future transmission plan, partially offset by higher interest expense and the absence of tax benefits in the third quarter of 2019.

Revenues —

Total revenues increased $38 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to recovery of incremental operating expenses and a higher rate base at ATSI and MAIT.

The following table shows revenues by transmission asset owner:

	For the Three Months Ended September 30,		
Revenues by Transmission Asset Owner	**2020**	**2019**	**Increase**
		(In millions)	
ATSI	$ 203	$ 185	$ 18
TrAIL	63	57	6
MAIT	70	59	11
JCP&L	43	40	3
Other	34	34	—
Total Revenues	$ 413	$ 375	$ 38

Operating Expenses —

Total operating expenses increased $24 million in the third quarter of 2020, as compared to the same period of 2019, primarily due to higher property taxes and depreciation due to a higher asset base, and higher operating and maintenance expenses. The majority of operating expenses are recovered through formula rates, resulting in no material impact on current period earnings.

Other Expense —

Other expenses increased $3 million due to the impact of higher net financing costs from money pool borrowing and lending activities at FET and debt issuances at ATSI, MAIT and FET, partially offset by lower pension and OPEB non-service costs.

Income Taxes —

Regulated Transmission's effective tax rate was 23.3% and 18.7% for the three months ended September 30, 2020 and 2019, respectively, primarily due to changes in the amortization of excess deferred income taxes and the absence of tax benefits in 2019.

Corporate / Other — Third Quarter 2020 Compared with Third Quarter 2019

Financial results at Corporate/Other resulted in a $26 million decrease in loss from continuing operations in the third quarter of 2020, as compared to the same period of 2019, primarily due to higher tax benefits and lower other operating expenses, partially offset by lower returns on certain equity method investments.

For the three months ended September 30, 2020, FirstEnergy recorded a loss from discontinued operations, net of tax, of $6 million compared to income, net of tax, of $2 million for the three months ended September 30, 2019.

Summary of Results of Operations — First Nine Months of 2020 Compared with First Nine Months of 2019

Financial results for FirstEnergy's business segments in the first nine months of 2020 and 2019 were as follows:

First Nine Months 2020 Financial Results	**Regulated Distribution**	**Regulated Transmission**	**Corporate/Other and Reconciling Adjustments**	**FirstEnergy Consolidated**
		(In millions)		
Revenues:				
Electric	$ 7,031	$ 1,185	$ (105)	$ 8,111
Other	176	13	(47)	142
Total Revenues	7,207	1,198	(152)	8,253
Operating Expenses:				
Fuel	276	—	—	276
Purchased power	2,062	—	11	2,073
Other operating expenses	2,345	201	(130)	2,416
Provision for depreciation	672	233	49	954
Amortization (deferral) of regulatory assets, net	(32)	6	—	(26)
General taxes	583	177	32	792
Total Operating Expenses	5,906	617	(38)	6,485
Operating Income (Loss)	1,301	581	(114)	1,768
Other Income (Expense):				
Miscellaneous income, net	246	21	36	303
Pension and OPEB mark-to-market adjustment	(257)	(19)	(147)	(423)
Interest expense	(374)	(162)	(256)	(792)
Capitalized financing costs	28	28	1	57
Total Other Expense	(357)	(132)	(366)	(855)
Income (Loss) Before Income Taxes (Benefits)	944	449	(480)	913
Income taxes (benefits)	144	103	(125)	122
Income (Loss) From Continuing Operations	800	346	(355)	791
Discontinued operations, net of tax	—	—	46	46
Net Income (Loss)	$ 800	$ 346	$ (309)	$ 837

First Nine Months 2019 Financial Results	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments	FirstEnergy Consolidated
	(In millions)			
Revenues:				
Electric	$ 7,214	$ 1,090	$ (96)	$ 8,208
Other	187	13	(46)	154
Total Revenues	7,401	1,103	(142)	8,362
Operating Expenses:				
Fuel	382	—	—	382
Purchased power	2,177	—	13	2,190
Other operating expenses	2,116	205	(178)	2,143
Provision for depreciation	644	211	55	910
Amortization of regulatory assets, net	79	6	—	85
General taxes	572	156	29	757
Total Operating Expenses	5,970	578	(81)	6,467
Operating Income (Loss)	1,431	525	(61)	1,895
Other Income (Expense):				
Miscellaneous income, net	128	12	51	191
Pension and OPEB mark-to-market adjustment	—	—	—	—
Interest expense	(370)	(142)	(261)	(773)
Capitalized financing costs	27	25	1	53
Total Other Expense	(215)	(105)	(209)	(529)
Income (Loss) Before Income Taxes (Benefits)	1,216	420	(270)	1,366
Income taxes (benefits)	259	87	(65)	281
Income (Loss) From Continuing Operations	957	333	(205)	1,085
Discontinued operations, net of tax	—	—	(62)	(62)
Net Income (Loss)	$ 957	$ 333	$ (267)	$ 1,023

Changes Between First Nine Months 2020 and First Nine Months 2019 Financial Results	**Regulated Distribution**	**Regulated Transmission**	**Corporate/Other and Reconciling Adjustments**	**FirstEnergy Consolidated**
			(In millions)	
Revenues:				
Electric	$ (183)	$ 95	$ (9)	$ (97)
Other	(11)	—	(1)	(12)
Total Revenues	(194)	95	(10)	(109)
Operating Expenses:				
Fuel	(106)	—	—	(106)
Purchased power	(115)	—	(2)	(117)
Other operating expenses	229	(4)	48	273
Provision for depreciation	28	22	(6)	44
Amortization (deferral) of regulatory assets, net	(111)	—	—	(111)
General taxes	11	21	3	35
Total Operating Expenses	(64)	39	43	18
Operating Income (Loss)	(130)	56	(53)	(127)
Other Income (Expense):				
Miscellaneous income (expense), net	118	9	(15)	112
Pension and OPEB mark-to-market adjustment	(257)	(19)	(147)	(423)
Interest expense	(4)	(20)	5	(19)
Capitalized financing costs	1	3	—	4
Total Other Expense	(142)	(27)	(157)	(326)
Income (Loss) Before Income Taxes (Benefits)	(272)	29	(210)	(453)
Income taxes (benefits)	(115)	16	(60)	(159)
Income (Loss) From Continuing Operations	(157)	13	(150)	(294)
Discontinued operations, net of tax	—	—	108	108
Net Income (Loss)	$ (157)	$ 13	$ (42)	$ (186)

Regulated Distribution — First Nine Months of 2020 Compared with First Nine Months of 2019

Regulated Distribution's net income decreased $157 million in the first nine months of 2020, as compared to the same period of 2019, primarily resulting from the pension and OPEB mark-to-market adjustment in 2020, lower weather-related customer usage, the absence of the DMR revenues that ended in July 2019, partially offset by lower pension and OPEB non-service costs, higher revenues from incremental riders in Ohio and Pennsylvania and increased residential sales due to the continued impact of COVID-19.

Revenues —

The $194 million decrease in total revenues resulted from the following sources:

	For the Nine Months Ended September 30,		
Revenues by Type of Service	**2020**	**2019**	**Increase (Decrease)**
		(In millions)	
Distribution services[(1)]	$ 4,108	$ 4,045	$ 63
Generation sales:			
Retail	2,735	2,853	(118)
Wholesale	188	316	(128)
Total generation sales	2,923	3,169	(246)
Other	176	187	(11)
Total Revenues	$ 7,207	$ 7,401	$ (194)

(1) Includes $108 million and $142 million of ARP revenues for the nine months ended September 30, 2020 and 2019, respectively.

Distribution services revenues increased $63 million in the first nine months of 2020, as compared to the same period of 2019, primarily resulting from the implementation of Ohio decoupling rates in 2020, higher rates associated with incremental riders in Ohio and Pennsylvania, including the recovery of distribution capital investment programs and transmission expenses, increased residential sales due to the continued impact of COVID-19 and the implementation of the New Jersey Zero Emission Program in June 2019, partially offset by the absence of the NJ storm recovery rider and DMR revenues that ended in 2019, lower weather-related customer usage, the expiration of a NUG contract and lower commercial and industrial sales due to the continued impact of COVID-19. Distribution services by customer class are summarized in the following table:

	For the Nine Months Ended September 30,		
Electric Distribution MWH Deliveries	**2020**	**2019**	**Increase (Decrease)**
	(In thousands)		
Residential	42,059	41,311	1.8 %
Commercial[(1)]	26,316	28,909	(9.0)%
Industrial	39,118	42,032	(6.9)%
Total Electric Distribution MWH Deliveries	107,493	112,252	(4.2)%

(1) Includes street lighting.

Distribution services to residential customers primarily reflects an increase in customer load due to the continued impact of COVID-19, partially offset by lower weather related usage. Deliveries to commercial customers reflects lower weather-related usage and the continued impact of COVID-19. Heating degree days were 5% below 2019, and 10% below normal. Cooling degree days were 1% above 2019, and 16% above normal. Deliveries to industrial customers were also negatively impacted due to the continued impact of COVID-19 contributing to lower steel, mining, educational services and automotive customer usage, partially offset by higher shale customer usage.

The following table summarizes the price and volume factors contributing to the $246 million decrease in generation revenues for the first nine months of 2020, as compared to the same period of 2019:

Source of Change in Generation Revenues	**Decrease**
	(In millions)
Retail:	
Change in sales volumes	$ (46)
Change in prices	(72)
	(118)
Wholesale:	
Change in sales volumes	(69)
Change in prices	(5)
Capacity revenue	(54)
	(128)
Decrease in Generation Revenues	$ (246)

The decrease in retail generation sales volumes was primarily due to lower weather-related usage, partially offset by an increase in residential load due to the continued impact of COVID-19. The decrease in retail generation prices primarily resulted from lower non-shopping generation auction rates in New Jersey and Pennsylvania.

Wholesale generation revenues decreased $128 million in the first nine months of 2020, as compared to the same period in 2019, primarily due to decreased volumes associated with lower economic dispatch of MP's generating units resulting from low spot market energy prices, the expiration of a NUG contract and lower capacity revenues. The difference between current wholesale generation revenues and certain energy costs incurred are deferred for future recovery or refund, with no material impact to earnings.

Operating Expenses —

Total operating expenses decreased $64 million, primarily due to the following:

- Fuel costs were $106 million lower during the first nine months of 2020, as compared to the same period of 2019, primarily due to lower unit costs and lower fuel consumption as a result of economic dispatch.

- Purchased power costs decreased $115 million during the first nine months of 2020, as compared to the same period of 2019, primarily due to lower prices and capacity expenses and decreased purchases resulting from the expiration of a NUG contract, partially offset by the implementation of the NJ Zero Emission Program in June 2019.

Source of Change in Purchased Power	**Decrease**
	(In millions)
Purchases:	
Change due to unit costs	$ (39)
Change due to volumes	(19)
	(58)
Capacity	(57)
Decrease in Purchased Power Costs	$ (115)

- Other operating expenses increased $229 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to:

  - Higher incremental uncollectible and other COVID-19 related expenses of $117 million, of which $53 million was deferred for future recovery.
  - Increased storm restoration costs of $59 million, which were mostly deferred for future recovery, resulting in no material impact on current period earnings.
  - Higher network transmission expenses of $36 million. These costs are deferred for future recovery, resulting in no material impact on current period earnings.
  - Higher employee benefit costs of approximately $20 million.
  - Higher pension and OPEB service costs of $24 million.
  - Higher other operating and maintenance expense of $9 million, primarily associated with regulated generation maintenance activities.
  - Lower vegetation management spend and energy efficiency program costs of $36 million, which are deferred for future recovery, resulting in no material impact on earnings.

- Depreciation expense increased $28 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to a higher asset base.

- Deferral of regulatory assets increased $111 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to higher storm restoration, uncollectible and other COVID-19 related costs, partially offset by lower generation and transmission deferrals, the recovery of distribution investment programs and lower energy efficiency related costs.

- General taxes increased $11 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to higher Ohio property taxes and payroll taxes associated with employee benefits.

Other Expense —

Other expense increased $142 million in the nine months of 2020, as compared to the same period of 2019, primarily due to a $257 million pension and OPEB mark-to-market adjustment in the first quarter of 2020 and higher interest expense from debt issuances primarily at WP and MP, partially offset by higher net miscellaneous income primarily resulting from lower pension and OPEB non-service costs.

Income Taxes —

Regulated Distribution's effective tax rate was 15.3% and 21.3% for the nine months ended September 30, 2020 and 2019, respectively. The change in the effective tax rate was primarily due to the recognition of $52 million in deferred gains relating to prior intercompany transfers of generation assets that were triggered by the deconsolidation of the FES Debtors from FirstEnergy's consolidated federal income tax group as a result of their emergence from bankruptcy in the first quarter of 2020.

Regulated Transmission — First Nine Months of 2020 Compared with First Nine Months of 2019

Regulated Transmission's net income increased $13 million in the first nine months of 2020, as compared to the same period of 2019, primarily resulting from the impact of a higher rate base at ATSI and MAIT, partially offset by higher interest expense and a true-up of the forward-looking formula rate at ATSI and MAIT.

Revenues —

Total revenues increased $95 million, primarily due to the recovery of incremental operating expenses and a higher rate base at ATSI and MAIT, partially offset by the impact of a true-up of the forward-looking rate.

The following table shows revenues by transmission asset owner:

Revenues by Transmission Asset Owner	For the Nine Months Ended September 30, 2020	2019	Increase (Decrease)
		(In millions)	
ATSI	$ 601	$ 545	$ 56
TrAIL	188	178	10
MAIT	187	160	27
JCP&L	122	120	2
Other	100	100	—
Total Revenues	$ 1,198	$ 1,103	$ 95

Operating Expenses —

Total operating expenses increased $39 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to higher property taxes and depreciation due to a higher asset base. The majority of operating expenses are recovered through formula rates, resulting in no material impact on current period earnings.

Other Expense —

Total other expense increased $27 million in the first nine months of 2020, as compared to the same period of 2019, primarily due to a $19 million pension and OPEB mark-to-market adjustment in the first quarter of 2020 and higher net financing costs from money pool borrowing and lending activity and debt issuances at ATSI, MAIT and FET, partially offset by lower pension and OPEB non-service costs.

Income Taxes —

Regulated Transmission's effective tax rate was 22.9% and 20.7% for the nine months ended September 30, 2020 and 2019, respectively due to changes in the amortization of excess deferred income taxes and the absence of tax benefits in 2019.

Corporate / Other — First Nine Months of 2020 Compared with First Nine Months of 2019

Financial results at Corporate/Other resulted in a $150 million increased loss from continuing operations in the first nine months of 2020, as compared to the same period of 2019, primarily due to the $147 million pension and OPEB mark-to-market adjustment in the first quarter of 2020, higher other operating expenses and lower returns on certain equity method investments, partially offset by $10 million in tax benefits from accelerated amortization of certain investment tax credits and lower other Pension and OPEB non-service costs.

For the nine months ended September 30, 2020, FirstEnergy recorded income from discontinued operations, net of tax, of $46 million compared to a loss, net of tax, of $62 million for the nine months ended September 30, 2019. The change in discontinued operations, net of tax, was primarily due to lower settlement-related expenses with the FES Debtors, including adjustments to the estimated worthless stock deduction and Intercompany Tax Allocation Agreement, as well as the acceleration of net pension and OPEB prior service credits in 2020 and the absence of tax expense in 2019 associated with non-deductible interest.

REGULATORY ASSETS AND LIABILITIES

Regulatory assets represent incurred costs that have been deferred because of their probable future recovery from customers through regulated rates. Regulatory liabilities represent amounts that are expected to be credited to customers through future regulated rates or amounts collected from customers for costs not yet incurred. FirstEnergy, the Utilities and the Transmission Companies net their regulatory assets and liabilities based on federal and state jurisdictions.

Management assesses the probability of recovery of regulatory assets at each balance sheet date and whenever new events occur. Factors that may affect probability include changes in the regulatory environment, issuance of a regulatory commission order or passage of new legislation. Management applies judgment in evaluating the evidence available to assess the probability of recovery of regulatory assets from customers, including, but not limited to evaluating evidence related to precedent for similar items at FirstEnergy and information on comparable companies within similar jurisdictions, as well as assessing progress of communications between FirstEnergy and regulators. Certain of these regulatory assets, totaling approximately $115 million and $111 million as of September 30, 2020 and December 31, 2019, respectively, are recorded based on prior precedent or anticipated recovery based on rate making premises without a specific order, of which, $78 million and $73 million as of September 30, 2020 and December 31, 2019, respectively, are being sought for recovery in a formula rate amendment filing at ATSI that is pending before FERC. See Note 9, "Regulatory Matters" for additional information.

The following table provides information about the composition of net regulatory assets and liabilities as of September 30, 2020, and December 31, 2019, and the changes during the nine months ended September 30, 2020:

Net Regulatory Assets (Liabilities) by Source	September 30, 2020	December 31, 2019	Change
		(In millions)	
Customer payables for future income taxes	$ (2,456)	$ (2,605)	$ 149
Nuclear decommissioning and spent fuel disposal costs	(185)	(197)	12
Asset removal costs	(730)	(756)	26
Deferred transmission costs	280	298	(18)
Deferred generation costs	122	214	(92)
Deferred distribution costs	232	155	77
Contract valuations	37	51	(14)
Storm-related costs	721	551	170
Uncollectible and COVID-19 related costs	62	3	59
Other	(55)	25	(80)
Net Regulatory Liabilities included on the Consolidated Balance Sheets	$ (1,972)	$ (2,261)	$ 289

The following is a description of the regulatory assets and liabilities described above:

Customer payables for future income taxes - Reflects amounts to be recovered or refunded through future rates to pay income taxes that become payable when rate revenue is provided to recover items such as AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to tax rate changes such as tax reform. These amounts are being amortized over the period in which the related deferred tax assets reverse, which is generally over the expected life of the underlying asset.

Nuclear decommissioning and spent fuel disposal costs - Reflects a regulatory liability representing amounts collected from customers and placed in external trusts including income, losses and changes in fair value thereon (as well as accretion of the related ARO) primarily for the future decommissioning of TMI-2.

Asset removal costs - Primarily represents the rates charged to customers that include a provision for the cost of future activities to remove assets, including obligations for which an ARO has been recognized, that are expected to be incurred at the time of retirement.

Deferred transmission costs - Primarily represents differences between revenues earned based on actual costs for the formula-rate Transmission Companies and the amounts billed. Amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

Deferred generation costs - Primarily relates to regulatory assets associated with the securitized recovery of certain electric customer heating discounts, fuel and purchased power regulatory assets at the Ohio Companies (amortized through 2034) as well as the ENEC at MP and PE. MP and PE recover net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. The ENEC rate is updated annually.

Deferred distribution costs - Primarily relates to the Ohio Companies' deferral of certain expenses resulting from distribution and reliability related expenditures, including interest (amortized through 2036), as well as the Ohio Companies' deferrals related to the decoupling mechanism which are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

Contract valuations - Includes the amortization of purchase accounting adjustments at PE which were recorded in connection with the AE merger representing the fair value of NUG purchased power contracts (amortized over the life of the contracts through 2030).

Storm-related costs - Relates to the recovery of storm costs, which vary by jurisdiction. Approximately $162 million and $193 million are currently being recovered through rates as of September 30, 2020 and December 31, 2019, respectively.

Uncollectible and COVID-19 related costs - Includes the deferral of prudently incurred incremental costs and certain waived late payment charges arising from COVID-19, including uncollectible expenses under new and existing riders prior to the pandemic.

The following table provides information about the composition of net regulatory assets that do not earn a current return as of September 30, 2020 and December 31, 2019, of which approximately $193 million and $228 million, respectively, are currently being recovered through rates over varying periods depending on the nature of the deferral and the jurisdiction.

Regulatory Assets by Source Not Earning a Current Return	**September 30, 2020**	**December 31, 2019**	**Change**
		(In millions)	
Deferred transmission costs	$ 31	$ 27	$ 4
Deferred generation costs	6	15	(9)
Storm-related costs	645	471	174
COVID-19 related costs	29	—	29
Other	31	32	(1)
Regulatory Assets Not Earning a Current Return	$ 742	$ 545	$ 197

CAPITAL RESOURCES AND LIQUIDITY

FirstEnergy's business is capital intensive, requiring significant resources to fund operating expenses, construction expenditures, scheduled debt maturities and interest payments, dividend payments, and contributions to its pension plan.

The $2.5 billion equity issuance in 2018 strengthened FirstEnergy's balance sheet and supported the company's transition to a fully regulated utility company. The shares of preferred stock participated in the dividend paid on common stock on an as-converted basis and were non-voting except in certain limited circumstances. Because of this investment, FirstEnergy does not currently anticipate the need to issue additional equity through 2021 and expects to issue, subject to, among other things, market conditions, pricing terms and business operations, up to $600 million of equity annually in 2022 and 2023, including approximately $100 million in equity for its regular stock investment and employee benefit plans.

In addition to this equity investment, FE and its distribution and transmission subsidiaries expect their existing sources of liquidity to remain sufficient to meet their respective anticipated obligations. In addition to internal sources to fund liquidity and capital requirements for 2020 and beyond, FE and its distribution and transmission subsidiaries expect to rely on external sources of funds. Short-term cash requirements not met by cash provided from operations are generally satisfied through short-term borrowings. Long-term cash needs may be met through the issuance of long-term debt by FE and certain of its distribution and transmission subsidiaries to, among other things, fund capital expenditures and refinance short-term and maturing long-term debt, subject to market conditions and other factors.

On February 1, 2019, FirstEnergy made a $500 million voluntary cash contribution to the qualified pension plan. FirstEnergy expects no required contributions through 2021.

With an operating territory of 65,000 square miles, the scale and diversity of the ten Utilities that comprise the Regulated Distribution business uniquely position this business for growth through opportunities for additional investment. Over the past several years, Regulated Distribution has experienced rate base growth through investments that have improved reliability and added operating flexibility to the distribution infrastructure, which provide benefits to the customers and communities those Utilities serve. Based on its current capital plan, which includes over $10 billion in forecasted capital investments from 2018 through 2023, Regulated Distribution's rate base compounded annual growth rate is expected to be approximately 4% from 2018 through 2023. Additionally, this business is exploring other opportunities for growth, including investments in electric system improvement and modernization projects to increase reliability and improve service to customers, as well as exploring opportunities in customer engagement that focus on the electrification of customers' homes and businesses by providing a full range of products and services.

FirstEnergy believes there are incremental investment opportunities for its existing transmission infrastructure of over $20 billion beyond those identified through 2023, which are expected to strengthen grid and cyber-security and make the transmission system more reliable, robust, secure and resistant to extreme weather events, with improved operational flexibility.

In alignment with FirstEnergy's strategy to invest in its Regulated Transmission and Regulated Distribution segments as a fully regulated company, FirstEnergy is focused on maintaining balance sheet strength and flexibility. Specifically, at the regulated businesses, regulatory authority has been obtained for various regulated distribution and transmission subsidiaries to issue and/or refinance debt.

Any financing plans by FE or any of its consolidated subsidiaries, including the issuance of equity and debt, and the refinancing of short-term and maturing long-term debt are subject to market conditions and other factors. No assurance can be given that any such issuances, financing or refinancing, as the case may be, will be completed as anticipated or at all. Any delay in the completion of financing plans could require FE or any of its consolidated subsidiaries to utilize short-term borrowing capacity, which could impact available liquidity. In addition, FE and its consolidated subsidiaries expect to continually evaluate any planned financings, which may result in changes from time to time.

On March 31, 2018, the FES Debtors announced that, in order to facilitate an orderly financial restructuring, they filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court. In September 2018, the Bankruptcy Court approved a FES Bankruptcy settlement agreement by and among FirstEnergy, two groups of key FES creditors (collectively, the FES Key Creditor Groups), the FES Debtors and the UCC. The FES Bankruptcy settlement agreement resolved certain claims by FirstEnergy against the FES Debtors, all claims by the FES Debtors and the FES Key Creditor Groups against FirstEnergy, as well as releases from third parties who voted in favor of the FES Debtors' plan of reorganization, in return for among other things, a cash payment of $853 million upon emergence. The FES Bankruptcy settlement was conditioned on the FES Debtors confirming and effectuating a plan of reorganization acceptable to FirstEnergy.

