

CLEVELAND ELECTRIC ILLUMINATING CO

Form 10-Q

August 02, 2011

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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 June 30, 2011

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 |
| 000-53742 | FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 31-1560186 |
| 1-2578 | OHIO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 34-0437786 |
| 1-2323 | THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 34-0150020 |
| 1-3583 | THE TOLEDO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 | 34-4375005 |

Telephone (800)736-3402

| | | |
|---------------|--|-------------------|
| 1-3141 | JERSEY CENTRAL POWER & LIGHT COMPANY (A New Jersey Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 21-0485010 |
| 1-446 | METROPOLITAN EDISON COMPANY (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 23-0870160 |
| 1-3522 | PENNSYLVANIA ELECTRIC COMPANY (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402 | 25-0718085 |

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 FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company

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

Large Accelerated Filer FirstEnergy Corp.

Accelerated Filer N/A

Non-accelerated Filer (Do not check if a smaller reporting company) FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

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Smaller Reporting Company N/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

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 JULY 29, 2011 |
|---|--|
| FirstEnergy Corp., \$.10 par value | 418,216,437 |
| FirstEnergy Solutions Corp., no par value | 7 |
| Ohio Edison Company, no par value | 60 |
| The Cleveland Electric Illuminating Company, no par value | 67,930,743 |
| The Toledo Edison Company, \$5 par value | 29,402,054 |
| Jersey Central Power & Light Company, \$10 par value | 13,628,447 |
| Metropolitan Edison Company, no par value | 740,905 |
| Pennsylvania Electric Company, \$20 par value | 4,427,577 |

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to any of the FirstEnergy subsidiary registrants is also attributed to FirstEnergy Corp.

FirstEnergy Web Site

Each of the registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also made available free of charge on or through FirstEnergy's Internet web site at www.firstenergycorp.com.

These reports are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post important information on FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site 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 SEC Regulation FD. Information contained on FirstEnergy's Internet web site shall not be deemed incorporated into, or to be part of, this report.

OMISSION OF CERTAIN INFORMATION

FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

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Forward-Looking Statements: This Form 10-Q includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms anticipate, potential, expect, believe, estimate and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Actual results may differ materially due to:

The speed and nature of increased competition in the electric utility industry.

The impact of the regulatory process on the pending matters in the various states in which we do business including, but not limited to, matters related to rates.

The status of the PATH project in light of PJM's direction to suspend work on the project pending review of its planning process, its re-evaluation of the need for the project and the uncertainty of the timing and amounts of any related capital expenditures.

Business and regulatory impacts from ATSI's realignment into PJM Interconnection, L.L.C.

Economic or weather conditions affecting future sales and margins.

Changes in markets for energy services.

Changing energy and commodity market prices and availability.

Financial derivative reforms that could increase our liquidity needs and collateral costs.

The continued ability of FirstEnergy's regulated utilities to collect transition and other costs.

Operation and maintenance costs being higher than anticipated.

Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water intake and coal combustion residual regulations, the potential impacts of any laws, rules or regulations that ultimately replace CAIR, including the Cross-State Air Pollution Rule (CSAPR), and the effects of the EPA's recently released MACT proposal to establish certain mercury and other emission standards for electric generating units.

The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any NSR litigation or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to shut down or idle certain generating units).

Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC including as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).

Adverse legal decisions and outcomes related to Met-Ed's and Penelec's ability to recover certain transmission costs through their transmission service charge riders.

The continuing availability of generating units and changes in their ability to operate at or near full capacity.

Replacement power costs being higher than anticipated or inadequately hedged.

The ability to comply with applicable state and federal reliability standards and energy efficiency mandates.

Changes in customers' demand for power, including but not limited to, changes resulting from the implementation of state and federal energy efficiency mandates.

The ability to accomplish or realize anticipated benefits from strategic goals.

Efforts and our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of coal and coal transportation on such margins.

The ability to experience growth in the distribution business.