On February 18, 2020, the FES Debtors and FirstEnergy entered into an IT Access Agreement that provided IT support to enable the FES Debtors to emerge from bankruptcy prior to full IT separation by the FES Debtors. As part of the IT Access Agreement, the FES Debtors and FirstEnergy resolved, among other things, the on-going reconciliation of outstanding tax sharing payments for tax years 2018, 2019 and 2020 for a total of $125 million. On February 25, 2020, the Bankruptcy Court approved the IT Access Agreement. On February 27, 2020, the FES Debtors effectuated their plan, emerged from bankruptcy and FirstEnergy tendered the settlement payments totaling $853 million and the $125 million tax sharing payment to the FES Debtors, with no material impact to net income in 2020.

The outbreak of COVID-19 is a global pandemic. FirstEnergy is continuously evaluating the global pandemic and taking steps to mitigate known risks. FirstEnergy is actively monitoring the continued impact COVID-19 is having on its customers' receivable balances, which include increasing arrears balances since the pandemic has begun. FirstEnergy has incurred, and it is expected to incur for the foreseeable future, incremental uncollectible and other COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that FirstEnergy is incurring to protect its employees, contractors and customers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible. The full impact on FirstEnergy's business from the COVID-19 pandemic, including the governmental and regulatory responses, is unknown at this time and difficult to predict. FirstEnergy provides a critical and essential service to its customers and the health and safety of its employees, contractors and customers is its first priority. FirstEnergy is continuously monitoring its supply chain and is working closely with essential vendors to understand the continued impact the COVID-19 pandemic is having on its business, however, FirstEnergy does not currently expect disruptions in its ability to deliver service to customers or any material impact on its capital spending plan.

FirstEnergy continues to effectively manage operations during the pandemic in order to provide critical service to customers and believes it is well positioned to manage through the economic slowdown. FirstEnergy Distribution and Transmission revenues benefit from geographic and economic diversity across a five-state service territory, which also allows for flexibility with capital investments and measures to maintain sufficient liquidity over the next twelve months. However, the situation remains fluid and future impacts to FirstEnergy that are presently unknown or unanticipated may occur. Furthermore, the likelihood of an impact to FirstEnergy, and the severity of any impact that does occur, could increase the longer the global pandemic persists.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. In addition to the subpoenas referenced above, the OH AG, certain FE shareholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, each relating to the allegations against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers.

The Board has formed a new sub-committee of our Audit committee to, together with the Board, assess FirstEnergy's compliance program and implement potential changes, as appropriate. In addition, in his new role of Executive Director, Mr. Pappas will assist the FirstEnergy leadership team with execution of strategic initiatives, engage with FirstEnergy's external stakeholders, and support the development of enhanced controls and governance policies and procedures. Despite the many disruptions FirstEnergy is currently facing, the leadership team remains committed and focused on executing its strategy and running the business. See "Outlook - Other Legal Proceedings" below for additional details on the government investigation and subsequent litigation surrounding the investigation of HB 6. See also "Outlook - State Regulation - Ohio" below for details on the PUCO proceeding reviewing political and charitable spending and legislative activity in response to the investigation of HB 6. The outcome of the government investigations, PUCO proceedings, legislative activity, and any of these lawsuits is uncertain and could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows. FirstEnergy is considering reductions to its Regulated Distribution and Regulated Transmission capital investment plans and reductions to operating expenses, as well as changes to its planned equity issuances, to allow for flexibility should a fine be imposed as a result of the government investigation.

FirstEnergy is unable to predict the outcome of the legislative activity in response to the investigation of HB 6, however, a repeal of the decoupling provision of HB 6 is reasonably possible. As of September 30, 2020, the uncollected amount recognized as a regulatory asset on FirstEnergy's Consolidated Balance Sheet from the decoupling mechanism was approximately $100 million. However, absent the decoupling mechanism and other provisions of HB 6, it is expected that the Ohio Companies would have collected lost distribution revenues estimated at approximately $63 million for the nine months ended September 30, 2020, for a pre-tax net impact of approximately $37 million. Furthermore, as FirstEnergy would not have financially benefited from the zero nuclear credit included in HB 6, there is no expected impact to FirstEnergy due to the repeal of that provision in HB 6. On November 2, 2020, the Ohio Companies filed their annual update to the Ohio decoupling rider with an estimated annual revenue requirement of approximately $113 million with a proposed effective date of January 1, 2021, unless otherwise ordered by the PUCO.

As of September 30, 2020, FirstEnergy's net deficit in working capital (current assets less current liabilities) was primarily due to accounts payable, short-term borrowings, and accrued interest, taxes, compensation and benefits. FirstEnergy believes its cash from operations and available liquidity will be sufficient to meet its current working capital needs.

Short-Term Borrowings / Revolving Credit Facilities

FE and the Utilities and FET and certain of its subsidiaries participate in two separate five-year syndicated revolving credit facilities providing for aggregate commitments of $3.5 billion, which are available until December 6, 2022. Under the FE credit facility, an aggregate amount of $2.5 billion is available to be borrowed, repaid and reborrowed, subject to separate borrowing sublimits for each borrower including FE and its regulated distribution subsidiaries. Under the FET credit facility, an aggregate amount of $1.0 billion is available to be borrowed, repaid and reborrowed under a syndicated credit facility, subject to separate borrowing sublimits for each borrower including FE's transmission subsidiaries.

Borrowings under the credit facilities may be used for working capital and other general corporate purposes, including intercompany loans and advances by a borrower to any of its subsidiaries. Generally, borrowings under each of the credit facilities are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. Each of the credit facilities contains financial covenants requiring each borrower to maintain a consolidated debt-to-total-capitalization ratio (as defined under each of the credit facilities) of no more than 65%, and 75% for FET, measured at the end of each fiscal quarter.

FirstEnergy's revolving credit facilities bear interest at fluctuating interest rates, primarily based on LIBOR. LIBOR tends to fluctuate based on general interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. FirstEnergy has not hedged its interest rate exposure with respect to its floating rate debt. Accordingly, FirstEnergy's interest expense for any particular period will fluctuate based on LIBOR and other variable interest rates. On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is considering replacing U.S. dollar LIBOR with a newly created index, calculated based on repurchase agreements backed by treasury securities. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere. To the extent these interest rates increase, interest expense will increase. If sources of capital for FirstEnergy are reduced, capital costs could increase materially. Restricted access to capital markets and/or increased borrowing costs could have an adverse effect on our results of operations, cash flows, financial condition and liquidity.

FirstEnergy had $300 million and $1,000 million of short-term borrowings as of September 30, 2020 and December 31, 2019, respectively. FirstEnergy's available liquidity from external sources as of November 19, 2020, was as follows:

Borrower(s)	Type	Maturity	Commitment	Available Liquidity
			(In millions)	
FirstEnergy[(1)]	Revolving	December 2022	$ 2,500	$ 2,246
FET[(2)]	Revolving	December 2022	1,000	1,000
		Subtotal	$ 3,500	$ 3,246
		Cash and cash equivalents[(3)]	—	286
		Total	$ 3,500	$ 3,532

(1) FE and the Utilities. Available liquidity includes impact of $4 million of LOCs issued under various terms.
(2) Includes FET and the Transmission Companies.
(3) As of November 18, 2020.

The following table summarizes the borrowing sublimits for each borrower under the facilities, the limitations on short-term indebtedness applicable to each borrower under current regulatory approvals and applicable statutory and/or charter limitations as of September 30, 2020:

Borrower	FirstEnergy Revolving Credit Facility Sublimit	FET Revolving Credit Facility Sublimit	Regulatory and Other Short-Term Debt Limitations
		(In millions)	
FE	$ 2,500	$ —	$ — (1)
FET	—	1,000	— (1)
OE	500	—	500 (2)
CEI	500	—	500 (2)
TE	300	—	300 (2)
JCP&L	500	—	500 (2)
ME	500	—	500 (2)
PN	300	—	300 (2)
WP	200	—	200 (2)
MP	500	—	500 (2)
PE	150	—	150 (2)
ATSI	—	500	500 (2)
Penn	100	—	100 (2)
TrAIL	—	400	400 (2)
MAIT	—	400	400 (2)

(1) No limitations.
(2) Includes amounts which may be borrowed under the regulated companies' money pool.

Subject to each borrower's sublimit, $250 million of the FE credit facility and $100 million of the FET credit facility, is available for the issuance of LOCs (subject to borrowings drawn under the Facilities) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under each of the Facilities and against the applicable borrower's borrowing sublimit.

The Facilities do not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in "pricing grids," whereby the cost of funds borrowed under the Facilities is related to the credit ratings of the company borrowing the funds. Additionally, borrowings under each of the Facilities are subject to the usual and customary provisions for acceleration upon the occurrence of events of default, including a cross-default for other indebtedness in excess of $100 million.

As of September 30, 2020, the borrowers were in compliance with the applicable debt-to-total-capitalization ratio covenants in each case as defined under the respective Facilities.

On November 17, 2020, FE and the Utilities and FET and certain of its subsidiaries entered into amendments to the FE credit facility and the FET credit facility, respectively. The amendments provide for modifications and/or waivers of (i) certain representations and warranties and (ii) certain affirmative and negative covenants, contained therein, which allowed FirstEnergy to regain compliance with such provisions. In addition, among other things, the amendment to the FE credit facility reduces the sublimit applicable to FE to $1.5 billion, and the amendments increased certain tiers of pricing applicable to borrowings under the credit facilities.

FirstEnergy Money Pools

FirstEnergy's utility operating subsidiary companies also have the ability to borrow from each other and FE to meet their short-term working capital requirements. Similar but separate arrangements exist among FirstEnergy's unregulated companies with AE Supply, FE, FET, FEV and certain other unregulated subsidiaries. FESC administers these money pools and tracks surplus funds of FE and the respective regulated and unregulated subsidiaries, as the case may be, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. The average interest rate for borrowings in the first nine months of 2020 was 0.87% per annum for the regulated companies' money pool and 1.21% per annum for the unregulated companies' money pool.

Long-Term Debt Capacity

FE's and its subsidiaries' access to capital markets and costs of financing are influenced by the credit ratings of their securities. The following table displays FE's and its subsidiaries' credit ratings as of November 17, 2020:

	Corporate Credit Rating			Senior Secured			Senior Unsecured			Outlook/Watch [1]		
Issuer	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**
FE	BB+	Baa3	BBB-	—	—	—	BB+	Baa3	BBB-	CW-N	N	N
AGC	BB	Baa2	BBB	—	—	—	—	—	—	CW-N	S	N
ATSI	BB+	A3	BBB	—	—	—	BBB-	A3	BBB+	CW-N	S	N
CEI	BB+	Baa2	BBB	BBB+	A3	A-	BBB-	Baa2	BBB+	CW-N	S	N
FET	BB+	Baa2	BBB-	—	—	—	BB+	Baa2	BBB-	CW-N	S	N
JCP&L	BB+	A3	BBB	—	—	—	BBB-	A3	BBB+	CW-N	S	N
ME	BB+	A3	BBB	—	—	—	BBB-	A3	BBB+	CW-N	S	N
MAIT	BB+	A3	BBB	—	—	—	BBB-	A3	BBB+	CW-N	S	N
MP	BB+	Baa2	BBB	BBB+	A3	A-	BBB-	Baa2	—	CW-N	S	N
OE	BB+	A3	BBB	BBB+	A1	A-	BBB-	A3	BBB+	CW-N	S	N
PN	BB+	Baa1	BBB	—	—	—	BBB-	Baa1	BBB+	CW-N	S	N
Penn	BB+	A3	BBB	—	A1	A-	—	—	—	CW-N	S	N
PE	BB+	Baa2	BBB	—	—	A-	—	—	—	CW-N	S	N
TE	BB+	Baa1	BBB	BBB+	A2	A-	—	—	—	CW-N	S	N
TrAIL	BB+	A3	BBB	—	—	—	BBB-	A3	BBB+	CW-N	S	N
WP	BB+	A3	BBB	—	—	A-	—	—	—	CW-N	S	N

[1] S = Stable, P = Positive, N = Negative, CW-N = CreditWatch with Negative implications

On October 30, 2020, Fitch Ratings downgraded FE and FET's issuer default ratings and senior unsecured ratings one notch to BBB- from BBB. Fitch also downgraded FE's subsidiaries issuer default ratings one notch to BBB from BBB+, except for PE, MP, and AGC, whose ratings were affirmed at BBB. Senior unsecured issue ratings for the subsidiaries were downgraded one notch, where applicable, to BBB+ from A-. Senior secured issue ratings for the subsidiaries were downgraded one notch, where applicable, to A- from A. The rating outlook is negative for FE and its subsidiaries.

On October 30, 2020, S&P downgraded FE and its subsidiaries issuer credit ratings two notches to BB+ from BBB, except for AGC which was lowered to BB from BBB-. The senior unsecured issue ratings of FE and FET were changed one notch to BB+ from BBB-. The senior unsecured issue ratings of the subsidiaries, where applicable, were lowered one notch to BBB- from BBB. Additionally, the senior secured issue ratings of the subsidiaries, where applicable, were lowered one notch to BBB+ from A-. The ratings on FE and its subsidiaries remain on CreditWatch with negative implications.

The applicable undrawn and drawn margin on the FE and FET credit facilities are subject to ratings based pricing grids. The applicable fee paid on the undrawn commitments under the FE and FET credit facilities are based on FE and FET's senior unsecured non-credit enhanced debt ratings as determined by S&P and Moody's. The fee paid on actual borrowings are determined based on each borrower's senior unsecured non-credit enhanced debt ratings as determined by S&P and Moody's.

The interest rate payable on approximately $3.85 billion in FE's senior unsecured notes are subject to adjustments from time to time if the ratings on the notes from any one or more of S&P, Moody's and Fitch decreases to a rating set forth in the applicable documents. Generally a one-notch downgrade by the applicable rating agency may result in a 25 bps coupon rate increase beginning at BB, Ba1, and BB+ for S&P, Moody's and Fitch, respectively, to the extent such rating is applicable to the series of outstanding senior unsecured notes, during the next interest period, subject to an aggregate cap of 2% from issuance interest rate.

Debt capacity is subject to the consolidated debt-to-total-capitalization limits in the credit facilities previously discussed. As of September 30, 2020, FE and its subsidiaries could issue additional debt of approximately $6.6 billion, or incur a $3.5 billion reduction to equity, and remain within the limitations of the financial covenants required by the FE credit facility.

Changes in Cash Position

As of September 30, 2020, FirstEnergy had $260 million of cash and cash equivalents and approximately $36 million of restricted cash compared to $627 million of cash and cash equivalents and approximately $52 million of restricted cash as of December 31, 2019, on the Consolidated Balance Sheets.

Cash Flows From Operating Activities

FirstEnergy's most significant sources of cash are derived from electric service provided by its distribution and transmission operating subsidiaries. Beyond the cash settlement and tax sharing payments to the FES Debtors in 2020, and pension contribution in 2019, the most significant use of cash from operating activities is buying electricity to serve non-shopping customers and paying fuel suppliers, employees, tax authorities, lenders and others for a wide range of materials and services.

FirstEnergy’s Consolidated Statement of Cash Flows combines cash flows from discontinued operations with cash flows from continuing operations within each cash flow category. For the nine months ended September 30, 2020 and 2019, cash flows from operating activities includes income (loss) from discontinued operations of $46 million and $(62) million, respectively.

In the first nine months of 2020, cash provided from operating activities was $851 million compared to $1,737 million in the same period of 2019. The decrease in cash provided from operating activities is primarily due to the $978 million cash settlement and tax sharing payments made to the FES Debtors upon their emergence in February 2020, an increase to accounts receivable customer balances due to the impact of COVID-19, and higher storm restoration costs, partially offset by the absence of a $500 million cash contribution to the qualified pension plan in February 2019.

Cash Flows From Financing Activities

In the first nine months of 2020, cash provided from financing activities was $937 million compared to $665 million in the same period of 2019. The following table summarizes new debt financing, redemptions, repayments, short-term borrowings and dividends:

	For the Nine Months Ended September 30,	
Securities Issued or Redeemed / Repaid	**2020**	**2019**
	(In millions)	
New Issues		
Unsecured notes	$ 3,250	$ 1,850
FMBs	175	250
	$ 3,425	$ 2,100
Redemptions / Repayments		
Term loan	$ (750)	$ —
Unsecured notes	(250)	(725)
FMBs	(50)	—
Senior secured notes	(60)	(59)
	$ (1,110)	$ (784)
Short-term borrowings, net	$ (700)	$ —
Preferred stock dividend payments	$ —	$ (6)
Common stock dividend payments	$ (634)	$ (609)

On February 20, 2020, FE issued $1.75 billion in senior unsecured notes in three separate series: (i) $300 million aggregate principal amount of 2.050% Notes, Series A, due 2025, (ii) $600 million aggregate principal amount of 2.650% Notes, Series B, due 2030 and (iii) $850 million aggregate principal amount of 3.400% Notes, Series C, due 2050. Proceeds from the issuance of the notes, together with cash on hand, were used: (i) to repay the entire $750 million two-year term loan due September 2021, (ii) to make the $853 million in bankruptcy settlement payments and $125 million tax sharing agreement payment with the FES Debtors as discussed above, (iii) to repay $250 million of the $1 billion outstanding 364-day term loan due September 2020, and (iv) for working capital needs and general corporate purposes.

On March 31, 2020, MAIT issued $125 million of 3.60% senior unsecured notes due 2032 and $125 million of 3.70% senior unsecured notes due 2035. Proceeds from the issuance of the notes were used: (i) to refinance existing debt, (ii) for capital expenditures, and (iii) for general corporate purposes.

On April 20, 2020, PN issued $125 million of 3.61% senior unsecured notes due 2032 and $125 million of 3.71% senior unsecured notes due 2035. Proceeds of the issuance of the notes were used: (i) to refinance indebtedness, including short-term borrowings incurred under the FirstEnergy regulated money pool to repay a portion of the $250 million aggregate principle amount of PN’s 5.20% Senior Notes due April 1, 2020, (ii) to fund capital expenditures, (iii) to fund general corporate purposes, or (iv) for any combination of the above.

On June 8, 2020, FE issued $750 million in senior unsecured notes in two separate series: (i) $300 million aggregate principal amounts of 1.600% Notes, Series A, due 2026 and (ii) $450 million aggregate principal amount of 2.250% Notes, Series B, due 2030. Proceeds from the issuance of the notes were used to repay all amounts outstanding under the 364-day term loan due September 2020.

On June 29, 2020, PE issued $75 million of 2.67% FMBs due 2032 and $100 million of 3.43% FMBs due 2051. Proceeds of the issuance of the FMBs were used to repay short-term borrowings under the FirstEnergy regulated money pool, to fund capital expenditures, and for general corporate purposes.

On July 20, 2020, CEI issued $150 million of 2.77% senior unsecured notes due 2034 and $100 million of 3.23% senior unsecured notes due 2040. Proceeds from the issuance of the notes were used to refinance existing short-term borrowings, to fund capital expenditures, and for general corporate purposes.

Cash Flows From Investing Activities

Cash used for investing activities in the first nine months of 2020 principally represented cash used for property additions. The following table summarizes investing activities for the first nine months of 2020 and 2019:

	For the Nine Months Ended September 30,		Increase
Cash Used for Investing Activities	**2020**	**2019**	**(Decrease)**
		(In millions)	
Property Additions:			
Regulated Distribution	$ 1,115	$ 1,037	$ 78
Regulated Transmission	817	835	(18)
Corporate / Other	47	40	7
Investments	18	30	(12)
Asset removal costs	175	158	17
Other	(1)	(19)	18
	$ 2,171	$ 2,081	$ 90

Cash used for investing activities for the first nine months of 2020 increased $90 million, compared to the same period of 2019, primarily due to higher property additions. The increase in property additions was due to an increase of $78 million at Regulated Distribution for investments to improve and modernize the electric system.

GUARANTEES AND OTHER ASSURANCES

FirstEnergy has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. FirstEnergy enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments FirstEnergy and its subsidiaries could be required to make under these guarantees as of September 30, 2020, was approximately $1.7 billion, as summarized below:

Guarantees and Other Assurances	Maximum Exposure
	(In millions)
FE's Guarantees on Behalf of its Consolidated Subsidiaries	
AE Supply asset sales[(1)]	$ 570
Deferred compensation arrangements	467
Fuel related contracts and other	4
	1,041
FE's Guarantees on Other Assurances	
Global holding facility	114
Deferred compensation arrangements	147
Surety Bonds	339
LOCs and other	16
	616
Total Guarantees and Other Assurances	$ 1,657

(1) As a condition to closing AE Supply's sale of four natural gas generating plants in December 2017, FE provided the purchaser two limited three-year guarantees totaling $555 million of certain obligations of AE Supply and AGC. In addition, as a condition to closing AE Supply's transfer of Pleasants Power Station and as contemplated under the FES Bankruptcy settlement agreement, FE has provided two guarantees totaling $15 million for certain retained environmental liabilities of AE Supply, including the McElroy's Run CCR Impoundment Facility.

Collateral and Contingent-Related Features

In the normal course of business, FE and its subsidiaries may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require FE or its subsidiaries to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon FE's or its subsidiaries' credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty.

Certain agreements entered into by FE and its subsidiaries have margining provisions that require posting of collateral. As of September 30, 2020, $1 million of collateral has been posted by FE or its subsidiaries.

These credit-risk-related contingent features stipulate that if the subsidiary were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. The following table discloses the potential additional credit rating contingent contractual collateral obligations as of September 30, 2020:

Potential Collateral Obligations	Utilities and FET	FE	Total
		(In millions)	
Contractual Obligations for Additional Collateral			
Upon further downgrade [(1)]	$ 40	$ —	$ 40
Surety Bonds (collateralized amount)[(2)]	66	257	323
Total Exposure from Contractual Obligations	$ 106	$ 257	$ 363

(1) As a result of the credit rating downgrades in October 2020, as further discussed above, FirstEnergy may be required to provide $4.5 million in collateral.
(2) Surety Bonds are not tied to a credit rating. Surety Bonds' impact assumes maximum contractual obligations (typical obligations require 30 days to cure).

Other Commitments and Contingencies

FE is a guarantor under a $120 million syndicated senior secured term loan facility due November 12, 2024, under which Global Holding's outstanding principal balance is $114 million as of September 30, 2020. In addition to FE, Signal Peak, Global Rail, Global Mining Group, LLC and Global Coal Sales Group, LLC, each being a direct or indirect subsidiary of Global Holding, continue to provide their joint and several guaranties of the obligations of Global Holding under the facility.

In connection with the facility, 69.99% of Global Holding's direct and indirect membership interests in Signal Peak, Global Rail and their affiliates along with FEV's and WMB Marketing Ventures, LLC's respective 33-1/3% membership interests in Global Holding, are pledged to the lenders under the current facility as collateral.

MARKET RISK INFORMATION

FirstEnergy uses various market risk sensitive instruments, including derivative contracts, primarily to manage the risk of price and interest rate fluctuations. FirstEnergy's Risk Policy Committee, comprised of members of senior management, provides general oversight for risk management activities throughout the company.

Commodity Price Risk

FirstEnergy has limited exposure to financial risks resulting from fluctuating commodity prices, including prices for electricity, natural gas, coal and energy transmission. FirstEnergy's Risk Management and Risk Policy Committees are responsible for promoting the effective design and implementation of sound risk management programs and oversees compliance with corporate risk management policies and established risk management practice.

The valuation of derivative contracts is based on observable market information. As of September 30, 2020, FirstEnergy has a net asset of $7 million in non-hedge derivative contracts that are related to FTRs at certain of the Utilities. FTRs are subject to regulatory accounting and do not impact earnings.

Equity Price Risk

As of September 30, 2020, the FirstEnergy pension plan assets were allocated approximately as follows: 21% in equity securities, 37% in fixed income securities, 7% in absolute return strategies, 9% in real estate, 5% in private equity, 4% in derivatives and 17% in cash and short-term securities. A decline in the value of pension plan assets could result in additional funding requirements. FirstEnergy's funding policy is based on actuarial computations using the projected unit credit method. On February 1, 2019, FirstEnergy made a $500 million voluntary cash contribution to the qualified pension plan. As a result of this contribution and pension investment performance returns to date, FirstEnergy expects no required contributions through 2021. As of September 30, 2020, FirstEnergy's OPEB plan assets were allocated approximately 55% in equity securities, 42% in fixed income securities and 3% in cash and short-term securities. See Note 5, "Pension and Other Post-Employment Benefits," of the Notes to Consolidated Financial Statements for additional details on FirstEnergy's pension and OPEB plans.

Through September 30, 2020, FirstEnergy's pension and OPEB plan assets have gained approximately 9.2% and 5.7%, respectively, as compared to an annual expected return on plan assets of 7.5%. On February 27, 2020, FirstEnergy remeasured its plan assets, and from that date through September 30, 2020, FirstEnergy's pension and OPEB plan assets have gained approximately 6.1% and 5.0%, respectively.

NDT funds have been established to satisfy JCP&L, ME and PN's nuclear decommissioning obligations associated with TMI-2. As of September 30, 2020, approximately 15% of the funds were invested in fixed income securities and 85% were invested in short-term investments, with limitations related to concentration and investment grade ratings. The investments are carried at their market values of approximately $135 million and $744 million for fixed income securities and short-term investments, respectively, as of September 30, 2020, excluding $2 million of net receivables, payables and accrued income. A decline in the value of JCP&L, ME and PN's NDTs or a significant escalation in estimated decommissioning costs could result in additional funding requirements. During the nine months ended September 30, 2020, JCP&L, ME and PN made no contributions to the NDTs.

Interest Rate Risk

FirstEnergy recognizes net actuarial gains or losses for its pension and OPEB plans in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. A primary factor contributing to these actuarial gains and losses are changes in the discount rates used to value pension and OPEB obligations as of the measurement date and the difference between expected and actual returns on the plans' assets.

Under the approved bankruptcy settlement agreement discussed above, upon emergence, FES and FENOC employees ceased earning years of service under the FirstEnergy pension and OPEB plans. The emergence on February 27, 2020, triggered a remeasurement of the affected pension and OPEB plans and as a result, FirstEnergy recognized a non-cash, pre-tax pension and OPEB mark-to-market adjustment of approximately $423 million in the first quarter of 2020. The pension and OPEB mark-to-market adjustment primarily reflects a 38 bps decrease in the discount rate used to measure benefit obligations from December 31, 2019, partially offset by a slightly higher than expected return on assets.

FirstEnergy would anticipate an after-tax mark-to-market gain (loss) in the fourth quarter of 2020 to be in the range of approximately $(330) million to $40 million assuming a discount rate of approximately 2.7% to 3.0% and a return on the pension and OPEB plans' assets based on actual investment performance since the last remeasurement date on February 27, 2020 through September 30, 2020.

CREDIT RISK

Credit risk is the risk that FirstEnergy would incur a loss as a result of nonperformance by counterparties of their contractual obligations. FirstEnergy maintains credit policies and procedures with respect to counterparty credit (including requirement that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstance in order to limit counterparty credit risk. In addition, in response to the COVID-19 pandemic, FirstEnergy has increased reviews of counterparties, customers and industries that have been negatively impacted, which could affect meeting contractual obligations with FirstEnergy. FirstEnergy has concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact FirstEnergy's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions. In the event an energy supplier of the Ohio Companies, Pennsylvania Companies, JCP&L or PE defaults on its obligation, the affected company would be required to seek replacement power in the market. In general, subject to regulatory review or other processes, it is expected that appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thereby mitigating the financial risk for these entities. FirstEnergy's credit policies to manage credit risk include the use of an established credit approval process, daily credit mitigation provisions, such as margin, prepayment or collateral requirements, and surveys to determine negative impacts to essential vendors as a result of the COVID-19 pandemic. FirstEnergy and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

OUTLOOK

CARES ACT

On March 27, 2020, the President signed into law the CARES Act, an economic stimulus package in response to the COVID-19 pandemic. The CARES Act contains several corporate income tax provisions, including making remaining AMT credits immediately refundable; providing a 5-year carryback of NOLs generated in tax years 2018, 2019, and 2020, and removing the 80% taxable income limitation on utilization of those NOLs if carried back to prior tax years or utilized in tax years beginning before 2021; and temporarily liberalizing the interest deductibility rules under Section 163(j) of the Tax Act, by raising the adjusted taxable income limitation from 30% to 50% for tax years 2019 and 2020 and giving taxpayers the election of using 2019 adjusted taxable income for purposes of computing 2020 interest deductibility. FirstEnergy has approximately $18 million of refundable AMT credits that will be fully refundable through the CARES Act, however, does not expect to generate additional income tax refunds from the NOL carryback provision and expects interest to be fully deductible starting in 2020. FirstEnergy does not currently expect the other provisions of the CARES Act to have a material effect on current income tax expense or the realizability of deferred income tax assets.

On July 28, 2020, the IRS issued final regulations implementing interest expense deduction limitation rules under section 163(j) of the Internal Revenue Code. The final regulations changed certain rules on the computation of interest expense and limitation amount, as well as rules relevant to status as a regulated utility business and the allocation of consolidated group interest expense between utility and non-utility businesses. After reviewing the final regulations, FirstEnergy recorded a true-up to prior years' reserve estimates during the quarter, which did not have a material impact to FirstEnergy's income statement.

STATE REGULATION

Each of the Utilities' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the states in which it operates - in Maryland by the MDPSC, in New Jersey by the NJBPU, in Ohio by the PUCO, in Pennsylvania by the PPUC, in West Virginia by the WVPSC and in New York by the NYPSC. The transmission operations of PE in Virginia are subject to certain regulations of the VSCC. In addition, under Ohio law, municipalities may regulate rates of a public utility, subject to appeal to the PUCO if not acceptable to the utility. Further, if any of the FirstEnergy affiliates were to engage in the construction of significant new transmission facilities, depending on the state, they may be required to obtain state regulatory authorization to site, construct and operate the new transmission facility.

MARYLAND

PE operates under MDPSC approved base rates that were effective as of March 23, 2019. PE also provides SOS pursuant to a combination of settlement agreements, MDPSC orders and regulations, and statutory provisions. SOS supply is competitively procured in the form of rolling contracts of varying lengths through periodic auctions that are overseen by the MDPSC and a third-party monitor. Although settlements with respect to SOS supply for PE customers have expired, service continues in the same manner until changed by order of the MDPSC. PE recovers its costs plus a return for providing SOS.

The EmPOWER Maryland program requires each electric utility to file a plan to reduce electric consumption and demand 0.2% per year, up to the ultimate goal of 2% annual savings, for the duration of the 2018-2020 and 2021-2023 EmPOWER Maryland program cycles, to the extent the MDPSC determines that cost-effective programs and services are available. PE's approved 2018-2020 EmPOWER Maryland plan continues and expands upon prior years' programs, and adds new programs, for a projected total cost of $116 million over the three-year period. PE recovers program costs subject to a five-year amortization. Maryland law only allows for the utility to recover lost distribution revenue attributable to energy efficiency or demand reduction programs through a base rate case proceeding, and to date, such recovery has not been sought or obtained by PE. On September 1, 2020, PE filed its proposed plan for the 2021-2023 EmPOWER Maryland program cycle. The new plan largely continues PE's existing programs and is estimated to cost approximately $148 million over the three-year period. The MDPSC had a hearing on the proposed plan in October 2020.

On January 19, 2018, PE filed a joint petition along with other utility companies, work group stakeholders and the MDPSC electric vehicle work group leader to implement a statewide electric vehicle portfolio in connection with a 2016 MDPSC proceeding to consider an array of issues relating to electric distribution system design, including matters relating to electric vehicles, distributed energy resources, advanced metering infrastructure, energy storage, system planning, rate design, and impacts on low-income customers. PE proposed an electric vehicle charging infrastructure program at a projected total cost of $12 million, to be recovered over a five-year amortization. On January 14, 2019, the MDPSC approved the petition subject to certain reductions in the scope of the program. The MDPSC approved PE's compliance filing, which implements the pilot program, with minor modifications, on July 3, 2019.

On August 24, 2018, PE filed a base rate case with the MDPSC, which it supplemented on October 22, 2018, to update the partially forecasted test year with a full twelve months of actual data. The rate case requested an annual increase in base distribution rates of $19.7 million, plus creation of an EDIS to fund four enhanced service reliability programs. In responding to discovery, PE revised its request for an annual increase in base rates to $17.6 million. The proposed rate increase reflected $7.3 million in annual savings for customers resulting from the recent federal tax law changes. On March 22, 2019, the MDPSC issued a final order that approved a rate increase of $6.2 million, approved three of the four EDIS programs for four years, directed PE to file a new depreciation study within 18 months, and ordered the filing of a new base rate case in four years to correspond to the ending of the approved EDIS programs. On September 22, 2020, PE filed its depreciation study that indicated a slight increase in depreciation, and as a result, is seeking that the difference in depreciation be deferred for future recovery in PE's next base rate case. The MDPSC has set the matter for hearing and delegated it to a public utility law judge. On November 6, 2020, an order was issued scheduling evidentiary hearings in April 2021.

Maryland's Governor issued an order on March 16, 2020, forbidding utilities from terminating residential service or charging late fees for non-payment for the duration of the COVID-19 pandemic. On April 9, 2020, the MDPSC issued an order allowing utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic, including incremental uncollectible expense, incurred from the date of the Governor's order (or earlier if the utility could show that the expenses related to suspension of service terminations). On July 8, 2020, the MDPSC issued a notice opening a public conference to collect information from utilities and other stakeholders about the impacts of the COVID-19 pandemic on the utilities and their customers. The MDPSC subsequently issued orders allowing Maryland electric and gas utilities to resume residential service terminations for non-payment on November 15, 2020, subject to various restrictions, and clarifying that utilities could resume charging late fees on October 1, 2020.

NEW JERSEY

JCP&L operates under NJBPU approved rates that were effective as of January 1, 2017. JCP&L provides BGS for retail customers who do not choose a third-party EGS and for customers of third-party EGSs that fail to provide the contracted service. All New Jersey EDCs participate in this competitive BGS procurement process and recover BGS costs directly from customers as a charge separate from base rates.

On April 18, 2019, pursuant to the May 2018 New Jersey enacted legislation establishing a ZEC program to provide ratepayer funded subsidies of New Jersey nuclear energy supply, the NJBPU approved the implementation of a non-bypassable, irrevocable ZEC charge for all New Jersey electric utility customers, including JCP&L's customers. Once collected from customers by JCP&L, these funds will be remitted to eligible nuclear energy generators.

In December 2017, the NJBPU issued proposed rules to modify its current CTA policy in base rate cases to: (i) calculate savings using a five-year look back from the beginning of the test year; (ii) allocate savings with 75% retained by the company and 25% allocated to ratepayers; and (iii) exclude transmission assets of electric distribution companies in the savings calculation, which were published in the NJ Register in the first quarter of 2018. JCP&L filed comments supporting the proposed rulemaking. On January 17, 2019, the NJBPU approved the proposed CTA rules with no changes. On May 17, 2019, the Rate Counsel filed an appeal with the Appellate Division of the Superior Court of New Jersey. JCP&L is contesting this appeal but is unable to predict the outcome of this matter.

Also in December 2017, the NJBPU approved its IIP rulemaking. The IIP creates a financial incentive for utilities to accelerate the level of investment needed to promote the timely rehabilitation and replacement of certain non-revenue producing components that enhance reliability, resiliency, and/or safety. On May 8, 2019, the NJBPU approved a Stipulation of Settlement submitted by JCP&L, Rate Counsel, NJBPU Staff and New Jersey Large Energy Users Coalition to implement JCP&L's infrastructure plan, JCP&L Reliability Plus. The plan provides that JCP&L will invest up to approximately $97 million in capital investments beginning on June 1, 2019 through December 31, 2020, to enhance the reliability and resiliency of JCP&L's distribution system and reduce the frequency and duration of power outages. JCP&L shall seek recovery of the capital investment through an accelerated cost recovery mechanism, provided for in the rules, that includes a revenue adjustment calculation and a process for two rate adjustments. The NJBPU approved adjusted rates that took effect on March 1, 2020. As further discussed below, JCP&L will recover the IIP capital investments as part of its distribution base rate case.

On February 18, 2020, JCP&L submitted a filing with the NJBPU requesting a distribution base rate increase of $186.9 million on an annual basis, which represents an overall average increase in JCP&L rates of 7.8%. The filing seeks to recover certain costs associated with providing safe and reliable electric service to JCP&L customers, along with recovery of previously incurred storm costs. JCP&L proposed a rate effective date of March 19, 2020. The NJBPU issued orders suspending JCP&L's proposed rates until November 19, 2020. JCP&L filed updates to the requested distribution base rate in both June and July 2020, resulting in JCP&L seeking a total annual distribution base rate increase of approximately $185 million. On October 16, 2020, the parties submitted a stipulation of settlement to the administrative law judge, providing for, among other things, a $94 million annual base distribution revenues increase for JCP&L based on an ROE of 9.6%, which will become effective for customers on November 1, 2021. Until the rates become effective, and starting on January 1, 2021, JCP&L will be permitted to amortize an existing regulatory liability totaling approximately $86 million to offset the base rate increase that otherwise would have occurred in this period. The parties also agreed that the actual net gain from the sale of JCP&L's interest in the Yards Creek pumped-storage hydro generation facility in New Jersey (210 MWs), as further discussed below, shall be applied to reduce JCP&L's existing regulatory asset for previously deferred storm costs. On October 22, 2020, the administrative law judge entered an initial decision adopting the settlement. On October 28, 2020, the NJBPU approved the settlement and ordered an upcoming management audit for JCP&L.

On April 6, 2020, JCP&L signed an asset purchase agreement with Yards Creek Energy, LLC, a subsidiary of LS Power to sell its 50% interest in the Yards Creek pumped-storage hydro generation facility. Subject to terms and conditions of the agreement, the base purchase price is $155 million. Completion of the transaction is subject to several closing conditions, including approval by the NJBPU and FERC. On July 31, 2020, FERC approved the transfer of JCP&L's interest in the hydroelectric operating license. On October 8, 2020, FERC issued an order authorizing the transfer of JCP&L's ownership interest in the hydroelectric facilities. There can be no assurance that all closing conditions will be satisfied or that the transaction will be consummated. JCP&L currently anticipates closing of the transaction to occur in the next few months. Assets held for sale on FirstEnergy's Consolidated Balance Sheets associated with the transaction consist of property, plant and equipment of $44 million, which is included in the regulated distribution segment. On October 28, 2020, the NJBPU approved the sale of Yards Creek.

On August 27, 2020, JCP&L filed an AMI Program with the NJBPU, which proposes the deployment of approximately 1.2 million advanced meters over a three-year period beginning on January 1, 2023, at a total cost of approximately $418 million, including the pre-deployment phase. The 3-year deployment is part of the 20 year AMI Program that is expected to cost a total of approximately $732 million and proposes a cost recovery mechanism through a separate AMI tariff rider.

On June 10, 2020, the NJBPU issued an order establishing a framework for the filing of utility-run energy efficiency and peak demand reduction programs in accordance with the New Jersey Clean Energy Act. Under the established framework, JCP&L will recover its program investments over a ten year amortization period and its operations and maintenance expenses on an annual basis, be eligible to receive lost revenues on energy savings that resulted from its programs and be eligible for incentives or subject to penalties based on its annual program performance, beginning in the fifth year of its program offerings. On September 25, 2020, JCP&L filed its energy efficiency and peak demand reduction program. JCP&L's program consists of 11 energy efficiency and peak demand reduction programs and subprograms to be run from July 1, 2021 through June 30, 2024. The program also seeks approval of cost recovery totaling approximately $230 million as well as lost revenues associated with the energy savings resulting from the programs.

On July 2, 2020, the NJBPU issued an order allowing New Jersey utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic beginning March 9, 2020 through September 30, 2021, or until the Governor issues an order stating that the COVID-19 pandemic is no longer in effect. New Jersey utilities can request recovery of such regulatory asset in a stand-alone COVID-19 regulatory asset filing or future base rate case. On August 21, 2020, the Governor of New Jersey issued a press release announcing that the New Jersey utilities agreed to extend their voluntary moratorium preventing shutoffs to both residential and commercial customers during the COVID-19 pandemic until October 15, 2020. On October 15, 2020, the Governor issued an Executive Order prohibiting utilities from terminating service to any residential gas, electric, public and private water customer, through March 15, 2021, requiring the reconnection of certain customers, and disallowing the charging of late payment charges or reconnection fees during the public health emergency. On October 28, 2020, the NJBPU issued an order expanding the scope of the proceeding to examine all pandemic issues, including recovery of the COVID-19 regulatory assets, by way of a generic proceeding. Comments are due by November 30, 2020.

The recent credit rating actions taken on October 28, 2020, by S&P and Fitch triggered a requirement from various NJBPU orders that JCP&L file a mitigation plan, which was filed on November 5, 2020, to demonstrate that JCP&L has sufficient liquidity to meet its BGS obligations. On November 18, 2020, the NJBPU scheduled a public hearing on the mitigation plan for December 11, 2020.

OHIO

The Ohio Companies operate under base distribution rates approved by the PUCO effective in 2009. The Ohio Companies' residential and commercial base distribution revenues are decoupled, through a mechanism that took effect on February 1, 2020, to the base distribution revenue and lost distribution revenue associated with energy efficiency and peak demand reduction programs recovered as of the twelve-month period ending on December 31, 2018. The Ohio Companies currently operate under ESP IV effective June 1, 2016, and continuing through May 31, 2024, that continues the supply of power to non-shopping customers at a market-based price set through an auction process. ESP IV also continues the DCR rider, which supports continued investment related to the distribution system for the benefit of customers, with increased revenue caps of $20 million per year from June 1, 2019 through May 31, 2022; and $15 million per year from June 1, 2022 through May 31, 2024. In addition, ESP IV includes: (1) continuation of a base distribution rate freeze through May 31, 2024; (2) the collection of lost distribution revenues associated with energy efficiency and peak demand reduction programs; (3) a goal across FirstEnergy to reduce CO_2 emissions by 90% below 2005 levels by 2045; and (4) contributions, totaling $51 million to: (a) fund energy conservation programs, economic development and job retention in the Ohio Companies' service territories; (b) establish a fuel-fund in each of the Ohio Companies' service territories to assist low-income customers; and (c) establish a Customer Advisory Council to ensure preservation and growth of the competitive market in Ohio. ESP IV further provided for the Ohio Companies to collect through the DMR $132.5 million annually for three years beginning in 2017, grossed up for federal income taxes, resulting in an approved amount of approximately $168 million annually in 2018 and 2019. On appeal, the SCOH, on June 19, 2019, reversed the PUCO's determination that the DMR is lawful, and remanded the matter to the PUCO with instructions to remove the DMR from ESP IV. On August 20, 2019, the SCOH denied the Ohio Companies' motion for reconsideration. The PUCO entered an order directing the Ohio Companies to cease further collection through the DMR, credit back to customers a refund of the DMR funds collected since July 2, 2019, and remove the DMR from ESP IV. On July 15, 2019, OCC filed a Notice of Appeal with the SCOH, challenging the PUCO's exclusion of the DMR revenues from the determination of the existence of significantly excessive earnings under ESP IV for calendar year 2017 and claiming a $42 million refund is due to OE customers. The Ohio Companies are contesting this appeal but are unable to predict the outcome of this matter. The SCOH heard the argument on this matter on May 12, 2020.

On July 23, 2019, Ohio enacted legislation establishing support for nuclear energy supply in Ohio. In addition to the provisions supporting nuclear energy, the legislation included a provision implementing a decoupling mechanism for Ohio electric utilities and ending current energy efficiency program mandates on December 31, 2020, provided that statewide energy efficiency mandates are achieved as determined by the PUCO. On February 26, 2020, the PUCO ordered that a wind-down of statutorily required energy efficiency programs shall commence on September 30, 2020, and the programs shall terminate on December 31, 2020, and that the Ohio Companies' existing portfolio plans are extended through 2020 without changes.

On November 21, 2019, the Ohio Companies applied to the PUCO for approval of a decoupling mechanism, which would set residential and commercial base distribution related revenues at the levels collected in 2018. As such, those base distribution revenues would no longer be based on electric consumption, which allows continued support of energy efficiency initiatives while also providing revenue certainty to the Ohio Companies. On January 15, 2020, the PUCO approved the Ohio Companies' decoupling application, and the decoupling mechanism took effect on February 1, 2020. Various Ohio House and Senate Bills were introduced in the third quarter of 2020 to, among other things, repeal HB 6, the legislation that established support for nuclear energy supply in Ohio, provided for a decoupling mechanism for Ohio electric utilities, and provided for the ending of current energy efficiency program mandates. FirstEnergy is unable to predict the outcome of the legislative activity in response to the investigation of HB 6, however, a repeal of the decoupling provision of HB 6 is reasonably possible. As of September 30, 2020, the uncollected amount recognized as a regulatory asset on FirstEnergy's Consolidated Balance Sheet from the decoupling mechanism was approximately $100 million. However, absent the decoupling mechanism and other provisions of HB 6, it is expected that the Ohio Companies would have collected lost distribution revenues estimated at approximately $63 million for the nine months ended September 30, 2020, for a pre-tax net impact of approximately $37 million. Furthermore, as FirstEnergy would not have financially benefited from the zero nuclear credit included in HB 6, there is no expected impact to FirstEnergy due to the repeal of that provision in HB 6. On November 2, 2020, the Ohio Companies filed their annual update to the Ohio decoupling rider with an estimated annual revenue requirement of approximately $113 million with a proposed effective date of January 1, 2021, unless otherwise ordered by the PUCO.

On July 17, 2019, the PUCO approved, with no material modifications, a settlement agreement that provides for the implementation of the Ohio Companies' first phase of grid modernization plans, including the investment of $516 million over three years to modernize the Ohio Companies' electric distribution system, and for all tax savings associated with the Tax Act to flow back to customers. The settlement had broad support, including PUCO Staff, the OCC, representatives of industrial and commercial customers, a low-income advocate, environmental advocates, hospitals, competitive generation suppliers and other parties.

In March 2020, the PUCO issued entries directing utilities to review their service disconnection and restoration policies and suspend, for the duration of the COVID-19 pandemic, otherwise applicable requirements that may impose a service continuity hardship or service restoration hardship on customers. The Ohio Companies are utilizing their existing approved cost recovery mechanisms where applicable to address the financial impacts of these directives. On July 31, 2020, the Ohio Companies filed with the PUCO their transition plan and requests for waivers to allow for the safe resumption of normal business operations, including service disconnections for non-payment, on or after September 15, 2020. On September 23, 2020, the PUCO approved the Ohio Companies' transition plan, including approval of the resumption of service disconnections for non-payment, which the Ohio Companies began on October 5, 2020.

On July 29, 2020, the PUCO consolidated the Ohio Companies' Applications for determination of the existence of significantly excessive earnings, or SEET, under ESP IV for calendar years 2018 and 2019, which had been previously filed on July 15, 2019, and May 15, 2020, respectively, and set a procedural schedule with evidentiary hearings scheduled for October 29, 2020. The calculations included in the Ohio Companies' SEET filings for calendar years 2018 and 2019 demonstrate that the Ohio Companies did not have significantly excessive earnings, however, FirstEnergy and the Ohio Companies are unable to predict the PUCO's ultimate determination of the applications. On August 3, 2020, the OCC filed an interlocutory appeal asking the PUCO to stay the SEET proceeding until the SCOH determines whether DMR should be excluded from the SEET, as further discussed above. Furthermore, on July 29, 2020, Ohio House Bill 740 was introduced, which would repeal legislation passed last year that permitted the Ohio Companies to file their SEET results on a consolidated basis instead of on an individual company basis. On September 4, 2020, the PUCO opened its quadrennial review of ESP IV, consolidated it with the Ohio Companies' 2018 and 2019 SEET Applications, and set a procedural schedule for the consolidated matters. On October 29, 2020, the PUCO issued an entry extending the deadline for the Ohio Companies to file quadrennial review of ESP IV testimony to March 1, 2021, with the evidentiary hearings to commence no sooner than May 3, 2021.

On September 8, 2020, the OCC filed motions in the Ohio Companies' Corporate Separation Audit and Rider DMR Audit dockets, requesting the PUCO to open an investigation and management audit, hire an independent auditor, and require FirstEnergy to show it did not improperly use money collected from consumers or violate any utility regulatory laws, rules or orders in its activities regarding HB 6. The Ohio Companies' filed a response in opposition to the OCC's motions on September 23, 2020.

On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, directing the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by ratepayers. The Ohio Companies filed a response on September 30, 2020, stating that any political and charitable spending in support of HB 6 or the subsequent referendum were not included in rates or charges paid for by its customers. Several parties requested that the PUCO broaden the scope of the review of political and charitable spending.

In connection with an on-going audit of the Ohio Companies' policies and procedures relating to the code of conduct rules between affiliates, on November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the FirstEnergy leadership transition announcement made on October 29, 2020, further discussed below. The additional audit is to ensure compliance by the Ohio Companies and their affiliates with corporate separation laws and the Ohio Companies' Corporate Separation Plan. The additional audit is for the period from November 2016 through October 2020, and the PUCO intends to select an auditor by December 2, 2020, with a final audit report to be filed in April 2021.