The changing market conditions that could affect the value of assets held in FirstEnergy's nuclear decommissioning trusts, pension trusts and other trust funds, and cause us to make additional contributions sooner, or in amounts that are larger than currently anticipated.

The ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan, the cost of such capital and overall condition of the capital and credit markets affecting FirstEnergy and its subsidiaries.

Changes in general economic conditions affecting FirstEnergy and its subsidiaries.

Interest rates and any actions taken by credit rating agencies that could negatively affect FirstEnergy's and its subsidiaries' access to financing or their costs and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.

The continuing uncertainty of the national and regional economy and its impact on FirstEnergy's and its subsidiaries' major industrial and commercial customers.

Issues concerning the soundness of financial institutions and counterparties with which FirstEnergy and its subsidiaries do business.

Issues arising from the recently completed merger of FirstEnergy and Allegheny Energy, Inc. and the ongoing coordination of their combined operations including FirstEnergy's ability to maintain relationships with customers, employees or suppliers, as well as the ability to successfully integrate the businesses and realize cost savings and any other synergies and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.

The risks and other factors discussed from time to time in the registrants' SEC filings, and other similar factors.

Dividends declared from time to time on FirstEnergy's common stock during any annual period may in aggregate vary from the indicated amount due to circumstances considered by FirstEnergy's Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy, or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on the registrants' 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. The registrants expressly disclaim any current intention to update any forward-looking statements contained herein 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 | Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011 |
| AESC | Allegheny Energy Service Corporation, a subsidiary of AE |
| AE Supply | Allegheny Energy Supply Company LLC, an unregulated generation subsidiary of AE |
| AET | Allegheny Energy Transmission, LLC, a parent of TrAIL and PATH |
| AGC | Allegheny Generating Company, a generation subsidiary of AE |
| Allegheny | Allegheny Energy, Inc., together with its consolidated subsidiaries |
| AVE | Allegheny Ventures, Inc. |
| ATSI | American Transmission Systems, Incorporated, which owns and operates transmission facilities |
| CEI | The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary |
| FENOC | FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities |
| FES | FirstEnergy Solutions Corp., which provides energy-related products and services |
| FESC | FirstEnergy Service Company, which provides legal, financial and other corporate support services |
| FEV | FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures |
| FGCO | FirstEnergy Generation Corp., which owns and operates non-nuclear generating facilities |
| FirstEnergy | FirstEnergy Corp., a public utility holding company |
| Global Rail | A joint venture between FEV and WMB Loan Ventures II LLC, that owns coal transportation operations near Roundup, Montana |
| GPU | GPU, Inc., former parent of JCP&L, Met-Ed and Penelec, that merged with FirstEnergy on November 7, 2001 |
| JCP&L | Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary |
| Met-Ed | Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary |
| MP | Monongahela Power Company, a West Virginia electric utility operating subsidiary of AE |
| NGC | FirstEnergy Nuclear Generation Corp., 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 Allegheny and a subsidiary of American Electric Power Company, Inc. |
| PATH-VA | PATH Allegheny Virginia Transmission Corporation |
| PE | The Potomac Edison Company, a Maryland electric operating subsidiary of AE |
| Penelec | Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary |
| Penn | Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE |
| Pennsylvania Companies | Met-Ed, Penelec, Penn and WP |
| PNBV | PNBV Capital Trust, a special purpose entity created by OE in 1996 |
| Shippingport | Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997 |
| Signal Peak | A joint venture between FEV and WMB Loan Ventures LLC, that owns mining operations near Roundup, Montana |
| TE | The Toledo Edison Company, an Ohio electric utility operating subsidiary |
| TrAIL | Trans-Allegheny Interstate Line Company |

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| | |
|---------------------|---|
| Utilities | OE, CEI, TE, Penn, JCP&L, Met-Ed, Penelec, MP, PE and WP |
| Utility Registrants | OE, CEI, TE, JCP&L, Met-Ed and Penelec |
| WP | West Penn Power Company, a Pennsylvania electric utility operating subsidiary of AE |

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

| | |
|------|--------------------------------------|
| ALJ | Administrative Law Judge |
| AOCL | Accumulated Other Comprehensive Loss |
| AEP | American Electric Power |
| AQC | Air Quality Control |
| ARO | Asset Retirement Obligation |
| ARR | Auction Revenue Rights |
| BGS | Basic Generation Service |
| BMP | Bruce Mansfield Plant |
| CAA | Clean Air Act |
| CAIR | Clean Air Interstate Rule |
| CAMR | Clean Air Mercury Rule |
| CATR | Clean Air Transport Rule |
| CBP | Competitive Bid Process |

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GLOSSARY OF TERMS, Cont d.

| | |
|-----------------|--|
| CCB | Coal Combustion By-products |
| CDWR | California Department of Water Resources |
| CO ₂ | Carbon Dioxide |
| CSAPR | Cross-State Air Pollution Rule |
| CTC | Competitive Transition Charge |
| CWA | Clean Water Act |
| CWIP | Construction Work in Progress |
| DCPD | Deferred Compensation Plan for Outside Directors |
| DOE | United States Department of Energy |
| DOJ | United States Department of Justice |
| DPA | Department of the Public Advocate, Division of Rate Counsel (New Jersey) |
| DSP | Default Service Plan |
| EDCP | Executive Deferred Compensation Plan |
| EE&C | Energy Efficiency and Conservation |
| EIS | Energy Insurance Services, Inc. |
| EMP | Energy Master Plan |
| ENEC | Expanded Net Energy Cost |
| EPA | United States Environmental Protection Agency |
| ESOP | Employee Stock Ownership Plan |
| ESP | Electric Security Plan |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FMB | First Mortgage Bond |
| FPA | Federal Power Act |
| FRR | Fixed Resource Requirement |
| FTRs | Financial Transmission Rights |
| GAAP | Generally Accepted Accounting Principles in the United States |
| RGGI | Regional Greenhouse Gas Initiative |
| GHG | Greenhouse Gases |
| IRS | Internal Revenue Service |
| JOA | Joint Operating Agreement |
| kV | Kilovolt |
| KWH | Kilowatt-hours |
| LBR | Little Blue Run |
| LED | Light-Emitting Diode |
| LOC | Letter of Credit |
| LSE | Load Serving Entity |
| LTIP | Long-Term Incentive Plan |
| MACT | Maximum Achievable Control Technology |
| MDE | Maryland Department of the Environment |
| MDPSC | Maryland Public Service Commission |
| MEIUG | Met-Ed Industrial Users Group |
| MISO | Midwest Independent Transmission System Operator, Inc. |
| Moody's | Moody's Investors Service, Inc. |
| MRO | Market Rate Offer |
| MSHA | Mine Safety and Health Administration |
| MTEP | MISO Regional Transmission Expansion Plan |

| | |
|-----------------|---|
| MVP | Multi-value Project |
| MW | Megawatts |
| MWH | Megawatt-hours |
| NAAQS | National Ambient Air Quality Standards |
| NDT | Nuclear Decommissioning Trusts |
| NERC | North American Electric Reliability Corporation |
| NJBPU | New Jersey Board of Public Utilities |
| NNSR | Non-Attainment New Source Review |
| NOAC | Northwest Ohio Aggregation Coalition |
| NOPEC | Northeast Ohio Public Energy Council |
| NOV | Notice of Violation |
| NO _x | Nitrogen Oxide |
| NPDES | National Pollutant Discharge Elimination System |
| NRC | Nuclear Regulatory Commission |

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GLOSSARY OF TERMS, Cont d.