See "Outlook - Other Legal Proceedings" below for additional details on the government investigation and subsequent litigation surrounding the investigation of HB 6.

PENNSYLVANIA

The Pennsylvania Companies operate under rates approved by the PPUC, effective as of January 27, 2017. These rates were adjusted for the net impact of the Tax Act, effective March 15, 2018. The net impact of the Tax Act for the period January 1, 2018 through March 14, 2018 was separately tracked and its treatment will be addressed in a future rate proceeding. The Pennsylvania Companies operate under DSPs for the June 1, 2019 through May 31, 2023 delivery period, which provide for the competitive procurement of generation supply for customers who do not choose an alternative EGS or for customers of alternative EGSs that fail to provide the contracted service. Under the 2019-2023 DSPs, supply will be provided by wholesale suppliers through a mix of 3, 12 and 24-month energy contracts, as well as two RFPs for 2-year SREC contracts for ME, PN and Penn.

Pursuant to Pennsylvania Act 129 of 2008 and PPUC orders, Pennsylvania EDCs implement energy efficiency and peak demand reduction programs. The Pennsylvania Companies' Phase III EE&C plans for the June 2016 through May 2021 period, which were approved in March 2016, with expected costs up to $390 million, are designed to achieve the targets established in the

PPUC's Phase III Final Implementation Order with full recovery through the reconcilable EE&C riders. On June 18, 2020, the PPUC entered a Final Implementation Order for a Phase IV EE&C Plan, operating from June 2021 through May 2026. The Final Implementation Order set demand reduction targets, relative to 2007 to 2008 peak demands, at 2.9% MW for ME, 3.3% MW for PN, 2.0% MW for Penn, and 2.5% MW for WP; and energy consumption reduction targets, as a percentage of the Pennsylvania Companies' historic 2009 to 2010 reference load at 3.1% MWH for ME, 3.0% MWH for PN, 2.7% MWH for Penn, and 2.4% MWH for WP. Phase IV plans must be filed by November 30, 2020.

Pennsylvania EDCs may file with the PPUC for approval of an LTIIP for infrastructure improvements and costs related to highway relocation projects, after which a DSIC may be approved to recover LTIIP costs. On August 30, 2019, the Pennsylvania Companies filed Petitions for approval of new LTIIPs for the five-year period beginning January 1, 2020 and ending December 31, 2024 for a total capital investment of approximately $572 million for certain infrastructure improvement initiatives. On January 16, 2020, the PPUC approved the LTIIPs without modification. The Pennsylvania Companies' approved DSIC riders for quarterly cost recovery went into effect July 1, 2016. On August 30, 2019, Penn filed a Petition seeking approval of a waiver of the statutory DSIC cap of 5% of distribution rate revenue and approval to increase the maximum allowable DSIC to 11.81% of distribution rate revenue for the five-year period of its proposed LTIIP. On March 12, 2020, an order was entered approving a settlement by all parties to that case which provides for a temporary increase in the recoverability cap from 5% to 7.5%, to expire on the earlier of the effective date of new base rates following Penn's next base rate case or the expiration of its LTIIP II program.

Following the Pennsylvania Companies' 2016 base rate proceedings, the PPUC ruled in a separate proceeding related to the DSIC mechanisms that the Pennsylvania Companies were not required to reflect federal and state income tax deductions related to DSIC-eligible property in DSIC rates, which decision was appealed by the Pennsylvania OCA to the Pennsylvania Commonwealth Court. The Commonwealth Court reversed the PPUC's decision and remanded the matter to require the Pennsylvania Companies to revise their tariffs and DSIC calculations to include ADIT and state income taxes. On April 7, 2020, the Pennsylvania Supreme Court issued an order granting Petitions for Allowance of Appeal by both the PPUC and the Pennsylvania Companies of the Commonwealth Court's Opinion and Order. Briefs and Reply Briefs of the parties were filed, and oral argument before the Supreme Court was held on October 21, 2020. An adverse ruling by the Pennsylvania Supreme Court is not expected to result in a material impact to FirstEnergy.

The PPUC issued an order on March 13, 2020, forbidding utilities from terminating service for non-payment for the duration of the COVID-19 pandemic. On May 13, 2020, the PPUC issued a Secretarial letter directing utilities to track all prudently incurred incremental costs arising from the COVID-19 pandemic, and to create a regulatory asset for future recovery of incremental uncollectibles incurred as a result of the COVID-19 pandemic and termination moratorium. On October 13, 2020, the PPUC entered an order lifting the service termination moratorium effective November 9, 2020 subject to certain additional notification, payment procedures and exceptions, and permits the Pennsylvania Companies to create a regulatory asset for all incremental expenses associated with their compliance with the order. Customers with income levels at 300% of federal poverty income guidelines and below are not subject to termination through March 31, 2021 as long as they apply for assistance programs and payment arrangements. Utilities may create a regulatory asset for all incremental expenses associated with their compliance with the order. On October 27, 2020, several stakeholders filed a joint petition for clarification of the order. Answers to the joint petition for clarification were due on November 6, 2020.

WEST VIRGINIA

MP and PE provide electric service to all customers through traditional cost-based, regulated utility ratemaking and operate under rates approved by the WVPSC effective February 2015. MP and PE recover net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. MP's and PE's ENEC rate is updated annually.

On March 13, 2020, the WVPSC urged all utilities to suspend utility service terminations except where necessary as a matter of safety or where requested by the customer. On May 15, 2020, the WVPSC issued an order to authorize MP and PE to record a deferral of additional, extraordinary costs directly related to complying with the various COVID-19 government shut-down orders and operational precautions, including impacts on uncollectible expense and cash flow related to temporary discontinuance of service terminations for non-payment and any credits to minimum demand charges associated with business customers adversely impacted by shut-downs or temporary closures related to the pandemic. MP and PE resumed disconnection activity for commercial and industrial customers on September 15, 2020, and for residential customers on November 4, 2020.

On August 28, 2020, MP and PE filed with the WVPSC their annual ENEC case requesting a decrease in ENEC rates of $55 million beginning January 1, 2021, representing a 4% decrease in rates compared to those in effect on August 28, 2020. The decrease in the ENEC rates is net of recovering approximately $10.5 million in previously deferred, incremental uncollectible and other related costs resulting from the COVID-19 pandemic. A hearing is set to begin on December 2, 2020, and an order is expected in December 2020.

Also on August 28, 2020, MP and PE filed with the WVPSC for recovery of costs associated with modernization and improvement program for their coal-fired boilers. The proposed annual revenue increase for these environmental compliance projects is $5 million beginning January 1, 2021. A hearing is set to begin on December 2, 2020.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters, including construction and operation of hydroelectric projects. With respect to their wholesale services and rates, the Utilities, AE Supply and the Transmission Companies are subject to regulation by FERC. FERC regulations require JCP&L, MP, PE, WP and the Transmission Companies to provide open access transmission service at FERC-approved rates, terms and conditions. Transmission facilities of JCP&L, MP, PE, WP and the Transmission Companies are subject to functional control by PJM and transmission service using their transmission facilities is provided by PJM under the PJM Tariff.

FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. The Utilities and AE Supply each have been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although in the case of the Utilities major wholesale purchases remain subject to review and regulation by the relevant state commissions.

Federally enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on the Utilities, AE Supply, and the Transmission Companies. NERC is the ERO designated by FERC to establish and enforce these reliability standards, although NERC has delegated day-to-day implementation and enforcement of these reliability standards to six regional entities, including RFC. All of the facilities that FirstEnergy operates are located within the RFC region. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy believes that it is in material compliance with all currently effective and enforceable reliability standards. Nevertheless, in the course of operating its extensive electric utility systems and facilities, FirstEnergy occasionally learns of isolated facts or circumstances that could be interpreted as excursions from the reliability standards. If and when such occurrences are found, FirstEnergy develops information about the occurrence and develops a remedial response to the specific circumstances, including in appropriate cases “self-reporting” an occurrence to RFC. Moreover, it is clear that NERC, RFC and FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. Any inability on FirstEnergy’s part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, or obligations to upgrade or build transmission facilities, that could have a material adverse effect on its financial condition, results of operations and cash flows.

ATSI Transmission Formula Rate

On May 1, 2020, ATSI filed amendments to its formula rate to recover regulatory assets for certain costs that ATSI incurred as a result of its 2011 move from MISO to PJM, certain costs allocated to ATSI by FERC for transmission projects that were constructed by other MISO transmission owners, certain income tax-related adjustments, including, but not limited to impacts from the Tax Act discussed further below, and certain costs for transmission-related vegetation management programs. The amount on FirstEnergy’s Consolidated Balance Sheet for these regulatory assets was approximately $76 million and $73 million, as of September 30, 2020 and December 31, 2019, respectively. Per prior FERC orders, ATSI included a “cost-benefit study” to support recovery of ATSI’s costs to move to PJM, and the MISO transmission project costs that were allocated to ATSI. Certain intervenors filed protests of the formula rate amendments on May 29, 2020, and ATSI filed a reply on June 15, 2020. On June 30, 2020, FERC issued an initial order accepting the tariff amendments subject to refund, suspending the effective date for five months to be effective December 1, 2020, and setting the matter for hearing and settlement proceedings. ATSI is engaged in settlement negotiations with the other parties.

FERC Actions on Tax Act

On March 15, 2018, FERC initiated proceedings on the question of how to address possible changes to ADIT and bonus depreciation as a result of the Tax Act. Such possible changes could impact FERC-jurisdictional rates, including transmission rates. On November 21, 2019, FERC issued a final rule (Order No. 864). Order No. 864 requires utilities with transmission formula rates to update their formula rate templates to include mechanisms to (i) deduct any excess ADIT from or add any deficient ADIT to their rate base; (ii) raise or lower their income tax allowances by any amortized excess or deficient ADIT; and (iii) incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT. Per FERC directives, ATSI submitted its compliance filing on May 1, 2020. MAIT submitted its compliance filing on June 1, 2020. Certain intervenors filed protests of the compliance filings, to which ATSI and MAIT responded. On October 28, 2020, FERC Staff requested additional information about ATSI’s proposed rate base adjustment mechanism. ATSI has 30 days to respond in writing to FERC Staff’s request. On May 15, 2020, TrAIL submitted its compliance filing and on June 1, 2020, PATH submitted its required compliance filing. These compliance filings each remain pending before FERC. MP, WP and PE (as holders of a “stated” transmission rate) are addressing these requirements in the transmission formula rates amendments that were filed on October 29, 2020. JCP&L is addressing these requirements as part of its pending transmission formula rate case.

Transmission ROE Methodology

FERC's methodology for calculating electric transmission utility ROE has been in transition as a result of an April 14, 2017 ruling by the D.C. Circuit that vacated FERC's then-effective methodology. On October 16, 2018, FERC issued an order in which it proposed a revised ROE methodology. FERC proposed that, for complaint proceedings alleging that an existing ROE is not just and reasonable, FERC will rely on three financial models - discounted cash flow, capital-asset pricing, and expected earnings - to establish a composite zone of reasonableness to identify a range of just and reasonable ROEs. FERC then will utilize the transmission utility's risk relative to other utilities within that zone of reasonableness to assign the transmission utility to one of three quartiles within the zone. FERC would take no further action (i.e., dismiss the complaint) if the existing ROE falls within the identified quartile. However, if the replacement ROE falls outside the quartile, FERC would deem the existing ROE presumptively unjust and unreasonable and would determine the replacement ROE. FERC would add a fourth financial model risk premium to the analysis to calculate a ROE based on the average point of central tendency for each of the four financial models. On March 21, 2019, FERC established NOIs to collect industry and stakeholder comments on the revised ROE methodology that is described in the October 16, 2018 decision, and also whether to make changes to FERC's existing policies and practices for awarding transmission rates incentives. On November 21, 2019, FERC announced in a complaint proceeding involving MISO utilities that FERC would rely on the discounted cash flow and capital-asset pricing models as the basis for establishing ROE. Certain parties, including the Utilities, sought rehearing of FERC's decision in the MISO utilities proceeding and, on May 21, 2020, FERC issued Opinion No. 569-A that changed FERC's ROE methodology. Under this methodology FERC established an ROE that is based on three financial models – discounted cash flow, capital-asset pricing, and risk premium – to calculate a composite zone of reasonableness. FERC noted that utilities could, in utility-specific proceedings, ask to have the expected earnings methodology included in calculating the utility's authorized ROE. FERC also noted that, going forward, it will divide that zone into three equal parts, to be used for high risk, normal risk, and low risk utilities. A given utility will be assigned to one of these three parts of the zone of reasonableness, and its ROE will be set at the median or midpoint of the other utilities that are in the applicable third of the zone. FirstEnergy filed a request for rehearing, which FERC denied on July 22, 2020. FirstEnergy also initiated appellate proceedings of FERC's Opinion Nos. 569 and 569-A, as did a number of other parties. These proceedings are pending before the United States Court of Appeals for the District of Columbia Circuit. Any changes to FERC's transmission rate ROE and incentive policies would be applied on a prospective basis.

On March 20, 2020, FERC initiated a rulemaking proceeding on the transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act. Initial comments were submitted July 1, 2020, and reply comments were filed on July 16, 2020. FirstEnergy participated through EEI and through a consortium of PJM Transmission Owners. This proceeding is pending before FERC.

JCP&L Transmission Formula Rate

On October 30, 2019, JCP&L filed tariff amendments with FERC to convert JCP&L's existing stated transmission rate to a forward-looking formula transmission rate. JCP&L requested that the tariff amendments become effective January 1, 2020. On December 19, 2019, FERC issued its initial order in the case, allowing JCP&L to transition to a forward-looking formula rate as of January 1, 2020 as requested, subject to refund, pending further hearing and settlement proceedings. JCP&L and the parties to the FERC proceeding are engaged in settlement negotiations.

Allegheny Power Zone Transmission Formula Rate Filings

On October 29, 2020, MP, PE and WP filed tariff amendments with FERC to convert their existing stated transmission rate to a forward-looking formula transmission rate, effective January 1, 2021. In addition, on October 30, 2020, KATCo filed a proposed new tariff to establish a forward-looking formula rate, and requested that the new rate become effective January 1, 2021. In its filing, KATCo explained that while it currently owns no transmission assets, it may build new transmission facilities in the Allegheny zone, and that it may seek required state and federal authorizations to acquire transmission assets from PE and WP by January 1, 2022. These transmission rate filings are pending before FERC. FirstEnergy intends to include KATCo in the Regulated Transmission reportable segment.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While FirstEnergy's environmental policies and procedures are designed to achieve compliance with applicable environmental laws and regulations, such laws and regulations are subject to periodic review and potential revision by the implementing agencies. FirstEnergy cannot predict the timing or ultimate outcome of any of these reviews or how any future actions taken as a result thereof may materially impact its business, results of operations, cash flows and financial condition.

Clean Air Act

FirstEnergy complies with SO_2 and NOx emission reduction requirements under the CAA and SIP(s) by burning lower-sulfur fuel, utilizing combustion controls and post-combustion controls and/or using emission allowances.

CSAPR requires reductions of NOx and SO_2 emissions in two phases (2015 and 2017), ultimately capping SO_2 emissions in affected states to 2.4 million tons annually and NOx emissions to 1.2 million tons annually. CSAPR allows trading of NOx and SO_2 emission allowances between power plants located in the same state and interstate trading of NOx and SO_2 emission allowances with some restrictions. The D.C. Circuit ordered the EPA on July 28, 2015, to reconsider the CSAPR caps on NOx and SO_2 emissions from power plants in 13 states, including Ohio, Pennsylvania and West Virginia. This follows the 2014 U.S. Supreme Court ruling generally upholding the EPA's regulatory approach under CSAPR, but questioning whether the EPA required upwind states to reduce emissions by more than their contribution to air pollution in downwind states. The EPA issued a CSAPR update rule on September 7, 2016, reducing summertime NOx emissions from power plants in 22 states in the eastern U.S., including Ohio, Pennsylvania and West Virginia, beginning in 2017. Various states and other stakeholders appealed the CSAPR update rule to the D.C. Circuit in November and December 2016. On September 13, 2019, the D.C. Circuit remanded the CSAPR update rule to the EPA citing that the rule did not eliminate upwind states' significant contributions to downwind states' air quality attainment requirements within applicable attainment deadlines. Depending on the outcome of the appeals, the EPA's reconsideration of the CSAPR update rule and how the EPA and the states ultimately implement CSAPR, the future cost of compliance may materially impact FirstEnergy's operations, cash flows and financial condition.

In February 2019, the EPA announced its final decision to retain without changes the NAAQS for SO_2, specifically retaining the 2010 primary (health-based) 1-hour standard of 75 PPB. As of September 30, 2020, FirstEnergy has no power plants operating in areas designated as non-attainment by the EPA.

In March 2018, the State of New York filed a CAA Section 126 petition with the EPA alleging that NOx emissions from nine states (including West Virginia) significantly contribute to New York's inability to attain the ozone NAAQS. The petition seeks suitable emission rate limits for large stationary sources that are affecting New York's air quality within the three years allowed by CAA Section 126. On September 20, 2019, the EPA denied New York's CAA Section 126 petition. On October 29, 2019, the State of New York appealed the denial of its petition to the D.C. Circuit. On July 14, 2020, the D.C. Circuit reversed and remanded the New York petition to the EPA for further consideration. FirstEnergy is unable to predict the outcome of these matters or estimate the loss or range of loss.

Climate Change

There are a number of initiatives to reduce GHG emissions at the state, federal and international level. Certain northeastern states are participating in the RGGI and western states led by California, have implemented programs, primarily cap and trade mechanisms, to control emissions of certain GHGs. Additional policies reducing GHG emissions, such as demand reduction programs, renewable portfolio standards and renewable subsidies have been implemented across the nation.

At the international level, the United Nations Framework Convention on Climate Change resulted in the Kyoto Protocol requiring participating countries, which does not include the U.S., to reduce GHGs commencing in 2008 and has been extended through 2020. The Obama Administration submitted in March 2015, a formal pledge for the U.S. to reduce its economy-wide GHG emissions by 26 to 28 percent below 2005 levels by 2025. In 2015, FirstEnergy set a goal of reducing company-wide CO_2 emissions by at least 90 percent below 2005 levels by 2045. As of December 31, 2018, FirstEnergy has reduced its CO_2 emissions by approximately 62 percent. In September 2016, the U.S. joined in adopting the agreement reached on December 12, 2015, at the United Nations Framework Convention on Climate Change meetings in Paris. The Paris Agreement's non-binding obligations to limit global warming to below two degrees Celsius became effective on November 4, 2016. On June 1, 2017, the Trump Administration announced that the U.S. would cease all participation in the Paris Agreement. FirstEnergy cannot currently estimate the financial impact of climate change policies, although potential legislative or regulatory programs restricting CO_2 emissions, or litigation alleging damages from GHG emissions, could require material capital and other expenditures or result in changes to its operations.

In December 2009, the EPA released its final "Endangerment and Cause or Contribute Findings for GHG under the Clean Air Act" concluding that concentrations of several key GHGs constitutes an "endangerment" and may be regulated as "air pollutants" under the CAA and mandated measurement and reporting of GHG emissions from certain sources, including electric generating plants. The EPA released its final CPP regulations in August 2015 to reduce CO_2 emissions from existing fossil fuel-fired EGUs and finalized separate regulations imposing CO_2 emission limits for new, modified, and reconstructed fossil fuel fired EGUs. Numerous states and private parties filed appeals and motions to stay the CPP with the D.C. Circuit in October 2015. On February 9, 2016, the U.S. Supreme Court stayed the rule during the pendency of the challenges to the D.C. Circuit and U.S. Supreme Court. On March 28, 2017, an executive order, entitled "Promoting Energy Independence and Economic Growth," instructed the EPA to review the CPP and related rules addressing GHG emissions and suspend, revise or rescind the rules if appropriate. On October 16, 2017, the EPA issued a proposed rule to repeal the CPP. On June 19, 2019, the EPA repealed the CPP and replaced it with the ACE rule that establishes guidelines for states to develop standards of performance to address GHG emissions from existing coal-fired power plants. Depending on the outcomes of further appeals and how any final rules are ultimately implemented, the future cost of compliance may be material.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal CWA and its amendments, apply to FirstEnergy's facilities. In addition, the states in which FirstEnergy operates have water quality standards applicable to FirstEnergy's operations.

The EPA finalized CWA Section 316(b) regulations in May 2014, requiring cooling water intake structures with an intake velocity greater than 0.5 feet per second to reduce fish impingement when aquatic organisms are pinned against screens or other parts of a cooling water intake system to a 12% annual average and requiring cooling water intake structures exceeding 125 million gallons per day to conduct studies to determine site-specific controls, if any, to reduce entrainment, which occurs when aquatic life is drawn into a facility's cooling water system. Depending on any final action taken by the states with respect to impingement and entrainment, the future capital costs of compliance with these standards may be material.

On September 30, 2015, the EPA finalized new, more stringent effluent limits for the Steam Electric Power Generating category (40 CFR Part 423) for arsenic, mercury, selenium and nitrogen for wastewater from wet scrubber systems and zero discharge of pollutants in ash transport water. The treatment obligations were to phase-in as permits are renewed on a five-year cycle from 2018 to 2023. However, on April 13, 2017, EPA granted a Petition for Reconsideration and on September 18, 2017, EPA postponed certain compliance deadlines for two years. On August 31, 2020, EPA issued a final rule revising the effluent limits for discharges from wet scrubber systems, retaining the zero-discharge standard for ash transport water, (with some limited discharge allowances), and extending the deadline for compliance to December 31, 2025 for both. In addition, the EPA allows for less stringent limits for sub-categories of generating units based on capacity utilization, flow volume from the scrubber system, and unit retirement date. Depending on the outcome of appeals, how final rules are ultimately implemented and the compliance options MP elects to take with the new rules, the compliance with these standards, which could include capital expenditures at Ft. Martin and Harrison power stations, may be substantial and changes to MP's operations at those power stations may also result.

On September 29, 2016, FirstEnergy received a request from the EPA for information pursuant to CWA Section 308(a) for information concerning boron exceedances of effluent limitations established in the NPDES Permit for the former Mitchell Power Station's Mingo landfill, owned by WP. On November 1, 2016, WP provided an initial response that contained information related to a similar boron issue at the former Springdale Power Station's landfill. The EPA requested additional information regarding the Springdale landfill and on November 15, 2016, WP provided a response and intends to fully comply with the Section 308(a) information request. On March 3, 2017, WP proposed to the PA DEP a re-route of its wastewater discharge to eliminate potential boron exceedances at the Springdale landfill. On January 29, 2018, WP submitted an NPDES permit renewal application to PA DEP proposing to re-route its wastewater discharge to eliminate potential boron exceedances at the Mingo landfill. On February 20, 2018, the DOJ issued a letter and tolling agreement on behalf of EPA alleging violations of the CWA at the Mingo landfill while seeking to enter settlement negotiations in lieu of filing a complaint. The EPA has proposed a penalty of $900,000 to settle alleged past boron exceedances at the Mingo and Springdale landfills. Negotiations are continuing and WP is unable to predict the outcome of this matter.

Regulation of Waste Disposal

Federal and state hazardous waste regulations have been promulgated as a result of the RCRA, as amended, and the Toxic Substances Control Act. Certain CCRs, such as coal ash, were exempted from hazardous waste disposal requirements pending the EPA's evaluation of the need for future regulation.

In April 2015, the EPA finalized regulations for the disposal of CCRs (non-hazardous), establishing national standards for landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to assure the safe disposal of CCRs from electric generating plants. On September 13, 2017, the EPA announced that it would reconsider certain provisions of the final regulations. On July 17, 2018, the EPA Administrator signed a final rule extending the deadline for certain CCR facilities to cease disposal and commence closure activities, as well as, establishing less stringent groundwater monitoring and protection requirements. On August 21, 2018, the D.C. Circuit remanded sections of the CCR Rule to the EPA to provide additional safeguards for unlined CCR impoundments that are more protective of human health and the environment. On December 2, 2019, the EPA published a proposed rule accelerating the date that certain CCR impoundments must cease accepting waste and initiate closure to August 31, 2020. The proposed rule allows for an extension of the closure deadline based on meeting proscribed site-specific criteria. On July 29, 2020, the EPA published a final rule revising the date that certain CCR impoundments must cease accepting waste and initiate closure to April 11, 2021. The final rule allows for an extension of the closure deadline based on meeting proscribed site-specific criteria.