| | |
|-----------------|--|
| NSR | New Source Review |
| NUG | Non-Utility Generation |
| NUGC | Non-Utility Generation Charge |
| NYSEG | New York State Electric and Gas |
| OCC | Ohio Consumers Counsel |
| OCI | Other Comprehensive Income |
| OPEB | Other Post-Employment Benefits |
| OSBA | Office of Small Business Advocate |
| OVEC | Ohio Valley Electric Corporation |
| PA DEP | Pennsylvania Department of Environmental Protection |
| PCRB | Pollution Control Revenue Bond |
| PICA | Pennsylvania Intergovernmental Cooperation Authority |
| PJM | PJM Interconnection L. L. C. |
| POLR | Provider of Last Resort; an electric utility's obligation to provide generation service to customers whose alternative supplier fails to deliver service |
| PPUC | Pennsylvania Public Utility Commission |
| PSCWV | Public Service Commission of West Virginia |
| PSA | Power Supply Agreement |
| PSD | Prevention of Significant Deterioration |
| PUCO | Public Utilities Commission of Ohio |
| PURPA | Public Utility Regulatory Policies Act of 1978 |
| RECs | Renewable Energy Credits |
| RFP | Request for Proposal |
| RGGI | Regional Greenhouse Gas Initiative |
| RPM | Reliability Pricing Model |
| RTEP | Regional Transmission Expansion Plan |
| RTC | Regulatory Transition Charge |
| RTO | Regional Transmission Organization |
| S&P | Standard & Poor's Ratings Service |
| SB221 | Amended Substitute Senate Bill 221 |
| SBC | Societal Benefits Charge |
| SEC | U.S. Securities and Exchange Commission |
| SIP | State Implementation Plan(s) Under the Clean Air Act |
| SMIP | Smart Meter Implementation Plan |
| SNCR | Selective Non-Catalytic Reduction |
| SO ₂ | Sulfur Dioxide |
| SOS | Standard Offer Service |
| TBC | Transition Bond Charge |
| TDS | Total Dissolved Solid |
| TMDL | Total Maximum Daily Load |
| TMI-2 | Three Mile Island Unit 2 |
| TSC | Transmission Service Charge |
| VIE | Variable Interest Entity |
| VSCC | Virginia State Corporation Commission |
| WVDEP | West Virginia Department of Environmental Protection |
| WVPSC | Public Service Commission of West Virginia |

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| In millions, except per share amounts | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|---------------------------------------|---------------|-------------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUES: | | | | |
| Electric utilities | \$ 2,590 | \$ 2,373 | \$ 4,925 | \$ 4,916 |
| Unregulated businesses | 1,470 | 766 | 2,711 | 1,522 |
| Total revenues* | 4,060 | 3,139 | 7,636 | 6,438 |
| EXPENSES: | | | | |
| Fuel | 635 | 350 | 1,088 | 684 |
| Purchased power | 1,220 | 1,063 | 2,406 | 2,301 |
| Other operating expenses | 1,105 | 673 | 2,138 | 1,374 |
| Provision for depreciation | 282 | 190 | 502 | 383 |
| Amortization of regulatory assets | 90 | 161 | 222 | 373 |
| General taxes | 242 | 176 | 479 | 381 |
| Total expenses | 3,574 | 2,613 | 6,835 | 5,496 |
| OPERATING INCOME | 486 | 526 | 801 | 942 |
| OTHER INCOME (EXPENSE): | | | | |
| Investment income | 31 | 31 | 52 | 47 |
| Interest expense | (265) | (207) | (496) | (420) |
| Capitalized interest | 20 | 40 | 38 | 81 |
| Total other expense | (214) | (136) | (406) | (292) |
| INCOME BEFORE INCOME TAXES | 272 | 390 | 395 | 650 |
| INCOME TAXES | 101 | 134 | 179 | 245 |
| NET INCOME | 171 | 256 | 216 | 405 |
| Loss attributable to noncontrolling interest | (10) | (9) | (15) | (15) |
| EARNINGS AVAILABLE TO FIRSTENERGY CORP. | \$ 181 | \$ 265 | \$ 231 | \$ 420 |

EARNINGS PER SHARE OF COMMON STOCK:

| | | | | | | | | |
|---------|----|------|----|------|----|------|----|------|
| Basic | \$ | 0.43 | \$ | 0.87 | \$ | 0.61 | \$ | 1.38 |
| Diluted | \$ | 0.43 | \$ | 0.87 | \$ | 0.61 | \$ | 1.37 |