FE or its subsidiaries have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on FirstEnergy's Consolidated Balance Sheets as of September 30, 2020, based on estimates of the total costs of cleanup, FirstEnergy's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately $104 million have been accrued through September 30, 2020. Included in the total are accrued liabilities of approximately $68 million for environmental remediation of former MGP and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable SBC. FE or its subsidiaries could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. No contingency has been reflected in FirstEnergy's consolidated financial statements as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

Legal Proceedings Relating to United States v. Larry Householder, et al.

In addition to the subpoenas referenced above under "—United States v. Larry Householder, et. al.", certain FE stockholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder.

- *Gendrich v. Anderson, et al. and Sloan v. Anderson, et al.* (Common Pleas Court, Summit County, OH); on July 26, 2020 and July 31, 2020, respectively, purported stockholders of FE filed shareholder derivative action lawsuits against certain FE directors and officers, alleging, among other things, breaches of fiduciary duty.
- *Smith v. FirstEnergy Corp. et al., Buldas v. FirstEnergy Corp. et al., and Hudock and Cameo Countertops, Inc. v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio); on July 27, 2020, July 31, 2020, and August 5, 2020, respectively, purported customers of FirstEnergy filed putative class action lawsuits against FE and FESC, as well as certain current and former FirstEnergy officers, alleging civil Racketeer Influenced and Corrupt Organizations Act violations and related state law claims. These actions have been consolidated.
- *Owens v. FirstEnergy Corp. et al.* and *Frand v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio); on July 28, 2020 and August 21, 2020, purported stockholders of FE filed putative class action lawsuits against FE and certain FE officers, purportedly on behalf of all purchasers of FE common stock from February 21, 2017 through July 21, 2020, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by FirstEnergy concerning its business and results of operations.
- *Emmons v. FirstEnergy Corp. et al.* (Common Pleas Court, Cuyahoga County, OH); on August 4, 2020, a purported customer of FirstEnergy filed a putative class action lawsuit against FE, FESC, OE, TE and CEI, along with FES, alleging several causes of action, including negligence and/or gross negligence, breach of contract, unjust enrichment, and unfair or deceptive consumer acts or practices. On October 1, 2020, plaintiffs filed a First Amended Complaint, adding as a plaintiff a purported customer of FirstEnergy and alleging a civil violation of the Ohio Corrupt Activity Act and civil conspiracy against FE, FESC and FES.
- *Miller v. Anderson, et al.* (Federal District Court, N.D. Ohio); *Bloom, et al. v. Anderson, et al.; Employees Retirement System of the City of St. Louis v. Jones, et al.; Beck v. Anderson et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Anderson et al.; Massachusetts Laborers Pension Fund v. Anderson et al.; The City of Philadelphia Board of Pensions and Retirement v. Anderson et al.; Atherton v. Dowling et al; Behar v. Anderson, et al.* (U.S. District Court, S.D. Ohio); beginning on August 7, 2020, purported stockholders of FE filed shareholder derivative actions alleging the board and officers breached their fiduciary duties and committed violations of Section 14(a) of the Securities Exchange Act of 1934.
- *State of Ohio ex rel. Dave Yost, Ohio Attorney General v. FirstEnergy Corp., et al.* (Common Pleas Court, Franklin County, OH); on September 23, 2020, the OH AG filed a complaint against several parties including FE and FESC, alleging, one cause of action, a civil violation of the Ohio Corrupt Activity Act in connection with the passage of HB 6. The OH AG sought a preliminary injunction to prevent each of the defendants, including FE and FESC, through the end of 2020, from: (i) contributing to any groups whose purpose is to keep or modify HB 6; (ii) making any public statements for or against any repeal or modification legislation concerning HB 6; (iii) lobbying, consulting, or advising on these matters; or (iv) contributing to any Ohio legislative candidates. The court denied the OH AG's request for preliminary injunctive relief on October 2, 2020.
- *City of Cincinnati and City of Columbus v. FirstEnergy Corp. (Common Pleas Court, Franklin County, OH);* on October 27, 2020, the Cities of Cincinnati and Columbus filed a complaint against several parties including FE, alleging a civil violation of the Ohio Corrupt Activity Act and seeking to enjoin the collection of the zero nuclear credit included in HB 6.
- *Mitchell v. FirstEnergy Corp. et al.* (Common Pleas Court, Fairfield County, OH); on October 6, 2020, an unsuccessful candidate for the Ohio legislature filed an amended complaint adding FirstEnergy Corp. to a previously filed Ohio Corrupt Activity Act civil lawsuit against now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The amended complaint sought an amount in excess of $875,000, plus

treble damages and other relief. On November 2, 2020, the plaintiff moved to voluntarily dismiss the claims without prejudice.

The plaintiffs in each of the above cases, seek, among other things, to recover an unspecified amount of damages (unless otherwise noted). In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers. The outcome of any of these lawsuits and investigations are uncertain and could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows. No contingency has been reflected in FirstEnergy's consolidated financial statements as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

Internal Investigation Relating to United States v. Larry Householder, et al.

As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy's internal investigation, such committee determined on October 29, 2020, to terminate FirstEnergy's Chief Executive Officer, Charles E. Jones, together with two other executives: Dennis M. Chack, Senior Vice President of Product Development, Marketing, and Branding; and Michael J. Dowling, Senior Vice President of External Affairs. Each of these terminated executives violated certain FirstEnergy policies and its code of conduct. These executives were terminated as of October 29, 2020. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. Immediately following these terminations, the independent members of its Board appointed Mr. Steven E. Strah to the position of Acting Chief Executive Officer and Mr. Christopher D. Pappas, a current member of the Board, to the temporary position of Executive Director, each effective as of October 29, 2020. Mr. Donald T. Misheff will continue to serve as Non-Executive Chairman of the Board. Additionally, on November 8, 2020, Robert Reffner, Senior Vice President and Chief Legal Officer, and Ebony Yeboah-Amankwah, Vice President, General Counsel, and Chief Ethics Officer, were separated from FirstEnergy due to inaction and conduct that the Board determined was influenced by the improper tone at the top. The matter is a subject of the ongoing internal investigation as it relates to the government investigations.

Nuclear Plant Matters

Under NRC regulations, JCP&L, ME and PN must ensure that adequate funds will be available to decommission their retired nuclear facility, TMI-2. As of September 30, 2020, JCP&L, ME and PN had in total approximately $881 million invested in external trusts to be used for the decommissioning and environmental remediation of their retired TMI-2 nuclear generating facility. The values of these NDTs also fluctuate based on market conditions. If the values of the trusts decline by a material amount, the obligation to JCP&L, ME and PN to fund the trusts may increase. Disruptions in the capital markets and their effects on particular businesses and the economy could also affect the values of the NDTs.

On October 15, 2019, JCP&L, ME, PN and GPUN executed an asset purchase and sale agreement with TMI-2 Solutions, LLC, a subsidiary of Energy*Solutions*, LLC, concerning the transfer and dismantlement of TMI-2. This transfer of TMI-2 to TMI-2 Solutions, LLC will include the transfer of: (i) the ownership and operating NRC licenses for TMI-2; (ii) the external trusts for the decommissioning and environmental remediation of TMI-2; and (iii) related liabilities of approximately $900 million as of September 30, 2020. There can be no assurance that the transfer will receive the required regulatory approvals and, even if approved, whether the conditions to the closing of the transfer will be satisfied. On November 12, 2019, JCP&L filed a Petition with the NJBPU seeking approval of the transfer and sale of JCP&L's entire 25% interest in TMI-2 to TMI-2 Solutions, LLC. On October 28, 2020, Rate Counsel submitted comments recommending that the NJBPU only approve the sale of TMI-2 on the condition that any liability for TMI-2 be absorbed by the joint owners and that JCP&L should agree to not seek to recover any such costs from its utility customers. On November 2, 2020, JCP&L submitted reply comments accepting Rate Counsel's condition. JCP&L is awaiting a NJBPU order. Also on November 12, 2019, JCP&L, ME, PN, GPUN and TMI-2 Solutions, LLC filed an application with the NRC seeking approval to transfer the NRC license for TMI-2 to TMI-2 Solutions, LLC. On August 10, 2020, JCP&L, ME, PN, GPUN, TMI-2 Solutions, LLC, and the PA DEP reached a settlement agreement regarding the decommissioning of TMI-2. The settlement agreement provides for increased and detailed oversight by the PA DEP over the decommissioning work, expenditures, and environmental impacts of the dismantlement of TMI-2 by TMI-2 Solutions, LLC. In addition, the PA DEP withdrew its objection to the TMI-2 transfer in the NRC proceedings. Both the NRC and NJBPU proceedings are ongoing. Assets and liabilities held for sale on FirstEnergy's Consolidated Balance Sheet associated with the transaction consist of asset retirement obligations of $718 million, NDTs of $881 million as well as property, plant and equipment with a net book value of zero, which are included in the regulated distribution segment.

FES Bankruptcy

On March 31, 2018, FES, including its consolidated subsidiaries, FG, NG, FE Aircraft Leasing Corp., Norton Energy Storage L.L.C. and FGMUC, and FENOC filed voluntary petitions for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court and emerged on February 27, 2020. See Note 3, “Discontinued Operations,” for additional discussion.

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FirstEnergy’s normal business operations pending against FE or its subsidiaries. The loss or range of loss in these matters is not expected to be material to FE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 9, “Regulatory Matters.”

FirstEnergy accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that FE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on FE’s or its subsidiaries’ financial condition, results of operations and cash flows.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (Issued June 2016 and subsequently updated): ASU 2016-13 removes all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument’s contractual life. Prior to adoption, FirstEnergy analyzed its financial instruments within the scope of this guidance, primarily trade receivables and AFS debt securities. The adoption of this standard upon January 1, 2020 did not have a material impact to FirstEnergy’s financial statements and required additional disclosures in these Notes to the Consolidated Financial Statements. Please see above for additional information on FirstEnergy’s allowance for uncollectible customer receivables.

ASU 2018-15, "*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*" (Issued August 2018): ASU 2018-15 allows implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customers in a software licensing arrangement. FirstEnergy adopted this standard as of January 1, 2020, with no material impact to its financial statements.

ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting"* (Issued March 2020): ASU 2020-04 provides temporary optional expedients and exceptions to the current guidance on contract modifications to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. FirstEnergy’s $3.5 billion Revolving Credit Facility bears interest at fluctuating interest rates based on LIBOR and contains provisions (requiring an amendment) in the event that LIBOR can no longer be used. As of September 30, 2020, FirstEnergy has not utilized any of the expedients discussed within this ASU.

Recently Issued Pronouncements - The following new authoritative accounting guidance issued by the FASB has not yet been adopted. Unless otherwise indicated, FirstEnergy is currently assessing the impact such guidance may have on its financial statements and disclosures, as well as the potential to early adopt where applicable. FirstEnergy has assessed other FASB issuances of new standards not described below based upon the current expectation that such new standards will not significantly impact FirstEnergy's financial reporting.

ASU 2019-12, "*Simplifying the Accounting for Income Taxes"* (Issued in December 2019): ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance including the elimination of certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. FirstEnergy continues to evaluate the new guidance, but currently does not expect a material impact upon adopting this standard.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “FirstEnergy Corp. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Information” in Item 2 above.

ITEM 4. CONTROLS AND PROCEDURES

Background and Investigation

As previously disclosed, a committee of independent members of the Board of Directors (“Board”) is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy’s internal investigation, such committee determined that certain former members of senior management, including FirstEnergy’s former chief executive officer, violated certain FirstEnergy policies and its code of conduct. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy’s business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. The matter is a subject of the ongoing internal investigation related to the government investigations.

(a) Evaluation of Disclosure Controls and Procedures

The management of FirstEnergy, with the participation of the acting chief executive officer and chief financial officer, have reviewed and evaluated the effectiveness of its disclosure controls and procedures, as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), in Rules 13a-15(e) and 15d-15(e), as of September 30, 2020. Based on that evaluation, the acting chief executive officer and chief financial officer of FirstEnergy have concluded that its disclosure controls and procedures were not effective as of September 30, 2020, solely as a result of the material weakness in FirstEnergy’s internal control over financial reporting described below.

FirstEnergy’s disclosure controls and procedures have been designed to ensure that information required to be disclosed by FirstEnergy in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by FirstEnergy in the reports it files or submits under the Exchange Act is accumulated and communicated to FirstEnergy’s management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosures. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those internal control systems determined to be effective can provide only a level of reasonable assurance with respect to financial statement preparation and presentation.

Material Weakness in Internal Control Over Financial Reporting Existing as of September 30, 2020

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of FirstEnergy’s annual or interim financial statements will not be prevented or detected on a timely basis.

We did not maintain an effective control environment as our senior management failed to set an appropriate tone at the top. Specifically, certain members of senior management failed to reinforce the need for compliance with the Company’s policies and code of conduct, which resulted in inappropriate conduct that was inconsistent with the Company’s policies and code of conduct.

This control deficiency did not result in a material misstatement of our annual or interim consolidated financial statements. However, this control deficiency could have resulted in material misstatements to the annual or interim consolidated financial statements that would not have been prevented or detected. Accordingly, our management has concluded that this control deficiency constitutes a material weakness.

Remediation Plans

Management and the Board of Directors take FirstEnergy’s internal control over financial reporting and the integrity of its financial statements seriously. Management, the Board of Directors, along with the Audit Committee, and its newly formed subcommittee, are currently working to remediate the material weakness identified above. While we expect to take other remedial actions, actions taken to date include:

- the appointment of a new acting chief executive officer and executive director to improve the tone at the top;
- the termination of certain members of senior management, including FirstEnergy's former chief executive officer, for violations of certain Company policies and its code of conduct;
- the separation of two senior members of the legal department, due to inaction and conduct that the Board determined was influenced by the improper tone at the top; and
- the establishment of the new subcommittee of FirstEnergy's Audit Committee, who, with the Board, will oversee the assessment and implementation of potential changes (as appropriate) in FirstEnergy's compliance program.

Management currently does not have an expected timetable for the execution and completion of a remediation plan. Management and the Board of Directors are committed to maintaining a strong internal control environment and will make every effort to ensure that the material weakness described above will be promptly remediated, however, the material weakness cannot be considered remediated until the applicable remedial control is implemented and operates for a sufficient period of time to allow management to conclude, through testing, that this remediation plan is implemented and the control is operating effectively.

(b) Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2020, there were no changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, FirstEnergy's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required for Part II, Item 1 is incorporated by reference to the discussions in Note 9, "Regulatory Matters," and Note 10, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors discussed in "Item 1A. Risk Factors" in FirstEnergy's Annual Report on Form 10-K for the year ended December 31, 2019, and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, which could materially affect FirstEnergy's business, financial condition or future results. The information set forth in this report, including without limitation, the risk factors presented below, updates and should be read in conjunction with, the risk factors and information disclosed in FirstEnergy's Annual Report on Form 10-K for the year ended December 31, 2019, and its Quarterly Report on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020.

We Have Received Requests for Information Related to Government Investigations. The Investigations and Related Litigation, as well as any Related Potential Adverse Impacts on Federal or State Regulatory Matters, Could Have a Material Adverse Effect on our Reputation, Business, Financial Condition, Results of Operations, Liquidity or Cash Flows.

On July 21, 2020, we received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio requesting the production of information concerning an investigation surrounding HB 6 involving the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Following the announcement of the investigation surrounding HB 6, certain of our stockholders and customers filed several lawsuits against us and certain current and former directors, officers and other employees. In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FirstEnergy, and on September 1, 2020, issued subpoenas to FirstEnergy and certain of its officers. We are cooperating with the U.S. Attorney's Office and the SEC in their investigations. See Note 10, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements, for additional details on the government investigation and subsequent litigation surrounding the investigation of HB 6.

The investigations and related litigation could divert management's focus and result in substantial investigation expenses, or otherwise require the commitment of substantial corporate resources. Furthermore, the investigations have had, and are likely to continue to have, an adverse impact on the trading prices of our securities. The outcome of the government investigations and related litigation is inherently uncertain. If one or more legal matters were resolved against us, our reputation, business, financial condition, results of operations, liquidity or cash flows may be adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, remedial corporate measures or other relief against us that could adversely impact our operations.

Additionally, we are subject to comprehensive regulation by various federal, state and local regulatory agencies that significantly influence our operating environment. As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with FirstEnergy's internal investigation, such committee determined that certain former members of senior management, including FirstEnergy's former chief executive officer, violated certain FirstEnergy policies and its code of conduct. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. The matter is a subject of the ongoing internal investigation related to the government investigations.

Any appearance of non-compliance with anti-corruption and anti-bribery laws, as well as any alleged failures to comply with anti-corruption and anti-bribery laws, could have an adverse impact on our reputation or relationships with regulatory authorities, and result in a material inquiry or investigation by such federal, state and local regulatory agencies, and result in adverse rulings against us, which could have a material adverse impact on our financial condition, operating results and operations Specifically, the rates our Utilities and transmission operating companies are allowed to charge may be decreased as a result of actions taken by FERC or by a state regulatory commission in which our Utility operates, whether as a result of the investigations by the U.S. Attorney's Office and the SEC, the appearance of non-compliance with anti-corruption and anti-bribery laws, or otherwise.

We are unable to predict the outcome, duration, scope, result or related costs of the investigations and related litigation, or adverse impacts on federal or state regulatory matters, including with respect to rates, and, therefore, any of these risks could impact us significantly beyond expectations. Moreover, we are unable to predict the potential for any additional investigations, litigation or regulatory actions, any of which could exacerbate these risks or expose us to potential criminal or civil liabilities, sanctions or other remedial measures, including adverse outcomes in pending or future rate cases, and could have a material adverse effect on our reputation, business, financial condition, results of operations, liquidity or cash flows.

We Have Identified a Material Weakness in our Internal Control over Financial Reporting. If We Fail to Remediate such Material Weakness or Otherwise Fail to Develop, Implement and Maintain Effective Internal Controls in Future Periods, Our Ability to Report Our Financial Condition and Results of Operations Accurately and on a Timely Basis Could Be Adversely Affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

As previously disclosed, a committee of independent members of our Board of Directors is directing an internal investigation related to ongoing government investigations. In connection with our internal investigation, such committee determined that certain former members of senior management, including our former chief executive officer, violated certain FirstEnergy policies and our code of conduct. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. At this time, it has not been determined if the payments were for the purposes represented within the consulting agreement. The matter is a subject of the ongoing internal investigation related to the government investigations.

During the preparation of FirstEnergy's financial statements as of and for the quarter ended September 30, 2020, FirstEnergy identified a material weakness in that these certain former members of senior management did not set an appropriate tone at the top as discussed above, which are inconsistent with the standards to which FirstEnergy's Board of Directors and senior management are committed.

This control deficiency did not result in a material misstatement of our annual or interim consolidated financial statements. However, this control deficiency could have resulted in material misstatements to the annual or interim consolidated financial statements that would not have been prevented or detected. Accordingly, our management has concluded that this control deficiency constitutes a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We are in the process of remediating the identified material weakness in our internal control over financial reporting, but our management currently does not have an expected timetable for the execution and completion of a remediation plan. We cannot assure you that we will adequately remediate the material weakness or that additional material weaknesses in our internal controls will not be identified in the future. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those internal control systems determined to be effective can provide only a level of reasonable assurance with respect to financial statement preparation and presentation. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in the implementation, could result in additional material weaknesses, or could result in material misstatements in our financial statements. These misstatements could result in restatements of our financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information. Further, if we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may violate applicable stock exchange listing rules or suffer other adverse regulatory consequences and may breach the covenants under our credit facilities. There could also be a negative reaction in the price of our common stock due to a loss of investor confidence in us and the reliability of our financial statements. See “Item 4. Controls and Procedures” included elsewhere in this Quarterly Report on Form 10-Q for a discussion of the material weakness and our remediation plans.

Failure to Comply with Debt Covenants in our Credit Agreements or Conditions Could Adversely Affect our Ability to Execute Future Borrowings and/or Require Early Repayment.

Our debt and credit agreements contain various financial and other covenants including a consolidated debt to total capitalization ratio of no more than 65% measured at the end of each fiscal quarter.

Our credit agreements contain certain negative and affirmative covenants. Our ability to comply with the covenants and restrictions contained in our FE credit facility and FET credit facility may be affected by events related to the ongoing government investigations or otherwise.

On November 17, 2020, we and certain of our subsidiaries entered into amendments to the FE credit facility and the FET credit facility, respectively. The amendments provide for modifications and/or waivers of (i) certain representations and warranties and (ii) certain affirmative and negative covenants, contained therein, which allowed FirstEnergy to regain compliance with such provisions. Among other things, the amendment to the FE credit facility reduces the sublimit applicable to FE to $1.5 billion, and the amendments increased certain tiers of pricing applicable to borrowings under the credit facilities. In addition, we may be required to seek additional covenant waivers in future periods, and there can be no assurance that we will be able to obtain such waivers on favorable terms, or at all.

A breach of any of the covenants contained in our credit agreements, including any breach related to alleged failures to comply with anti-corruption and anti-bribery laws, could result in an event of default under such agreements, and we would not be able to access our credit facilities for additional borrowings and letters of credit while any default exists. Upon the occurrence of such an event of default, all amounts outstanding under our credit facilities could be declared to be immediately due and payable and all applicable commitments to extend further credit could be terminated. If indebtedness under our credit facilities is accelerated, there can be no assurance that we will have sufficient assets to repay the indebtedness. The operating and financial restrictions and covenants in our credit facilities and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On November 17, 2020, FirstEnergy Corp. (FE) and certain of its subsidiaries entered into amendments (the Amendments) to (x) the Credit Agreement, dated as of December 6, 2016 (the FE Revolving Facility), among FE, The Cleveland Electric Illuminating Company, Metropolitan Edison Company, Ohio Edison Company, Pennsylvania Power Company, The Toledo Edison Company, Jersey Central Power & Light Company, Monongahela Power Company, Pennsylvania Electric Company, The Potomac Edison

Company and West Penn Power Company, as borrowers, Mizuho Bank, Ltd., as administrative agent, and the lending banks party thereto from time to time, and (y) the Credit Agreement, dated as of December 6, 2016 (the FET Revolving Facility and, together with the FE Revolving Facility, the Revolving Facilities), among FirstEnergy Transmission, LLC, American Transmission Systems, Incorporated, Mid-Atlantic Interstate Transmission, LLC and Trans-Allegheny Interstate Line Company, as borrowers, and PNC Bank, National Association, as administrative agent and the banks party thereto. The Amendments to the Revolving Facilities provide for modifications and/or waivers of (i) certain representations and warranties and (ii) certain affirmative and negative covenants, contained therein, which allowed FirstEnergy to regain compliance with such provisions. In addition, among other things, the Amendment to the FE Revolving Facility reduces the sublimit applicable to FE to $1.5 billion, and the Amendments increased certain tiers of pricing applicable to borrowings under the Revolving Facilities.

The foregoing descriptions of the various agreements referenced above do not purport to be complete and are qualified in their entirety by reference to the agreements themselves. The Amendments are filed as Exhibits 10.1 and 10.2, respectively, to this Form 10-Q, and are incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibit Number		Description
(A)	10.1	Waiver and Amendment No. 2 to Credit Agreement, dated as of November 17, 2020, among FE, The Cleveland Electric Illuminating Company, Metropolitan Edison Company, Ohio Edison Company, Pennsylvania Power Company, The Toledo Edison Company, Jersey Central Power & Light Company, Monongahela Power Company, Pennsylvania Electric Company, The Potomac Edison Company and West Penn Power Company, as borrowers, Mizuho Bank, Ltd., as administrative agent, and the lenders identified therein.
(A)	10.2	Waiver and Amendment No. 2 to Credit Agreement, dated as of November 17, 2020, to Credit Agreement, among FirstEnergy Transmission, LLC, American Transmission Systems, Incorporated, Mid-Atlantic Interstate Transmission, LLC and Trans-Allegheny Interstate Line Company, as borrowers, and PNC Bank, National Association, as administrative agent, and the lenders identified therein.
(A)	31.1	Certification of acting chief executive officer, as adopted pursuant to Rule 13a-14(a).
(A)	31.2	Certification of chief financial officer, as adopted pursuant to Rule 13a-14(a).
(A)	32	Certification of acting chief executive officer and chief financial officer, pursuant to 18 U.S.C. Section 1350.
	101	The following materials from the Quarterly Report on Form 10-Q of FirstEnergy Corp. for the period ended September 30, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, (iv) related notes to these financial statements and (v) document and entity information.
	104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document contained in Exhibit 101).