AVERAGE SHARES OUTSTANDING:

| | | | | | | | | |
|---------|--|-----|--|-----|--|-----|--|-----|
| Basic | | 418 | | 304 | | 380 | | 304 |
| Diluted | | 420 | | 305 | | 382 | | 305 |

DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

| | | | | |
|--|----|------|----|------|
| | \$ | 0.55 | \$ | 0.55 |
|--|----|------|----|------|

* Includes excise tax collections of \$116 million and \$99 million in the three months ended June 30, 2011 and 2010, respectively, and \$235 million and \$208 million in the six months ended June 30, 2011 and 2010, respectively.

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

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| (In millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|--------|-----------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| NET INCOME | \$ 171 | \$ 256 | \$ 216 | \$ 405 |
| OTHER COMPREHENSIVE INCOME: | | | | |
| Pension and other postretirement benefits | 111 | 17 | 130 | 30 |
| Unrealized gain on derivative hedges | 17 | 6 | 11 | 10 |
| Change in unrealized gain on available-for-sale securities | 10 | 6 | 19 | 12 |
| Other comprehensive income | 138 | 29 | 160 | 52 |
| Income tax expense related to other comprehensive income | 53 | 9 | 54 | 16 |
| Other comprehensive income, net of tax | 85 | 20 | 106 | 36 |
| COMPREHENSIVE INCOME | 256 | 276 | 322 | 441 |
| COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST | (10) | (9) | (15) | (15) |
| COMPREHENSIVE INCOME AVAILABLE TO FIRSTENERGY CORP. | \$ 266 | \$ 285 | \$ 337 | \$ 456 |

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

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FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (In millions) | ASSETS | June 30, 2011 | December 31, 2010 |
|---|--------|------------------|----------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$ 476 | \$ 1,019 |
| Receivables- | | | |
| Customers, net of allowance for uncollectible accounts of \$35 in 2011 and \$36 in 2010 | | 1,578 | 1,392 |
| Other, net of allowance for uncollectible accounts of \$8 in 2011 and 2010 | | 256 | 176 |
| Materials and supplies, at average cost | | 866 | 638 |
| Prepaid taxes | | 474 | 199 |
| Derivatives | | 265 | 182 |
| Other | | 203 | 92 |
| | | 4,118 | 3,698 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| In service | | 39,568 | 29,451 |
| Less Accumulated provision for depreciation | | 11,593 | 11,180 |
| | | 27,975 | 18,271 |
| Construction work in progress | | 1,465 | 1,517 |
| Property, plant and equipment held for sale, net | | 502 | |
| | | 29,942 | 19,788 |
| INVESTMENTS: | | | |
| Nuclear plant decommissioning trusts | | 2,051 | 1,973 |
| Investments in lease obligation bonds | | 414 | 476 |
| Nuclear fuel disposal trust | | 212 | 208 |
| Other | | 479 | 345 |
| | | 3,156 | 3,002 |
| DEFERRED CHARGES AND OTHER ASSETS: | | | |
| Goodwill | | 6,456 | 5,575 |
| Regulatory assets | | 2,182 | 1,826 |
| Intangible assets | | 973 | 256 |
| Other | | 769 | 660 |
| | | 10,380 | 8,317 |
| | | \$ 47,596 | \$ 34,805 |

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

| | | | | |
|-----------------------------------|----|-------|----|-------|
| Currently payable long-term debt | \$ | 2,058 | \$ | 1,486 |
| Short-term borrowings | | 656 | | 700 |
| Accounts payable | | 1,122 | | 872 |
| Accrued taxes | | 399 | | 326 |
| Accrued compensation and benefits | | 331 | | 315 |
| Derivatives | | 287 | | 266 |
| Other | | 691 | | 733 |
| | | 5,544 | | 4,698 |

CAPITALIZATION:

| | | | | |
|---|--|---------|--|---------|
| Common stockholders' equity- | | | | |
| Common stock, \$0.10 par value, authorized 490,000,000 and 375,000,000 shares, respectively- 418,216,437 and 304,835,407 shares outstanding, respectively | | 42 | | 31 |
| Other paid-in capital | | 9,782 | | 5,444 |
| Accumulated other comprehensive loss | | (1,433) | | (1,539) |
| Retained earnings | | 4,607 | | 4,609 |
| Total common stockholders' equity | | 12,998 | | 8,545 |
| Noncontrolling interest | | (48) | | (32) |
| Total equity | | 12,950 | | 8,513 |
| Long-term debt and other long-term obligations | | 16,491 | | 12,579 |
| | | 29,441 | | 21,092 |

NONCURRENT LIABILITIES:

| | | | | |
|---|--|--------|--|-------|
| Accumulated deferred income taxes | | 5,219 | | 2,879 |
| Retirement benefits | | 2,134 | | 1,868 |
| Asset retirement obligations | | 1,459 | | 1,407 |
| Deferred gain on sale and leaseback transaction | | 942 | | 959 |
| Adverse power contract liability | | 649 | | 466 |
| Other | | 2,208 | | 1,436 |
| | | 12,611 | | 9,015 |

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

| | | | | |
|--|----|--------|----|--------|
| | \$ | 47,596 | \$ | 34,805 |
|--|----|--------|----|--------|

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

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In millions) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 216 | \$ 405 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 502 | 383 |
| Amortization of regulatory assets | 222 | 373 |
| Nuclear fuel and lease amortization | 92 | 76 |
| Deferred purchased power and other costs | (168) | (146) |
| Deferred income taxes and investment tax credits, net | 552 | 159 |
| Deferred rents and lease market valuation liability | (61) | (62) |
| Accrued compensation and retirement benefits | 49 | (27) |
| Commodity derivative transactions, net | (21) | (29) |
| Pension trust contribution | (262) | |
| Asset impairments | 41 | 21 |
| Cash collateral paid, net | (31) | (63) |
| Interest rate swap transactions | | 43 |
| Decrease (increase) in operating assets- | | |
| Receivables | 199 | (156) |
| Materials and supplies | 24 | (17) |
| Prepayments and other current assets | (268) | (81) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | (28) | 18 |
| Accrued taxes | (66) | (58) |
| Accrued interest | (4) | 10 |
| Other | 43 | 9 |
| Net cash provided from operating activities | 1,031 | 858 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 503 | |
| Short-term borrowings, net | | 281 |
| Redemptions and Repayments- | | |
| Long-term debt | (1,002) | (407) |
| Short-term borrowings, net | (44) | |
| Common stock dividend payments | (420) | (335) |
| Other | (76) | (23) |
| Net cash used for financing activities | (1,039) | (484) |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|---------|---------|
| Property additions | (1,018) | (997) |
| Proceeds from asset sales | | 116 |
| Sales of investment securities held in trusts | 1,703 | 1,915 |
| Purchases of investment securities held in trusts | (1,807) | (1,934) |
| Customer acquisition costs | (2) | (105) |
| Cash investments | 50 | 59 |
| Cash received in Allegheny merger | 590 | |
| Other | (51) | (21) |
| Net cash used for investing activities | (535) | (967) |
| Net change in cash and cash equivalents | (543) | (593) |
| Cash and cash equivalents at beginning of period | 1,019 | 874 |
| Cash and cash equivalents at end of period | \$ 476 | \$ 281 |

SUPPLEMENTAL CASH FLOW INFORMATION:

Non-cash transaction: merger with Allegheny, common stock issued \$ 4,354 \$

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

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FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------------------------------------|-------------------------------|--------|-----------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales to non-affiliates | \$ 1,052 | \$ 729 | \$ 2,097 | \$ 1,397 |
| Electric sales to affiliates | 170 | 539 | 431 | 1,146 |
| Other | 70 | 58 | 156 | 171 |
| Total revenues | 1,292 | 1,326 | 2,684 | 2,714 |
| EXPENSES: | | | | |
| Fuel | 316 | 343 | 659 | 671 |
| Purchased power from affiliates | 65 | 69 | 134 | 130 |
| Purchased power from non-affiliates | 329 | 310 | 626 | 760 |
| Other operating expenses | 429 | 304 | 910 | 608 |
| Provision for depreciation | 68 | 63 | 136 | 126 |
| General taxes | 30 | 22 | 60 | 49 |
| Impairment of long-lived assets | 7 | | 20 | 2 |
| Total expenses | 1,244 | 1,111 | 2,545 | 2,346 |
| OPERATING INCOME | 48 | 215 | 139 | 368 |
| OTHER INCOME (EXPENSE): | | | | |
| Investment income | 16 | 13 | 22 | 14 |
| Miscellaneous income (expense) | 4 | 4 | 8 | 7 |
| Interest expense affiliates | (2) | (2) | (3) | (5) |
| Interest expense other | (52) | (51) | (105) | (101) |
| Capitalized interest | 10 | 24 | 20 | 44 |
| Total other expense | (24) | (12) | (58) | (41) |
| INCOME BEFORE INCOME TAXES | 24 | 203 | 81 | 327 |
| INCOME TAXES | 4 | 69 | 25 | 113 |
| NET INCOME | \$ 20 | \$ 134 | \$ 56 | \$ 214 |

**STATEMENTS OF COMPREHENSIVE
INCOME**

| | | | | | | | | |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|
| NET INCOME | \$ | 20 | \$ | 134 | \$ | 56 | \$ | 214 |
| OTHER COMPREHENSIVE INCOME: | | | | | | | | |
| Pension and other postretirement benefits | | 1 | | 1 | | 3 | | (9) |
| Unrealized gain on derivative hedges | | 14 | | 3 | | 5 | | 4 |
| Change in unrealized gain on available-for-sale securities | | 8 | | 6 | | 15 | | 11 |
| Other comprehensive income | | 23 | | 10 | | 23 | | 6 |
| Income taxes related to other comprehensive income | | 10 | | 4 | | 8 | | 2 |
| Other comprehensive income, net of tax | | 13 | | 6 | | 15 | | 4 |
| COMPREHENSIVE INCOME | \$ | 33 | \$ | 140 | \$ | 71 | \$ | 218 |

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

Table of Contents**FIRSTENERGY SOLUTIONS CORP.****CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| (In millions) | | June 30, 2011 | December 31, 2010 |
|---|---------------|------------------|----------------------|
| | ASSETS | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$ 6 | \$ 9 |
| Receivables- | | | |
| Customers, net of allowance for uncollectible accounts of \$18 in 2011 and \$17 in 2010 | | 450 | 366 |
| Associated companies | | 490 | 478 |
| Other, net of allowances for uncollectible accounts of \$3 in 2011 and \$7 in 2010 | | 51 | 90 |
| Notes receivable from associated companies | | 490 | 397 |
| Materials and supplies, at average cost | | 499 | 545 |
| Derivatives | | 221 | 182 |
| Prepayments and other | | 49 | 59 |
| | | 2,256 | 2,126 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| In service | | 11,455 | 11,321 |
| Less Accumulated provision for depreciation | | 4,206 | 4,024 |
| | | 7,249 | 7,297 |
| Construction work in progress | | 694 | 1,063 |
| Property, plant and equipment held for sale, net | | 487 | |
| | | 8,430 | 8,360 |
| INVESTMENTS: | | | |
| Nuclear plant decommissioning trusts | | 1,184 | 1,146 |
| Other | | 10 | 12 |
| | | 1,194 | 1,158 |
| DEFERRED CHARGES AND OTHER ASSETS: | | | |
| Customer intangibles | | 129 | 134 |
| Goodwill | | 24 | 24 |
| Property taxes | | 41 | 41 |
| Unamortized sale and leaseback costs | | 76 | 73 |
| Derivatives | | 135 | 98 |
| Other | | 75 | 48 |
| | | 480 | 418 |

| | | |
|--|-----------|-----------|
| | \$ 12,360 | \$ 12,062 |
|--|-----------|-----------|