(A) Provided herein in electronic format as an exhibit.

Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, FirstEnergy has not filed as an exhibit to this Form 10-Q any instrument with respect to long-term debt if the respective total amount of securities authorized thereunder does not exceed 10% of its respective total assets, but hereby agrees to furnish to the SEC on request any such documents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 19, 2020

FIRSTENERGY CORP.
Registrant

/s/ Jason J. Lisowski

Jason J. Lisowski
Vice President, Controller
and Chief Accounting Officer

Exhibit 10.1

EXECUTION VERSION

WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT

dated as of November 17, 2020

among

FirstEnergy Corp.,
The Cleveland Electric Illuminating Company,
Metropolitan Edison Company,
Ohio Edison Company,
Pennsylvania Power Company,
The Toledo Edison Company,
Jersey Central Power & Light Company,
Monongahela Power Company,
Pennsylvania Electric Company,
The Potomac Edison Company,
and
West Penn Power Company,
as Borrowers,

THE LENDERS NAMED HEREIN,
as Lenders,

MIZUHO BANK, LTD.,
as Administrative Agent,

THE FRONTING BANKS NAMED HEREIN,
as Fronting Banks

and

THE SWING LINE LENDERS NAMED HEREIN,
as Swing Line Lenders

MIZUHO BANK, LTD.,
PNC CAPITAL MARKETS LLC,
CITIGROUP GLOBAL MARKETS INC.,
THE BANK OF NOVA SCOTIA,
BARCLAYS BANK PLC,
JPMORGAN CHASE BANK, N.A. and
MUFG BANK, LTD.,
as Joint Lead Arrangers

WAIVER AND AMENDMENT NO. 2 TO
CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 2, dated as of November 17, 2020 (this "***Amendment***"), to the Existing Credit Agreement referred to below, is entered into by and among FirstEnergy Corp. ("***FE***"), The Cleveland Electric Illuminating Company ("***CEI***"), Metropolitan Edison Company ("***Met-Ed***"), Ohio Edison Company ("***OE***"), Pennsylvania Power Company ("***Penn***"), The Toledo Edison Company ("***TE***"), Jersey Central Power & Light Company ("***JCP&L***"), Monongahela Power Company ("***MP***"), Pennsylvania Electric Company ("***Penelec***"), The Potomac Edison Company ("***PE***") and West Penn Power Company ("***West-Penn***", and together with FE, CEI, Met-Ed, OE, Penn, TE, JCP&L, MP, Penelec and PE, the "***Borrowers***"), each of the Lenders (as defined in the Existing Credit Agreement) party hereto, Mizuho Bank, Ltd. ("***Mizuho***"), as Administrative Agent (in such capacity, the "***Administrative Agent***") for the Lenders, each of the Fronting Banks (as defined in the Existing Credit Agreement) party hereto, and Mizuho, as a Swing Line Lender (as defined in the Existing Credit Agreement) (in such capacity, the "***Swing Line Lender***").

PRELIMINARY STATEMENTS

1. The Borrowers, the Lenders, the Administrative Agent, the Fronting Banks and the Swing Line Lender are parties to that certain Credit Agreement, dated as of December 6, 2016 (as amended by Amendment No. 1 thereto, dated as of October 19, 2018, the "***Existing Credit Agreement***", as amended by this Amendment, the "***Amended Agreement***", and as the Amended Agreement may hereafter be amended, amended and restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Agreement.

2. The Borrowers have requested that the Lenders irrevocably, in reliance on the representations and warranties set forth herein and the facts and circumstances disclosed by the Borrowers to the Credit Parties on or before the Amendment Effective Date (as defined below), waive (i) any breach of the representation and warranty set forth in the third sentence of Section 4.01(m) of the Existing Credit Agreement, which breach would result in an Event of Default under Section 6.01(b) of the Existing Credit Agreement, (ii) any breach of the covenant set forth in Section 5.01(i)(ii) of the Existing Credit Agreement, which breach would result in an Event of Default under Section 6.01(c)(i) of the Existing Credit Agreement, and (iii) any Event of Default that may have occurred and be continuing under Section 6.01(e) of the Existing Credit Agreement (*provided*, that the underlying breach or default under the applicable Indebtedness of any Borrower or any Significant Subsidiary of such Borrower that gave rise to such Event of Default under Section 6.01(e) of the Existing Credit Agreement has been irrevocably waived by the holders of such Indebtedness), in each case, solely to the extent such breach or Event of Default occurred on or before the date hereof as a consequence of the facts and circumstances described on Schedule 1 hereto (such Events of Default, collectively, the "***Relevant Events of Default***", and such facts and circumstances described on Schedule 1 hereto, the "***Noncompliance***

Event”), and the Lenders party hereto (constituting the Majority Lenders) have agreed to grant such waiver on the terms and conditions set forth herein.

3. In consideration thereof, the Lenders party hereto desire to amend the Existing Credit Agreement in certain particulars, including, without limitation, to (i) amend the Applicable Margin and (ii) modify the Borrower Sublimit for FE, and the parties hereto have agreed to such amendments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. ***Waiver.*** Subject to the satisfaction or waiver of the conditions precedent set forth in Section 3 hereof, the Administrative Agent and the Majority Lenders hereby irrevocably, in reliance on the representations and warranties set forth herein and the facts and circumstances disclosed to the Credit Parties on or before the Amendment Effective Date, waive the Relevant Events of Default solely to the extent such Relevant Events of Default occurred on or before the date hereof as a consequence of the Noncompliance Event. The foregoing waiver shall be limited precisely as provided for herein and, for the avoidance of doubt, shall not be deemed to be a waiver of any of the rights or remedies of the Administrative Agent, the Fronting Banks, the Swing Line Lenders and the Lenders under this Amendment or any other Loan Document for any existing or future Unmatured Default or Event of Default arising from any breach or failure to comply with any provision (other than, solely with respect to the Relevant Events of Default, the specific provisions referenced in paragraph 2 of the Preliminary Statements contained herein) under any Loan Document (including, without limitation, the representations and warranties set forth in Section 4.01(f) of the Credit Agreement and the second sentence of Section 4.01(g) of the Credit Agreement). The Administrative Agent, the Fronting Banks, the Swing Line Lenders and the Lenders specifically reserve the right to insist on strict compliance with the terms of the Credit Agreement and the other Loan Documents with respect to any other violation of Anti-Corruption Laws by any Covered Entity (or any director, officer, employee or agent thereof), including, without limitation, any potential violation of Anti-Corruption Laws related to the investigation by several Governmental Authorities surrounding Ohio House Bill 6 involving Mr. Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder, and the Borrowers expressly acknowledge such reservation of rights.

SECTION 2. ***Amendments to Existing Credit Agreement*****.** The Existing Credit Agreement is, effective as of the date hereof and subject to the satisfaction or waiver of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) The following defined terms contained in Section 1.01 of the Existing Credit Agreement are hereby amended and restated in their entirety to read as follows:

“***Applicable Margin***” means, for any Alternate Base Rate Advance or any Eurodollar Rate Advance made to any Borrower, the interest rate *per annum* set forth in the relevant row of the table immediately below, determined by reference to the Reference Ratings for such Borrower from time to time in effect:

BASIS FOR PRICING	LEVEL 1 Reference Ratings at least A- by S&P *or* A3 by Moody's.	LEVEL 2 Reference Ratings lower than Level 1 but at least BBB+ by S&P *or* Baa1 by Moody's.	LEVEL 3 Reference Ratings lower than Level 2 but at least BBB by S&P *or* Baa2 by Moody's.	LEVEL 4 Reference Ratings lower than Level 3 but at least BBB- by S&P *or* Baa3 by Moody's.	LEVEL 5 Reference Ratings lower than Level 4 but at least BB+ by S&P *or* Ba1 by Moody's.	LEVEL 6 Reference Ratings lower than BB+ by S&P *and* Ba1 by Moody's, or no Reference Ratings.
Applicable Margin for Eurodollar Rate Advances	1.125%	1.25%	1.50%	2.00%	2.25%	2.75% in the case of FE 2.50% in the case of each Borrower other than FE
Applicable Margin for Alternate Base Rate Advances	0.125%	0.25%	0.50%	1.00%	1.25%	1.75% in the case of FE 1.50% in the case of each Borrower other than FE

For purposes of the foregoing, (i) if there is a difference of one level in Reference Ratings of S&P and Moody's and the higher of such Reference Ratings falls in Level 1, Level 2, Level 3, Level 4 or Level 5, then the higher Reference Rating will be used to determine the pricing level and (ii) if there is a difference of more than one level in Reference Ratings of S&P and Moody's, the Reference Rating that is one level above the lower of such Reference Ratings will be used to determine the pricing level, unless the lower of such Reference Ratings falls in Level 6, in which case the lower of such Reference Ratings will be used to determine the pricing level. If there exists only one Reference Rating, such Reference Rating will be used to determine the pricing level.

"***Borrower Sublimit***" means, as to any Borrower, the amount set forth opposite such Borrower's name below, as modified from time to time pursuant to Section 2.06:

Borrower	Borrower Sublimit
FE	$1,500,000,000
CEI	$500,000,000
Met-Ed	$500,000,000
OE	$500,000,000
Penn	$100,000,000
TE	$300,000,000
JCP&L	$500,000,000
MP	$500,000,000
Penelec	$300,000,000
PE	$150,000,000
West-Penn	$200,000,000

"***Disclosure Documents***" means (i) FE's Annual Report on Form 10-K for the year ended December 31, 2019, Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020, and Current Reports on Form 8-K filed in 2020 and prior to the Amendment No. 2 Effective Date, (ii) with respect to each other Borrower, such Borrower's (A) consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, certified by PricewaterhouseCoopers LLP, with, in each case, any accompanying notes, and (B) unaudited consolidated balance sheet as of June 30, 2020, and the related consolidated statements of income, retained earnings and cash flows for the six-month period then ended, in each case with respect to the foregoing clauses (A) and (B), prepared in accordance with GAAP (but, in the case of such statements that are unaudited, subject to year-end adjustments and the exclusion of detailed footnotes) and copies of which have been furnished to each Lender, each Swing Line Lender and each Fronting Bank, and (iii) with respect to any Borrower referenced in clause (ii) above, the matters, if any, described in the portion of Schedule V hereto applicable to such Borrower as indicated thereon.

"***Material Adverse Effect***" means, with respect to any Borrower, (i) any material adverse effect on, or a material adverse change in, the business, property, assets, operations, condition (financial or otherwise), liabilities (actual or contingent) or prospects of (A) FE, individually, or (B) such Borrower and its Consolidated Subsidiaries, taken as a whole, (ii) any material adverse effect on the legality, validity, binding effect or enforceability against such Borrower of this Agreement or any other Loan Document to which it is a party or (iii) a material impairment of the ability of such Borrower to perform any of its obligations under this Agreement or any other Loan Document to which it is a party.

(b) The following new definitions are hereby added to Section 1.01 of the Existing Credit Agreement in the appropriate alphabetical order:

"***Amendment No. 2***" means Waiver and Amendment No. 2, dated as of November 17, 2020, by and among the Borrowers, the Lenders party thereto, the Administrative Agent, the Fronting Banks party thereto and the Swing Line Lenders, which Amendment No. 2 amended this Agreement pursuant to the terms thereof.

"***Amendment No. 2 Effective Date***" means the Amendment Effective Date (as defined in Amendment No. 2), which date is November 17, 2020.

"***FET***" means FirstEnergy Transmission, LLC, a Delaware limited liability company.

"***FET Borrowers***" means the Borrowers (as such term is defined in the FET Credit Agreement).

"***FET Credit Agreement***" means that certain Credit Agreement, dated as of December 6, 2016, as amended by Amendment No. 1 thereto, dated as of October 19, 2018, and Waiver and Amendment No. 2 thereto, dated as of November 17, 2020, among FET, American Transmission Systems, Incorporated, Mid-Atlantic Interstate Transmission, LLC and Trans-Allegheny Interstate Line Company, as borrowers, the lenders party thereto, PNC Bank, National Association, as administrative agent, and each of the fronting banks party thereto.

(c) The table contained in Section 2.05(a) of the Existing Credit Agreement is hereby amended by deleting the number "0.275%" in Level 4 therein in its entirety and substituting therefor the number "0.30%".

(d) Section 3.02(i)(A) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(A) The representations and warranties of such Borrower contained in Section 4.01 (other than the first sentence of subsection (g) thereof (but solely with respect to the unaudited consolidated balance sheet of such Borrower and its Subsidiaries, as at September 30, 2016, and the related consolidated statements of income, retained earnings and cash flows for the nine months then ended) with respect to any Extension of Credit following the initial Extension of Credit) are true and correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds therefrom, as though made on and as of such date (other than, as to any such representation or warranty that by its terms refers to a specific date other than the date of such Extension of Credit, in which case, such representation and warranty shall be true and correct as of such specific date)."

(e) Section 3.02(i) of the Existing Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (B) thereof, and (ii) adding the following new clauses (D) and (E) at the end thereof to read as follows:

"(D) Immediately after giving pro forma effect to such Extension of Credit, the aggregate amount of FE's cash and cash equivalents shall not exceed $500,000,000; and

(E) FE's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 shall have been filed with the SEC; *provided*, *however*, that this clause (E) shall not constitute a condition to any Extension of Credit to the Borrowers (other than FE) if (and only if), immediately after giving effect to such Extension of Credit, the sum of (i) the aggregate Outstanding Credits for the account of the Borrowers (other than FE) *plus* (ii) the aggregate Outstanding Credits (as defined in the FET Credit Agreement) for the account of the FET Borrowers (other than FET) under the FET Credit Agreement, shall not exceed $500,000,000 in the aggregate."

(f) Section 4.01(m) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(m) ***Anti-Corruption Laws and Sanctions***. Such Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance with Anti-Corruption Laws and Sanctions in all respects by the Covered Entities and their respective directors, officers, employees and, to the extent commercially reasonable, agents under the control and acting on behalf of the Covered Entities. The Covered Entities are in compliance in all material respects with (i) the Trading with the Enemy Act, as amended, and each of the regulations promulgated by OFAC (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Patriot Act. The Covered Entities and their respective officers and employees and, to the knowledge of such Borrower, the Covered Entities' directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects, except to the extent disclosed in Schedule 1 to Amendment No. 2. None of the Covered Entities or any of their respective directors, officers or employees or, to the knowledge of such Borrower, any agent of the Covered Entities (i) is a Sanctioned Person, (ii) has assets located in Sanctioned Countries in violation of applicable Sanctions, (iii) does business in or with, or derives its operating income from investments in, or transactions with, Sanctioned Persons or (iv) does unauthorized business in or with, or derives its operating income from unauthorized investments in, or transactions with, Sanctioned Countries. No Borrowing or use of proceeds thereof will violate Anti-Corruption Laws or applicable Sanctions."

(g) Section 5.01(i) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) ***Compliance with Anti-Corruption Laws and Sanctions***. (i) Maintain in effect and enforce, and cause the other Covered Entities to maintain in effect and enforce, policies and procedures designed to ensure compliance with Anti-Corruption Laws and applicable Sanctions in all respects by the Covered Entities and their respective directors, officers, employees and, to the extent commercially reasonable, agents under the control and acting on behalf of the Covered Entities, and (ii) comply, and cause the other Covered Entities to comply, in all material respects with Anti-Corruption Laws and Sanctions applicable to it or its property."

(h) Section 5.03(e) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(e) ***Use of Proceeds.*** Use the proceeds of any Extension of Credit for any purpose other than (i) refinancing the Existing Facilities to which such Borrower is a party and (ii) working capital and other general corporate purposes of such Borrower and its Subsidiaries (which, for the avoidance of doubt, shall include intercompany loans and advances by a Borrower to any of its Subsidiaries, including any Unregulated Subsidiary); *provided, however,* that (A) such Borrower may not use such proceeds in connection with any Hostile Acquisition and (B) FE may not, directly or indirectly, use such proceeds to repay any Indebtedness other than (1) to repay any Advances or (2) to make scheduled repayments or other repayments of other Indebtedness in the ordinary course of business."

(i) Section 6.01 of the Existing Credit Agreement is hereby amended by (i) adding the word "or" at the end of clause (i) thereof and (ii) adding the following new clause (j) immediately after clause (i) thereof:

"(j) (i) Any indictment shall be issued against FE or any of its Affiliates arising from a purported violation of any Anti-Corruption Law, or (ii) FE or any of its Affiliates shall have entered into any deferred prosecution agreement (or similar agreement) with respect to a purported violation of any Anti-Corruption Law (other than any deferred prosecution agreement (or similar agreement) solely with respect to the Noncompliance Event (as defined in Amendment No. 2));"

SECTION 3. ***Conditions to Effectiveness.***

This Amendment shall become effective as of the date first above written (the "***Amendment Effective Date***") when, and only when, the following conditions have been satisfied (or waived by the Administrative Agent and the Lenders party hereto in their sole discretion):

(a) The Administrative Agent shall have received, in immediately available funds, to the extent invoiced prior to the Amendment Effective Date, reimbursement or payment of all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, but not limited to, the reasonable fees and expenses of counsel (including, but not limited to, one local counsel and any specialist counsel in each relevant jurisdiction) to the Administrative Agent) required to be reimbursed or paid by the Borrowers hereunder or under any other Loan Document.

(b) The Administrative Agent shall have received the following documents, each document being dated the date of receipt thereof by the Administrative Agent (which date shall be the same for all such documents, except as otherwise specified below), in form and substance satisfactory to the Administrative Agent:

(i) either (A) counterparts of this Amendment duly executed by each of the Borrowers, the Majority Lenders, the Administrative Agent, the Fronting Banks and the Swing Line Lender or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy or other electronic transmission of a signed signature page of this Amendment) that such parties have signed counterparts of this Amendment;

(ii) copies of all the Disclosure Documents (it being agreed that those Disclosure Documents publicly available on the SEC's EDGAR Database or on FE's website no later than the Business Day immediately preceding the Amendment Effective Date will be deemed to have been delivered under this clause (ii) and the Lenders party hereto acknowledge receipt of each such Disclosure Document);

(iii) an opinion of James A. Arcuri, Associate General Counsel of FirstEnergy Service Company, counsel for the Borrowers;

(iv) an opinion of Jones Day, special counsel for the Borrowers;

(v) good standing certificates with respect to FE issued no earlier than fifteen (15) days prior to the Amendment Effective Date;

(vi) certified copies of (A) the resolutions of the Board of Directors of each Borrower approving this Amendment, the Amended Agreement and the other Loan Documents being executed and delivered in connection with this Amendment to which such Borrower is, or is to be, a party and (B) all documents evidencing any other necessary corporate action with respect to this Amendment, the Amended Agreement and such other Loan Documents;

(vii) a certificate of the Secretary or an Assistant Secretary of each Borrower certifying (A) the names and true signatures of the officers of such Borrower authorized to sign this Amendment and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is, or is to become, a party and the other documents to be delivered hereunder, (B) that attached thereto are true and correct copies of the Organizational Documents of such Borrower, in each case as in effect on such date, and (C) that attached thereto are true and correct copies of all governmental and regulatory authorizations and approvals (including such Borrower's Approval) required for the due execution, delivery and performance by such Borrower of this Amendment, the Amended Agreement and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is, or is to become, a party; and

(viii) a certificate of an Authorized Officer of each Borrower (the statements in which shall be true) certifying that, both before and after giving effect to this Amendment, (A) no event has occurred and is continuing that constitutes an Event of Default or an Unmatured Default with respect to such Borrower (other than the Relevant Events of Default) and (B) all representations and warranties of such Borrower contained in the Amended Agreement and each other Loan Document to which such Borrower is a party are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by "Material Adverse Effect" or any other materiality qualification, true and correct in all respects) on and as of the Amendment Effective Date, as though made on and as of such date (other than any such representation or warranty that by its terms refers to a specific date, in which case such representation and warranty shall be true and correct as of such specific date).

(c) The Administrative Agent shall have received evidence, in form and substance satisfactory to the Administrative Agent, that any defaults related to the occurrence of the Noncompliance Event under any agreements or instruments evidencing any existing Indebtedness of FE exceeding (or with undrawn commitments exceeding) $100,000,000 have been waived, and FE shall have certified to the Administrative Agent and the Lenders that no such defaults (other than such defaults that have been waived) exist.

(d) (i) FE shall have executed and delivered to the Administrative Agent the fee letter agreement, dated the date hereof, between FE and the Administrative Agent and (ii) FE shall have paid (or caused to be paid) to the Administrative Agent, in immediately available funds, all of the fees payable in accordance with such fee letter agreement.

(e) The Administrative Agent shall have received all documentation and information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act and the Beneficial Ownership Regulation, to the extent such documentation or information is requested by the Administrative Agent on behalf of any Lender prior to the Amendment Effective Date.

SECTION 4. ***Conditions Subsequent.***

The Borrowers shall satisfy each of the requirements set forth below on or before the date specified for such requirement (or such later date as may be agreed by the Administrative Agent in its sole discretion):

(a) No later than December 4, 2020, the Administrative Agent shall have received the following documents, each document being dated the date of receipt thereof by the Administrative Agent (which date shall be the same for all such documents, except as otherwise specified below), in form and substance satisfactory to the Administrative Agent:

(i) Opinions of (A) special Maryland counsel to PE, (B) special Virginia counsel to PE and (C) special New Jersey counsel to JCP&L;

(ii) Good standing certificates with respect to each Borrower (other than FE) issued no earlier than fifteen (15) days prior to the Amendment Effective Date; and

(iii) Such other certifications, opinions, financial or other information, approvals and documents as the Administrative Agent, any Fronting Bank, any Swing Line Lender or any other Lender may have reasonably requested, all in form and substance satisfactory to the Administrative Agent, such Fronting Bank, such Swing Line Lender or such other Lender (as the case may be).

(b) No later than January 15, 2021, the Borrowers shall have entered into an amendment to the Credit Agreement providing for (i) updated replacement LIBOR language (based on the ARRC hard-wired fallback language), (ii) a customary limited liability company divisions provision and (iii) an updated EEA bail-in provision (reflecting the departure of the United Kingdom from the European Union), in each case, as reasonably agreed to by the Borrowers and the Administrative Agent and as customary for a facility of this type.

(c) Prior to February 1, 2021, and at such other times thereafter as may be reasonably requested by the Administrative Agent or the Majority Lenders (but not before May 1, 2021 and no more frequently than once per fiscal quarter), FE shall deliver to the Administrative Agent (who shall provide a copy to the Lenders) a written report, in form, detail and substance reasonably satisfactory to the Administrative Agent and the Majority Lenders, describing the actions that FE has taken and will be taking in order to ensure that FE and the other Covered Entities (and their respective officers, directors and employees) have in place policies and procedures necessary to ensure compliance with Anti-Corruption Laws; provided, that FE shall not be required to provide (i) information subject to attorney-client privilege or (ii) information prohibited to be disclosed to the Credit Parties by Applicable Law.

(d) Within one (1) Business Day after the filing of FE's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 (the "***2020 3Q 10-Q***") with the SEC, FE shall deliver to the Administrative Agent a certificate of an Authorized Officer of FE (the statements in which shall be true, as reasonably determined by the Majority Lenders) certifying that the 2020 3Q 10Q does not contain any information that varies from the

information contained in the draft Form 10-Q of FE for the quarterly period ended September 30, 2020 (Confidential Draft dated November 16, 2020) delivered to the Administrative Agent and the Lenders on November 16, 2020 (the "***Draft 10-Q***") in any respect materially adverse to the interests of the Lenders under the Credit Agreement and the other Loan Documents.

SECTION 5. ***Representations and Warranties.***

Each Borrower represents and warrants as follows:

(a) ***Due Authorization***. The execution, delivery and performance by it of this Amendment and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is a party, and the performance by such Borrower of the Amended Agreement, have been duly authorized by all necessary corporate action on its part and do not, and will not, require the consent or approval of its shareholders or members, as the case may be, other than such consents and approvals as have been duly obtained, given or accomplished.

(b) ***No Violation, Etc.*** Neither the execution, delivery or performance by it of this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is a party, nor the consummation by it of the transactions contemplated hereby or thereby, nor compliance by it with the provisions hereof or thereof, nor the performance by it of the Amended Agreement, contravenes or will contravene, or results or will result in a breach of, any of the provisions of its Organizational Documents, any Applicable Law, or any indenture, mortgage, deed of trust, lease, license or any other agreement or instrument to which it or any of its Subsidiaries is party or by which its property or the property of any of its Subsidiaries is bound, or results or will result in the creation or imposition of any Lien upon any of its property or the property of any of its Subsidiaries, except to the extent such contravention or breach, or the creation or imposition of any such Lien, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect with respect to such Borrower.

(c) ***Governmental Actions***. No Governmental Action is or will be required in connection with (i) the execution, delivery or performance by it of, or the consummation by it of the transactions contemplated by, this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is, or is to become, a party, or (ii) the performance by it of the Amended Agreement, in each case, other than such Borrower's Approval, as applicable, which has been duly issued and is in full force and effect.

(d) ***Execution and Delivery***. This Amendment and the other Loan Documents being executed and delivered in connection with this Amendment to which it is, or is to become, a party have been or will be (as the case may be) duly executed and delivered by it, and each of this Amendment and the Amended Agreement is, and upon execution and delivery thereof each such other Loan Document will be, the legal, valid and binding obligation of it enforceable against it in accordance with its terms, *subject, however*, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(e) ***No Material Misstatements.*** The reports, financial statements and other written information furnished by or on behalf of such Borrower to the Administrative Agent, any Fronting Bank or any Lender pursuant to or in connection with this Amendment and the transactions contemplated hereby (including, without limitation, the Draft 10-Q), when taken together with the Disclosure Documents, do not contain, when taken as a whole, any untrue statement of a material fact and do not omit, when taken as a whole, to state any fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(f) ***Litigation.*** There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of such Borrower, threatened against such Borrower or any of its Subsidiaries that involve this Amendment, the Amended Agreement or any other Loan Document.

(g) ***No Default***. No Unmatured Default or Event of Default has occurred and is continuing (other than the Relevant Events of Default) or would occur as a result of (i) the execution, delivery or performance by such Borrower of this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is, or is to become, a party or (ii) the performance by such Borrower of the Amended Agreement.

(h) ***Policies and Procedures Regarding Compliance with Anti-Corruption Laws***. The Borrowers have provided to the Administrative Agent on or prior to the Amendment Effective Date a true and complete (i) list and copy of all policies and procedures currently in place at each Borrower and each Covered Entity related to compliance with Anti-Corruption Laws and (ii) summary and description of all remedial actions taken by, changes made by, or other responses of each Borrower and each Covered Entity with respect to the Noncompliance Event.

(i) ***Anti-Corruption Laws***. No Borrowing has been used in violation of any Anti-Corruption Law.

(j) ***2020 3Q 10-Q***. Pursuant to the Form 12b-25 filed by FE with the SEC on November 9, 2020, the deadline for the filing of the 2020 3Q 10-Q with the SEC was extended to November 16, 2020. FE is not able to meet such extended filing deadline, and intends to file the 2020 3Q 10-Q with the SEC on or before November 19, 2020, as a result of the additional time needed to provide appropriate disclosure in the 2020 3Q 10-Q with respect to (i) the Noncompliance Event, (ii) the ongoing government investigations and internal investigations regarding matters previously publicly disclosed by FE, (iii) FE's re-evaluation of its controls framework and (iv) identification of one or more material weaknesses in its internal controls framework, but not due to any material dispute or disagreement with FE's independent accounting firm as to the substance of any disclosure (or any omission of any disclosure) in the 2020 3Q 10-Q.

SECTION 6. ***Reference to and Effect on the Credit Agreement and the Other Loan Documents*.**

(a) Except as expressly amended or waived hereby, all of the representations, warranties, terms, covenants and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms and are hereby in all respects ratified and confirmed. The waiver and amendments set forth herein shall be limited precisely as provided for herein and shall not be deemed to be a waiver of, amendment of, consent to departure from or modification of any term or provision of the Loan Documents or any other document or instrument referred to therein or of any transaction or further or future action on the part of any Borrower requiring the consent of the Administrative Agent, the Fronting Banks, the Swing Line Lenders or the Lenders except to the extent specifically provided for herein. Except as expressly set forth herein, the Administrative Agent and the Lenders have not and shall not be deemed to have waived any of their respective rights and remedies against the Borrowers for any existing or future Unmatured Default or Event of Default. The Administrative Agent, the Fronting Banks, the Swing Line Lenders and the Lenders reserve the right to insist on strict compliance with the terms of the Credit Agreement and the other Loan Documents, and the Borrowers expressly acknowledge such reservation of rights. Any future or additional waiver or amendment of any provision of the Credit Agreement or any other Loan Document shall be effective only if set forth in a writing separate and distinct from this Amendment and executed by the appropriate parties in accordance with the terms thereof.

(b) Upon the effectiveness of this Amendment: (i) each reference in the Existing Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Amended Agreement; and (ii) each reference in any other Loan Document to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Amended Agreement. This Amendment shall constitute a “Loan Document” for all purposes under the Credit Agreement and the other Loan Documents.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders, the Administrative Agent, the Fronting Banks or the Swing Line Lenders under the Existing Credit Agreement or any other Loan Document, nor constitute a waiver of any provision of the Existing Credit Agreement or any other Loan Document.

SECTION 7. ***Costs and Expenses*.**

Each Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent, each Fronting Bank and each Swing Line Lender in connection with the preparation, execution, delivery, syndication and administration of this Amendment and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel (including, but not limited to, one local counsel and any specialist counsel in each relevant jurisdiction) for the Administrative Agent, the Fronting Banks and the Swing Line Lenders with respect thereto and with respect to advising the Administrative Agent, the Fronting Banks and each Swing Line Lender as to their rights and responsibilities under this Amendment. Each Borrower further agrees to pay on demand all reasonable out-of-pocket costs and expenses, if any (including, without limitation, reasonable fees and expenses of counsel), incurred by the Administrative Agent, the Fronting Banks, the Swing Line Lenders and the Lenders in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment, the Amended Agreement and the other documents to be delivered hereunder, including, without limitation, counsel fees and expenses in connection with the enforcement of rights under this Section. The Borrowers acknowledge and agree that, pursuant to Section 8.05(a) of the Credit Agreement, they are required to pay, among other costs and expenses set forth therein, the reasonable fees and expenses of counsel for the Administrative Agent (including, but not limited to, any local counsel and any specialist counsel for the Administrative Agent), in accordance with the terms thereof.

SECTION 8. ***Counterparts.***

This Amendment may be executed in any number of counterparts (and by different parties hereto in separate counterparts), each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed signature page to this Amendment by facsimile or other electronic transmission (including, without limitation, by Adobe portable document format file (also known as a “PDF” file)) shall be as effective as delivery of a manually signed counterpart of this Amendment. The words “execution,” “executed,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Amendment or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided*, that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent; *provided*, *further*, that, without limiting the foregoing, upon the request of the Administrative Agent, any electronic signature shall be promptly followed by such manually executed counterpart.

SECTION 9. ***Governing Law.***

This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10. ***Miscellaneous.***

This Amendment shall be subject to the provisions of Sections 8.05, 8.10, 8.11 and 8.12 of the Credit Agreement, each of which is incorporated by reference herein, *mutatis mutandis*.

SECTION 11. ***Release.***

In consideration of, among other things, the Administrative Agent's, the Fronting Banks', the Swing Line Lenders' and the Lenders' execution and delivery of this Amendment, each Borrower, on behalf of itself and its agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors and assigns (collectively, "***Releasors***"), hereby forever agrees and covenants not to sue or prosecute against any Releasee (as hereinafter defined) and hereby forever waives, releases and discharges, to the fullest extent permitted by law, each Releasee from any and all claims (including, without limitation, crossclaims, counterclaims, rights of set-off and recoupment), actions, causes of action, suits, debts, liens, warranties, damages and consequential damages, judgments, costs or expenses whatsoever, that such Releasor now has or hereafter may have, of whatsoever nature and kind, whether now existing or hereafter arising, whether arising at law or in equity (collectively, the "***Claims***"), against any or all of the Credit Parties in any capacity and their respective affiliates, subsidiaries, shareholders and "controlling persons" (within the meaning of the federal securities laws), and their respective successors and assigns and each and all of the officers, directors, employees, agents, attorneys, advisors and other representatives of each of the foregoing (collectively, the "***Releasees***"), based in whole or in part on facts existing on or before the Amendment Effective Date, that relate to, arise out of or otherwise are in connection with: (i) any or all of the Loan Documents or transactions contemplated thereby or any actions or omissions in connection therewith; or (ii) any aspect of the dealings or relationships between or among the Borrowers, on the one hand, and any or all of the Credit Parties, on the other hand, relating to any or all of the documents, transactions, actions or omissions referenced in clause (i) hereof. The receipt by any Borrower of any Advances or other financial accommodations made by any Credit Party after the date hereof shall constitute a ratification, adoption, and confirmation by such party of the foregoing general release of all Claims against the Releasees that are based in whole or in part on facts existing on or prior to the date of receipt of any such Advances or other financial accommodations. In entering into this Agreement, each Borrower consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above do not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity thereof. The provisions of this Section 11 shall survive the termination of this Amendment, the Credit Agreement, the other Loan Documents and payment in full of the Advances.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FIRSTENERGY CORP.
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
METROPOLITAN EDISON COMPANY
OHIO EDISON COMPANY
PENNSYLVANIA POWER COMPANY
THE TOLEDO EDISON COMPANY
MONONGAHELA POWER COMPANY
PENNSYLVANIA ELECTRIC COMPANY
THE POTOMAC EDISON COMPANY
WEST PENN POWER COMPANY

By *<u>/s/ Steven R. Staub</u>*
Name: Steven R. Staub
Title: Vice President and Treasurer

JERSEY CENTRAL POWER & LIGHT COMPANY

By *<u>/s/ Weizhong Wang</u>*
Name: Weizhong Wang
Title: Treasurer

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

MIZUHO BANK, LTD., as Administrative Agent, as a Lender and as a Swing Line Lender

By *__/s/ Raymond Ventura__*
Name: Raymond Ventura
Title: Managing Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

JPMORGAN CHASE BANK, N.A., as a Lender and as a Fronting Bank

By *__/s/ Nancy R. Barwig______*
Name: Nancy R. Barwig
Title: Executive Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By *__/s/ Kelly Sarver______*
Name: Kelly Sarver
Title: Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

MUFG BANK, LTD., as a Lender and as a Fronting Bank

By /s/ *Jeffrey P. Fesenmaier*
Name: Jeffrey P. Fesenmaier
Title: Managing Director

THE BANK OF NOVA SCOTIA, as a Lender and as a Fronting Bank

By *<u>/s/ David Dewar</u>*
Name: David Dewar
Title: Director

CITIBANK, N.A., as a Lender and as a Fronting Bank

By *__/s/ Ashwani Khubani______*
Name: Ashwani Khubani
Title: Managing Director / Vice President

BARCLAYS BANK PLC, as a Lender and as a Fronting Bank

By <u>/s/ *Sydney G. Dennis*</u>
Name: Sydney G. Dennis
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

CANADIAN IMPERIAL BANK OF
COMMERCE, NEW YORK BRANCH, as a Lender

By *_/s/ Anju Abraham_*
Name: Anju Abraham
Title: Authorized Signatory

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

ROYAL BANK OF CANADA, as a Lender

By *__/s/ Justin Painter__*
Name: Justin Painter
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A., as a Lender

By *__/s/ Julie Hong________*
Name: Julie Hong
Title: Authorized Signatory

MORGAN STANLEY SENIOR FUNDING, INC., as a Lender

By __*/s/ Julie Hong*________
Name: Julie Hong
Title: Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

SUMITOMO MITSUI BANKING CORPORATION, as a Lender

By *__/s/ Katie Lee______*
Name: Katie Lee
Title: Director

TD BANK, N.A., as a Lender

By /s/ Shannon Batchman
Name: Shannon Batchman
Title: Sr. Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By *__/s/ Joe Horrigan______*
Name: Joe Horrigan
Title: Managing Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

KEYBANK NATIONAL ASSOCIATION, as a Lender

By /s/ Renee M. Bonnell
Name: Renee M. Bonnell
Title: Senior Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

SANTANDER BANK, N.A., as a Lender

By /s/ Andres Barbosa
Name: Andres Barbosa
Title: Managing Director

By /s/ Daniela Hofer
Name: Daniela Hofer
Title: Executive Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

FIFTH THIRD BANK, as a Lender

By /s/ Larry Hayes
Name: Larry Hayes
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

THE BANK OF NEW YORK MELLON, as a Lender

By /s/ Richard K. Fronaplel, Jr.
Name: Richard K. Fronaplel, Jr.
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

CITIZENS BANK, N.A., as a Lender

By /s/ Stephen A. Maenhout
Name: Stephen A. Maenhout
Title: Senior Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/ Martin H. McGinty
Name: Martin H. McGinty
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

FIRST NATIONAL BANK OF PENNSYLVANIA,
as a Lender

By: *__/s/ Jeffrey Kindler______*
Name: Jeffrey Kindler
Title: Senior Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Revolving Credit Agreement]

<u>Schedule 1</u>

Noncompliance Event

Payment by FE in January 2019 to an individual (the "***Individual***") or the consulting firm related to such Individual of approximately $4.3 million in connection with the termination of a purported consulting agreement (which had been in place since 2013) and the conduct corresponding to such payment of such consulting firm and the Individual (acting at the request or for the benefit of FE as a consequence of receiving such payment) and of FE (or any of FE's directors, officers or employees) during the time period after such payment during which the Individual was acting in any governmental or regulatory capacity, in each case, as previously disclosed to the Administrative Agent and the Lenders on or prior to the date hereof. Following such payment, in February 2019 such Individual was appointed (and assumed such position in April 2019) to a full-time role as an Ohio governmental official directly involved in regulating CEI, OE and TE, including with respect to distribution rates.

Exhibit 10.2

EXECUTION VERSION

1

WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT

dated as of November 17, 2020

among

FIRSTENERGY TRANSMISSION, LLC,
AMERICAN TRANSMISSION SYSTEMS, INCORPORATED,
MID-ATLANTIC INTERSTATE TRANSMISSION, LLC,
and
TRANS-ALLEGHENY INTERSTATE LINE COMPANY,
as Borrowers,

THE LENDERS NAMED HEREIN,
as Lenders,

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

and

THE FRONTING BANKS NAMED HEREIN,
as Fronting Banks

MIZUHO BANK, LTD.,
PNC CAPITAL MARKETS LLC,
CITIGROUP GLOBAL MARKETS INC.,
THE BANK OF NOVA SCOTIA,
BARCLAYS BANK PLC,
JPMORGAN CHASE BANK, N.A. and
MUFG BANK, LTD.,
as Joint Lead Arrangers

WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 2, dated as of November 17, 2020 (this "***Amendment***"), to the Existing Credit Agreement referred to below, is entered into by and among FirstEnergy Transmission, LLC ("***FET***"), American Transmission Systems, Incorporated ("***ATSI***"), Mid-Atlantic Interstate Transmission, LLC ("***MAIT***") and Trans-Allegheny Interstate Line Company ("***TrAILCo***", and together with FET, ATSI and MAIT, the "***Borrowers***"), each of the Lenders (as defined in the Existing Credit Agreement) party hereto, PNC Bank, National Association ("***PNC***"), as Administrative Agent (in such capacity, the "***Administrative Agent***") for the Lenders, and each of the Fronting Banks (as defined in the Existing Credit Agreement) party hereto.

PRELIMINARY STATEMENTS

1. The Borrowers, the Lenders, the Administrative Agent and the Fronting Banks are parties to that certain Credit Agreement, dated as of December 6, 2016 (as amended by Amendment No. 1 thereto, dated as of October 19, 2018, the "***Existing Credit Agreement***", as amended by this Amendment, the "***Amended Agreement***", and as the Amended Agreement may hereafter be amended, amended and restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Agreement.

2. The Borrowers have requested that the Lenders irrevocably, in reliance on the representations and warranties set forth herein and the facts and circumstances disclosed by the Borrowers to the Credit Parties on or before the Amendment Effective Date (as defined below), waive (i) any breach of the representation and warranty set forth in the third sentence of Section 4.01(m) of the Existing Credit Agreement, which breach would result in an Event of Default under Section 6.01(b) of the Existing Credit Agreement, (ii) any breach of the covenant set forth in Section 5.01(i)(ii) of the Existing Credit Agreement, which breach would result in an Event of Default under Section 6.01(c)(i) of the Existing Credit Agreement, and (iii) any Event of Default that may have occurred and be continuing under Section 6.01(e) of the Existing Credit Agreement (*provided*, that the underlying breach or default under the applicable Indebtedness of any Borrower or any Significant Subsidiary of such Borrower that gave rise to such Event of Default under Section 6.01(e) of the Existing Credit Agreement has been irrevocably waived by the holders of such Indebtedness), in each case, solely to the extent such breach or Event of Default occurred on or before the date hereof as a consequence of the facts and circumstances described on Schedule 1 hereto (such Events of Default, collectively, the "***Relevant Events of Default***", and such facts and circumstances described on Schedule 1 hereto, the "***Noncompliance Event***"), and the Lenders party hereto (constituting the Majority Lenders) have agreed to grant such waiver on the terms and conditions set forth herein.

3. In consideration thereof, the Lenders party hereto desire to amend the Existing Credit Agreement in certain particulars, including, without limitation, to amend the Applicable

Margin, and the parties hereto have agreed to such amendments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. ***Waiver.*** Subject to the satisfaction or waiver of the conditions precedent set forth in Section 3 hereof, the Administrative Agent and the Majority Lenders hereby irrevocably, in reliance on the representations and warranties set forth herein and the facts and circumstances disclosed to the Credit Parties on or before the Amendment Effective Date, waive the Relevant Events of Default solely to the extent such Relevant Events of Default occurred on or before the date hereof as a consequence of the Noncompliance Event. The foregoing waiver shall be limited precisely as provided for herein and, for the avoidance of doubt, shall not be deemed to be a waiver of any of the rights or remedies of the Administrative Agent, the Fronting Banks and the Lenders under this Amendment or any other Loan Document for any existing or future Unmatured Default or Event of Default arising from any breach or failure to comply with any provision (other than, solely with respect to the Relevant Events of Default, the specific provisions referenced in paragraph 2 of the Preliminary Statements contained herein) under any Loan Document (including, without limitation, the representations and warranties set forth in Section 4.01(f) of the Credit Agreement and the second sentence of Section 4.01(g) of the Credit Agreement). The Administrative Agent, the Fronting Banks and the Lenders specifically reserve the right to insist on strict compliance with the terms of the Credit Agreement and the other Loan Documents with respect to any other violation of Anti-Corruption Laws by any Covered Entity (or any director, officer, employee or agent thereof), including, without limitation, any potential violation of Anti-Corruption Laws related to the investigation by several Governmental Authorities surrounding Ohio House Bill 6 involving Mr. Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder, and the Borrowers expressly acknowledge such reservation of rights.

SECTION 2. ***Amendments to Existing Credit Agreement.*** The Existing Credit Agreement is, effective as of the date hereof and subject to the satisfaction or waiver of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) The following defined terms contained in Section 1.01 of the Existing Credit Agreement are hereby amended and restated in their entirety to read as follows:

> **"*Applicable Margin*"** means, for any Alternate Base Rate Advance or any Eurodollar Rate Advance made to any Borrower, the interest rate per annum set forth in the relevant row of the table immediately below, determined by reference to the Reference Ratings for such Borrower from time to time in effect:

BASIS FOR PRICING	LEVEL 1 Reference Ratings at least A- by S&P *or* A3 by Moody's.	LEVEL 2 Reference Ratings lower than Level 1 but at least BBB+ by S&P *or* Baa1 by Moody's.	LEVEL 3 Reference Ratings lower than Level 2 but at least BBB by S&P *or* Baa2 by Moody's.	LEVEL 4 Reference Ratings lower than Level 3 but at least BBB- by S&P *or* Baa3 by Moody's.	LEVEL 5 Reference Ratings lower than Level 4 but at least BB+ by S&P *or* Ba1 by Moody's.	LEVEL 6 Reference Ratings lower than BB+ by S&P *and* Ba1 by Moody's, or no Reference Ratings.
Applicable Margin for Eurodollar Rate Advances	1.125%	1.250%	1.500%	2.000%	2.250%	2.750% in the case of FET 2.500% in the case of each Borrower other than FET
Applicable Margin for Alternate Base Rate Advances	0.125%	0.250%	0.500%	1.000%	1.250%	1.750% in the case of FET 1.500% in the case of each Borrower other than FET

For purposes of the foregoing, (i) if there is a difference of one level in Reference Ratings of S&P and Moody's and the higher of such Reference Ratings falls in Level 1, Level 2, Level 3, Level 4 or Level 5, then the higher Reference Rating will be used to determine the Pricing Level and (ii) if there is a difference of more than one level in Reference Ratings of S&P and Moody's, the Reference Rating that is one level above the lower of such Reference Ratings will be used to determine the Pricing Level, unless the lower of such Reference Ratings falls in Level 6, in which case the lower of such Reference Ratings will be used to determine the Pricing Level. If there exists only one Reference Rating, such Reference Rating will be used to determine the Pricing Level.

"*Disclosure Documents*" means (i) FE's Annual Report on Form 10-K for the year ended December 31, 2019, Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020, and Current Reports on Form 8-K filed in 2020 and prior to the Amendment No. 2 Effective Date, (ii) with respect to each other Borrower, such Borrower's (A) consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, certified by PricewaterhouseCoopers LLP, with, in each case, any accompanying notes, and (B) unaudited consolidated balance sheet as of June 30, 2020, and the related consolidated statements of income, retained earnings and cash flows for the six-month period then ended, in each case with respect to the foregoing clauses (A) and (B), prepared in accordance with GAAP (but, in the case of such statements that are unaudited, subject to year-end adjustments and the exclusion of detailed footnotes) and copies of which have been furnished to each Lender and each Fronting Bank, and (iii) with respect to any Borrower referenced in clause (ii) above, the matters, if any, described in the portion of Schedule V hereto applicable to such Borrower as indicated thereon.

"***Material Adverse Effect***" means, with respect to any Borrower, (i) any material adverse effect on, or a material adverse change in, the business, property, assets, operations, condition (financial or otherwise), liabilities (actual or contingent) or prospects of such Borrower and its Consolidated Subsidiaries, taken as a whole, (ii) any material adverse effect on the legality, validity, binding effect or enforceability against such Borrower of this Agreement or any other Loan Document to which it is a party or (iii) a material impairment of the ability of such Borrower to perform any of its obligations under this Agreement or any other Loan Document to which it is a party.

(b) The following new definitions are hereby added to Section 1.01 of the Existing Credit Agreement in the appropriate alphabetical order:

"***Amendment No. 2***" means Waiver and Amendment No. 2, dated as of November 17, 2020, by and among the Borrowers, the Lenders party thereto, the Administrative Agent and the Fronting Banks party thereto, which Amendment No. 2 amended this Agreement pursuant to the terms thereof.

"***Amendment No. 2 Effective Date***" means the Amendment Effective Date (as defined in Amendment No. 2), which date is November 17, 2020.

"***FE Borrowers***" means the Borrowers (as such term is defined in the FE Credit Agreement).

"***FE Credit Agreement***" means that certain Credit Agreement, dated as of December 6, 2016, as amended by Amendment No. 1 thereto, dated as of October 19, 2018, and Waiver and Amendment No. 2 thereto, dated as of November 17, 2020, among FE, The Cleveland Electric Illuminating Company, Metropolitan Edison Company, Ohio Edison Company, Pennsylvania Power Company, The Toledo Edison Company, Jersey Central Power & Light Company, Monongahela Power Company, Pennsylvania Electric Company, The Potomac Edison Company and West Penn Power Company, as borrowers, the lenders party thereto, Mizuho Bank, Ltd., as administrative agent, the fronting banks party thereto and the swing line lenders party thereto.

(c) The table contained in Section 2.04(a) of the Existing Credit Agreement is hereby amended by deleting the number "0.275%" in Level 4 therein in its entirety and substituting therefor the number "0.30%".

(d) Section 3.02(i)(A) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "(A) The representations and warranties of such Borrower contained in Section 4.01 (other than the first sentence of subsection (g) thereof (but solely with respect to the unaudited consolidated balance sheet of such Borrower and its Subsidiaries, as at September 30, 2016, and the related consolidated statements of income, retained earnings and cash flows for the nine months then ended) with respect to any Extension of Credit following the initial Extension of Credit) are true and correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds therefrom, as though made on and as of such date (other than, as to any such representation or warranty that by its terms refers to a specific date other than the date of such Extension of Credit, in which case, such representation and warranty shall be true and correct as of such specific date);"

(e) Section 3.02(i) of the Existing Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (B) thereof and (ii) adding the following new clauses (D) and (E) at the end thereof to read as follows:

> "(D) Immediately after giving pro forma effect to such Extension of Credit, the aggregate amount of FE's cash and cash equivalents shall not exceed $500,000,000; and

> (E) FE's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 shall have been filed with the SEC; *provided*, *however*, that this clause (E) shall not constitute a condition to any Extension of Credit to the Borrowers (other than FET) if (and only if), immediately after giving effect to such Extension of Credit, the sum of (i) the aggregate Outstanding Credits for the account of the Borrowers (other than FET) *plus* (ii) the aggregate Outstanding Credits (as defined in the FE Credit Agreement) for the account of the FE Borrowers (other than FE) under the FE Credit Agreement, shall not exceed $500,000,000 in the aggregate;"

(f) Section 4.01(m) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "(m) ***Anti-Corruption Laws and Sanctions***. Such Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance with Anti-Corruption Laws and Sanctions in all respects by the Covered Entities and their respective directors, officers, employees and, to the extent commercially reasonable, agents under the control and acting on behalf of the Covered Entities. The Covered Entities are in compliance in all material respects with (i) the Trading with the Enemy Act, as amended, and each of the regulations promulgated by OFAC (31 CFR, Subtitle B, Chapter V, as amended)

and any other enabling legislation or executive order relating thereto, and (ii) the Patriot Act. The Covered Entities and their respective officers and employees and, to the knowledge of such Borrower, the Covered Entities' directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects, except to the extent disclosed in Schedule 1 to Amendment No. 2. None of the Covered Entities or any of their respective directors, officers or employees or, to the knowledge of such Borrower, any agent of the Covered Entities (i) is a Sanctioned Person, (ii) has assets located in Sanctioned Countries in violation of applicable Sanctions, (iii) does business in or with, or derives its operating income from investments in, or transactions with, Sanctioned Persons or (iv) does unauthorized business in or with, or derives its operating income from unauthorized investments in, or transactions with, Sanctioned Countries. No Borrowing or use of proceeds thereof will violate Anti-Corruption Laws or applicable Sanctions."

(g) Section 5.01(i) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) ***Compliance with Anti-Corruption Laws and Sanctions***. (i) Maintain in effect and enforce, and cause the other Covered Entities to maintain in effect and enforce, policies and procedures designed to ensure compliance with Anti-Corruption Laws and applicable Sanctions in all respects by the Covered Entities and their respective directors, officers, employees and, to the extent commercially reasonable, agents under the control and acting on behalf of the Covered Entities, and (ii) comply, and cause the other Covered Entities to comply, in all material respects with Anti-Corruption Laws and Sanctions applicable to it or its property."

(h) Section 6.01 of the Existing Credit Agreement is hereby amended by (i) adding the word "or" at the end of clause (i) thereof and (ii) adding the following new clause (j) immediately after clause (i) thereof:

"(j) (i) Any indictment shall be issued against FE or any of its Affiliates arising from a purported violation of any Anti-Corruption Law, or (ii) FE or any of its Affiliates shall have entered into any deferred prosecution agreement (or similar agreement) with respect to a purported violation of any Anti-Corruption Law (other than any deferred prosecution agreement (or similar agreement) solely with respect to the Noncompliance Event (as defined in Amendment No. 2));"

SECTION 3. ***Conditions to Effectiveness.***

This Amendment shall become effective as of the date first above written (the "***Amendment Effective Date***") when, and only when, the following conditions have been satisfied (or waived by the Administrative Agent and the Lenders party hereto in their sole discretion):

(a) The Administrative Agent shall have received, in immediately available funds, to the extent invoiced prior to the Amendment Effective Date, reimbursement or payment of all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, but not limited to, the reasonable fees and expenses of counsel (including, but not limited to, one local counsel and any specialist counsel in each relevant jurisdiction) to the Administrative Agent) required to be reimbursed or paid by the Borrowers hereunder or under any other Loan Document.

(b) The Administrative Agent shall have received the following documents, each document being dated the date of receipt thereof by the Administrative Agent (which date shall be the same for all such documents, except as otherwise specified below), in form and substance satisfactory to the Administrative Agent:

(i) either (A) counterparts of this Amendment duly executed by each of the Borrowers, the Majority Lenders, the Administrative Agent and the Fronting Banks or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy or other electronic transmission of a signed signature page of this Amendment) that such parties have signed counterparts of this Amendment;

(ii) copies of all the Disclosure Documents (it being agreed that those Disclosure Documents publicly available on the SEC's EDGAR Database or on FE's website no later than the Business Day immediately preceding the Amendment Effective Date will be deemed to have been delivered under this clause (ii) and the Lenders party hereto acknowledge receipt of each such Disclosure Document);

(iii) an opinion of James A. Arcuri, Associate General Counsel of FirstEnergy Service Company, counsel for the Borrowers;

(iv) an opinion of Jones Day, special counsel for the Borrowers;

(v) good standing certificates with respect to FET issued no earlier than fifteen (15) days prior to the Amendment Effective Date;

(vi) certified copies of (A) the resolutions of the Board of Directors of each Borrower approving this Amendment, the Amended Agreement and the other Loan Documents being executed and delivered in connection with this Amendment to which such Borrower is, or is to be, a party and (B) all documents evidencing any other necessary corporate action with respect to this Amendment, the Amended Agreement and such other Loan Documents;

(vii) a certificate of the Secretary or an Assistant Secretary of each Borrower certifying (A) the names and true signatures of the officers of such Borrower authorized to sign this Amendment and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is, or is to become, a party and the other documents to be delivered hereunder, (B) that attached thereto are true and correct copies of the Organizational Documents of such Borrower, in each case as in effect on such date, and (C) that attached thereto are true and correct copies of all governmental and regulatory authorizations and approvals (including such Borrower's Approval) required for the due execution, delivery and performance by such Borrower of this Amendment, the Amended Agreement and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is, or is to become, a party; and

(viii) a certificate of an Authorized Officer of each Borrower (the statements in which shall be true) certifying that, both before and after giving effect to this Amendment, (A) no event has occurred and is continuing that constitutes an Event of Default or an Unmatured Default with respect to such Borrower (other than the Relevant Events of Default) and (B) all representations and warranties of such Borrower contained in the Amended Agreement and each other Loan Document to which such Borrower is a party are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by "Material Adverse Effect" or any other materiality qualification, true and correct in all respects) on and as of the Amendment Effective Date, as though made on and as of such date (other than any such representation or warranty that by its terms refers to a specific date, in which case such representation and warranty shall be true and correct as of such specific date);

(c) The Administrative Agent shall have received evidence, in form and substance satisfactory to the Administrative Agent, that any defaults related to the occurrence of the Noncompliance Event under any agreements or instruments evidencing any existing Indebtedness of FE exceeding (or with undrawn commitments exceeding) $100,000,000 have been waived, and FET shall have certified to the Administrative Agent and the Lenders that no such defaults (other than such defaults that have been waived) exist.

(d) (i) FET shall have executed and delivered to the Administrative Agent the fee letter agreement, dated the date hereof, between FET and the Administrative Agent and (ii) FET shall have paid (or caused to be paid) to the Administrative Agent, in immediately available funds, all of the fees payable in accordance with such fee letter agreement.

(e) The Administrative Agent shall have received all documentation and information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act and the Beneficial Ownership Regulation, to the extent such documentation or information is requested by the Administrative Agent on behalf of any Lender prior to the Amendment Effective Date.

SECTION 4. ***Conditions Subsequent*.**

The Borrowers shall satisfy (or cause to be satisfied) each of the requirements set forth below on or before the date specified for such requirement (or such later date as may be agreed by the Administrative Agent in its sole discretion):

(a) No later than December 4, 2020, the Administrative Agent shall have received the following documents, each document being dated the date of receipt thereof by the Administrative Agent (which date shall be the same for all such documents, except as otherwise specified below), in form and substance satisfactory to the Administrative Agent:

(i) Opinions of (A) special Maryland counsel to TrAILCo, and (B) special Virginia counsel to TrAILCo;

(ii) Good standing certificates with respect to each Borrower (other than FET) issued no earlier than fifteen (15) days prior to the Amendment Effective Date; and

(iii) Such other certifications, opinions, financial or other information, approvals and documents as the Administrative Agent, any Fronting Bank or any other Lender may have reasonably requested, all in form and substance satisfactory to the Administrative Agent, such Fronting Bank or such other Lender (as the case may be).

(b) No later than January 15, 2021, the Borrowers shall have entered into an amendment to the Credit Agreement providing for (i) updated replacement LIBOR language (based on the ARRC hard-wired fallback language), (ii) a customary limited liability company divisions provision and (iii) an updated EEA bail-in provision (reflecting the departure of the United Kingdom from the European Union), in each case, as reasonably agreed to by the Borrowers and the Administrative Agent and as customary for a facility of this type.

(c) Prior to February 1, 2021, and at such other times thereafter as may be reasonably requested by the Administrative Agent or the Majority Lenders (but not before May 1, 2021 and no more frequently than once per fiscal quarter), FET shall deliver to the Administrative Agent (who shall provide a copy to the Lenders) a written report, in form, detail and substance reasonably satisfactory to the Administrative Agent and the Majority Lenders, describing the actions that FET has taken and will be taking in order to ensure that FET and the other Covered Entities (and their respective officers, directors and employees) have in place policies and procedures necessary to ensure compliance with Anti-Corruption Laws; provided, that FET shall not be required to provide (i) information subject to attorney-client privilege or (ii) information prohibited to be disclosed to the Credit Parties by Applicable Law.

(d) Within one (1) Business Day after the filing of FE's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 (the "***2020 3Q 10-Q***") with the SEC, FET shall deliver to the Administrative Agent a certificate of an Authorized Officer of FET (the statements in which shall be true, as reasonably determined by the Majority Lenders) certifying that the 2020 3Q 10Q does not contain any information that varies from the information contained in the draft Form 10-Q of FE for the quarterly period ended September 30, 2020

(Confidential Draft dated November 16, 2020) delivered to the Administrative Agent and the Lenders on November 16, 2020 (the "***Draft 10-Q***") in any respect materially adverse to the interests of the Lenders under the Credit Agreement and the other Loan Documents.

SECTION 5. ***Representations and Warranties.***

Each Borrower represents and warrants as follows:

(a) ***Due Authorization***. The execution, delivery and performance by it of this Amendment and each other Loan Document being executed and delivered in connection with this Amendment to which such Borrower is a party, and the performance by such Borrower of the Amended Agreement, have been duly authorized by all necessary corporate action on its part and do not, and will not, require the consent or approval of its shareholders or members, as the case may be, other than such consents and approvals as have been duly obtained, given or accomplished.

(b) ***No Violation, Etc.*** Neither the execution, delivery or performance by it of this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is a party, nor the consummation by it of the transactions contemplated hereby or thereby, nor compliance by it with the provisions hereof or thereof, nor the performance by it of the Amended Agreement, contravenes or will contravene, or results or will result in a breach of, any of the provisions of its Organizational Documents, any Applicable Law, or any indenture, mortgage, deed of trust, lease, license or any other agreement or instrument to which it or any of its Subsidiaries is party or by which its property or the property of any of its Subsidiaries is bound, or results or will result in the creation or imposition of any Lien upon any of its property or the property of any of its Subsidiaries, except to the extent such contravention or breach, or the creation or imposition of any such Lien, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect with respect to such Borrower.

(c) ***Governmental Actions***. No Governmental Action is or will be required in connection with (i) the execution, delivery or performance by it of, or the consummation by it of the transactions contemplated by, this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is, or is to become, a party, or (ii) the performance by it of the Amended Agreement, in each case, other than such Borrower's Approval, as applicable, which has been duly issued and is in full force and effect.

(d) ***Execution and Delivery***. This Amendment and the other Loan Documents being executed and delivered in connection with this Amendment to which it is, or is to become, a party have been or will be (as the case may be) duly executed and delivered by it, and each of this Amendment and the Amended Agreement is, and upon execution and delivery thereof each such other Loan Document will be, the legal, valid and binding obligation of it enforceable against it in accordance with its terms, *subject, however*, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(e) ***No Material Misstatements.*** The reports, financial statements and other written information furnished by or on behalf of such Borrower to the Administrative Agent, any Fronting Bank or any Lender pursuant to or in connection with this Amendment and the transactions contemplated hereby (including, without limitation, the Draft 10-Q), when taken together with the Disclosure Documents, do not contain, when taken as a whole, any untrue statement of a material fact and do not omit, when taken as a whole, to state any fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(f) ***Litigation.*** There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of such Borrower, threatened against such Borrower or any of its Subsidiaries that involve this Amendment, the Amended Agreement or any other Loan Document.

(g) ***No Default***. No Unmatured Default or Event of Default has occurred and is continuing (other than the Relevant Events of Default) or would occur as a result of (i) the execution, delivery or performance by such Borrower of this Amendment or any other Loan Document being executed and delivered in connection with this Amendment to which it is, or is to become, a party or (ii) the performance by such Borrower of the Amended Agreement.

(h) ***Policies and Procedures Regarding Compliance with Anti-Corruption Laws***. The Borrowers have provided to the Administrative Agent on or prior to the Amendment Effective Date a true and complete (i) list and copy of all policies and procedures currently in place at each Borrower and each Covered Entity related to compliance with Anti-Corruption Laws and (ii) summary and description of all remedial actions taken by, changes made by, or other responses of each Borrower and each Covered Entity with respect to the Noncompliance Event.

(i) ***Anti-Corruption Laws***. No Borrowing has been used in violation of any Anti-Corruption Law.

(j) ***2020 3Q 10-Q***. Pursuant to the Form 12b-25 filed by FE with the SEC on November 9, 2020, the deadline for the filing of the 2020 3Q 10-Q with the SEC was extended to November 16, 2020. FE is not able to meet such extended filing deadline, and intends to file the 2020 3Q 10-Q with the SEC on or before November 19, 2020, as a result of the additional time needed to provide appropriate disclosure in the 2020 3Q 10-Q with respect to (i) the Noncompliance Event, (ii) the ongoing government investigations and internal investigations regarding matters previously publicly disclosed by FE, (iii) FE's re-evaluation of its controls framework and (iv) identification of one or more material weaknesses in its internal controls framework, but not due to any material dispute or disagreement with FE's independent accounting firm as to the substance of any disclosure (or any omission of any disclosure) in the 2020 3Q 10-Q.

SECTION 6. ***Reference to and Effect on the Credit Agreement and the Other Loan Documents*****.**

(a) Except as expressly amended or waived hereby, all of the representations, warranties, terms, covenants and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms and are hereby in all respects ratified and confirmed. The waiver and amendments set forth herein shall be limited precisely as provided for herein and shall not be deemed to be a waiver of, amendment of, consent to departure from or modification of any term or provision of the Loan Documents or any other document or instrument referred to therein or of any transaction or further or future action on the part of any Borrower requiring the consent of the Administrative Agent, the Fronting Banks or the Lenders except to the extent specifically provided for herein. Except as expressly set forth herein, the Administrative Agent and the Lenders have not and shall not be deemed to have waived any of their respective rights and remedies against the Borrowers for any existing or future Unmatured Default or Event of Default. The Administrative Agent, the Fronting Banks and the Lenders reserve the right to insist on strict compliance with the terms of the Credit Agreement and the other Loan Documents, and the Borrowers expressly acknowledge such reservation of rights. Any future or additional waiver or amendment of any provision of the Credit Agreement or any other Loan Document shall be effective only if set forth in a writing separate and distinct from this Amendment and executed by the appropriate parties in accordance with the terms thereof.

(b) Upon the effectiveness of this Amendment: (i) each reference in the Existing Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Amended Agreement; and (ii) each reference in any other Loan Document to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Amended Agreement. This Amendment shall constitute a “Loan Document” for all purposes under the Credit Agreement and the other Loan Documents.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders, the Administrative Agent or the Fronting Banks under the Existing Credit Agreement or any other Loan Document, nor constitute a waiver of any provision of the Existing Credit Agreement or any other Loan Document.

SECTION 7. ***Costs and Expenses*****.**

Each Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent and each Fronting Bank in connection with the preparation, execution, delivery, syndication and administration of this Amendment and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel (including, but not limited to, one local counsel and any specialist counsel in each relevant jurisdiction) for the Administrative Agent and the Fronting Banks with respect thereto and with respect to advising the Administrative Agent and the Fronting Banks as to their rights and responsibilities under this Amendment. Each Borrower further agrees to pay on demand all reasonable out-of-pocket costs and expenses, if any (including, without limitation, reasonable fees and expenses of counsel), incurred by the Administrative Agent, the Fronting Banks and the Lenders in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment, the Amended Agreement and the other documents to be delivered hereunder, including, without limitation, counsel fees and expenses in connection with the enforcement of rights under this Section. The Borrowers acknowledge and agree that, pursuant to Section 8.05(a) of the Credit Agreement, they are required to pay, among other costs and expenses set forth therein, the reasonable fees and expenses of counsel for the Administrative Agent (including, but not limited to, any local counsel and any specialist counsel for the Administrative Agent), in accordance with the terms thereof.

SECTION 8. ***Counterparts.***

This Amendment may be executed in any number of counterparts (and by different parties hereto in separate counterparts), each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed signature page to this Amendment by facsimile or other electronic transmission (including, without limitation, by Adobe portable document format file (also known as a "PDF" file)) shall be as effective as delivery of a manually signed counterpart of this Amendment. The words "execution," "executed," "signed," "signature," "delivery," and words of like import in or relating to this Amendment or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided*, that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent; *provided*, *further*, that, without limiting the foregoing, upon the request of the Administrative Agent, any electronic signature shall be promptly followed by such manually executed counterpart.

SECTION 9. ***Governing Law.***

This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10. ***Miscellaneous.***

This Amendment shall be subject to the provisions of Sections 8.05, 8.10, 8.11 and 8.12 of the Credit Agreement, each of which is incorporated by reference herein, *mutatis mutandis*.

SECTION 11. ***Release*****.**

In consideration of, among other things, the Administrative Agent's, the Fronting Banks' and the Lenders' execution and delivery of this Amendment, each Borrower, on behalf of itself and its agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors and assigns (collectively, "***Releasors***"), hereby forever agrees and covenants not to sue or prosecute against any Releasee (as hereinafter defined) and hereby forever waives, releases and discharges, to the fullest extent permitted by law, each Releasee from any and all claims (including, without limitation, crossclaims, counterclaims, rights of set-off and recoupment), actions, causes of action, suits, debts, liens, warranties, damages and consequential damages, judgments, costs or expenses whatsoever, that such Releasor now has or hereafter may have, of whatsoever nature and kind, whether now existing or hereafter arising, whether arising at law or in equity (collectively, the "***Claims***"), against any or all of the Credit Parties in any capacity and their respective affiliates, subsidiaries, shareholders and "controlling persons" (within the meaning of the federal securities laws), and their respective successors and assigns and each and all of the officers, directors, employees, agents, attorneys, advisors and other representatives of each of the foregoing (collectively, the "***Releasees***"), based in whole or in part on facts existing on or before the Amendment Effective Date, that relate to, arise out of or otherwise are in connection with: (i) any or all of the Loan Documents or transactions contemplated thereby or any actions or omissions in connection therewith; or (ii) any aspect of the dealings or relationships between or among the Borrowers, on the one hand, and any or all of the Credit Parties, on the other hand, relating to any or all of the documents, transactions, actions or omissions referenced in clause (i) hereof. The receipt by any Borrower of any Advances or other financial accommodations made by any Credit Party after the date hereof shall constitute a ratification, adoption, and confirmation by such party of the foregoing general release of all Claims against the Releasees that are based in whole or in part on facts existing on or prior to the date of receipt of any such Advances or other financial accommodations. In entering into this Agreement, each Borrower consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above do not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity thereof. The provisions of this Section 11 shall survive the termination of this Amendment, the Credit Agreement, the other Loan Documents and payment in full of the Advances.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FIRSTENERGY TRANSMISSION, LLC
AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
MID-ATLANTIC INTERSTATE TRANSMISSION, LLC
TRANS-ALLEGHENY INTERSTATE LINE COMPANY

By *__/s/ Steven R. Staub______*
Name: Steven R. Staub
Title: Vice President and Treasurer

PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent, as a Lender and as a Fronting Bank

By *__/s/ Kelly Sarver______*
Name: Kelly Sarver
Title: Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

MIZUHO BANK, LTD., as a Lender

By *_/s/ Raymond Ventura_*

Name: Raymond Ventura

Title: Managing Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

JPMORGAN CHASE BANK, N.A., as a Lender

By /s/ Nancy R. Barwig
Name: Nancy R. Barwig
Title: Executive Director

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MUFG BANK, LTD., as a Lender

By *__/s/ Jeffrey P. Fesenmaier____*
Name: Jeffrey P. Fesenmaier
Title: Managing Director

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THE BANK OF NOVA SCOTIA, as a Lender

By /s/ David Dewar
Name: David Dewar
Title: Director

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CITIBANK, N.A., as a Lender

By *__/s/ Ashwani Khubani______*
Name: Ashwani Khubani
Title: Managing Director / Vice President

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BARCLAYS BANK PLC, as a Lender

By /s/ Sydney G. Dennis
Name: Sydney G. Dennis
Title: Director

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CANADIAN IMPERIAL BANK OF
COMMERCE, NEW YORK BRANCH, as a Lender

By *\/s/ Anju Abraham*
Name: Anju Abraham
Title: Authorized Signatory

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

ROYAL BANK OF CANADA, as a Lender

By *__/s/ Justin Painter______*
Name: Justin Painter
Title: Authorized Signatory

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MORGAN STANLEY BANK, N.A., as a Lender

By /s/ Julie Hong
Name: Julie Hong
Title: Authorized Signatory

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MORGAN STANLEY SENIOR FUNDING, INC., as a Lender

By *__/s/ Julie Hong________*
Name: Julie Hong
Title: Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

SUMITOMO MITSUI BANKING CORPORATION, as a Lender

By /s/ Katie Lee
Name: Katie Lee
Title: Director

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TD BANK, N.A., as a Lender

By __/s/ Shannon Batchman______
Name: Shannon Batchman
Title: Sr. Vice President

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U.S. BANK NATIONAL ASSOCIATION, as a Lender

By _/s/ Joe Horrigan_
Name: Joe Horrigan
Title: Managing Director

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KEYBANK NATIONAL ASSOCIATION, as a Lender

By *__/s/ Renee M. Bonnell______*
Name: Renee M. Bonnell
Title: Senior Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

SANTANDER BANK, N.A., as a Lender

By /s/ Andres Barbosa
Name: Andres Barbosa
Title: Managing Director

By /s/ Zara Kamal
Name: Zara Kamal
Title: Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

FIFTH THIRD BANK, as a Lender

By /s/ Larry Hayes
Name: Larry Hayes
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

THE BANK OF NEW YORK MELLON, as a Lender

By /s/ Richard K. Fronaplel, Jr.
Name: Richard K. Fronaplel, Jr.
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

CITIZENS BANK, N.A., as a Lender

By /s/ Stephen A. Maenhout
Name: Stephen A. Maenhout
Title: Senior Vice President

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THE HUNTINGTON NATIONAL BANK, as a Lender

By: *__/s/ Martin H. McGinty____*
Name: Martin H. McGinty
Title: Director

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

FIRST NATIONAL BANK OF PENNSYLVANIA,
as a Lender

By: *__/s/ Jeffrey Kindler______*
Name: Jeffrey Kindler
Title: Senior Vice President

[Signature Page to Waiver and Amendment No. 2 to FirstEnergy Transmission, LLC Revolving Credit Agreement]

Schedule 1

Noncompliance Event

Payment by FE in January 2019 to an individual (the "***Individual***") or the consulting firm related to such Individual of approximately $4.3 million in connection with the termination of a purported consulting agreement (which had been in place since 2013) and the conduct corresponding to such payment of such consulting firm and the Individual (acting at the request or for the benefit of FE as a consequence of receiving such payment) and of FE (or any of FE's directors, officers or employees) during the time period after such payment during which the Individual was acting in any governmental or regulatory capacity, in each case, as previously disclosed to the Administrative Agent and the Lenders on or prior to the date hereof. Following such payment, in February 2019 such Individual was appointed (and assumed such position in April 2019) to a full-time role as an Ohio governmental official directly involved in regulating The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company, including with respect to distribution rates.