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

| | | |
|----------------------------------|----------|----------|
| Currently payable long-term debt | \$ 1,088 | \$ 1,132 |
| Short-term borrowings- | | |
| Associated companies | 541 | 12 |
| Other | 1 | |
| Accounts payable- | | |
| Associated companies | 393 | 467 |
| Other | 191 | 241 |
| Derivatives | 242 | 266 |
| Other | 262 | 322 |
| | 2,718 | 2,440 |

CAPITALIZATION:

| | | |
|--|-------|-------|
| Common stockholder s equity- | | |
| Common stock, without par value, authorized 750 shares- 7 shares outstanding | 1,488 | 1,490 |
| Accumulated other comprehensive loss | (105) | (120) |
| Retained earnings | 2,474 | 2,418 |
| Total common stockholder s equity | 3,857 | 3,788 |
| Long-term debt and other long-term obligations | 3,000 | 3,181 |
| | 6,857 | 6,969 |

NONCURRENT LIABILITIES:

| | | |
|---|-------|-------|
| Deferred gain on sale and leaseback transaction | 942 | 959 |
| Accumulated deferred income taxes | 216 | 58 |
| Asset retirement obligations | 875 | 892 |
| Retirement benefits | 295 | 285 |
| Lease market valuation liability | 194 | 217 |
| Derivatives | 85 | 81 |
| Other | 178 | 161 |
| | 2,785 | 2,653 |

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

| | | |
|--|-----------|-----------|
| | \$ 12,360 | \$ 12,062 |
|--|-----------|-----------|

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

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FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In millions) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 56 | \$ 214 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 136 | 126 |
| Nuclear fuel and lease amortization | 92 | 78 |
| Deferred rents and lease market valuation liability | (58) | (59) |
| Deferred income taxes and investment tax credits, net | 126 | 114 |
| Asset impairments | 28 | 21 |
| Accrued compensation and retirement benefits | 8 | 7 |
| Commodity derivative transactions, net | (60) | (29) |
| Cash collateral paid, net | (40) | (38) |
| Decrease (increase) in operating assets- | | |
| Receivables | (36) | (193) |
| Materials and supplies | 50 | (29) |
| Prepayments and other current assets | 12 | 25 |
| Decrease in operating liabilities- | | |
| Accounts payable | (124) | (32) |
| Accrued taxes | (29) | (8) |
| Other | 21 | 21 |
| Net cash provided from operating activities | 182 | 218 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New financing- | | |
| Long-term debt | 247 | |
| Short-term borrowings, net | 530 | 76 |
| Redemptions and repayments- | | |
| Long-term debt | (472) | (295) |
| Other | (11) | (1) |
| Net cash provided from (used for) financing activities | 294 | (220) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (334) | (566) |
| Proceeds from asset sales | | 116 |
| Sales of investment securities held in trusts | 513 | 957 |
| Purchases of investment securities held in trusts | (545) | (979) |
| Loans to associated companies, net | (93) | 631 |
| Customer acquisition costs | (2) | (105) |

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| | | |
|--|-------|------|
| Leasehold improvement payments to associated companies | | (51) |
| Other | (18) | (1) |
| Net cash provided from (used for) investing activities | (479) | 2 |
| Net change in cash and cash equivalents | (3) | |
| Cash and cash equivalents at beginning of period | 9 | |
| Cash and cash equivalents at end of period | \$ 6 | \$ |

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

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OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|---------------|-----------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales | \$ 360,203 | \$ 415,437 | \$ 724,034 | \$ 895,362 |
| Excise and gross receipts tax collections | 24,941 | 23,949 | 53,136 | 52,424 |
| Total revenues | 385,144 | 439,386 | 777,170 | 947,786 |
| EXPENSES: | | | | |
| Purchased power from affiliates | 69,134 | 134,050 | 162,396 | 287,727 |
| Purchased power from non-affiliates | 62,667 | 78,826 | 123,046 | 173,057 |
| Other operating expenses | 110,778 | 88,275 | 212,240 | 177,130 |
| Provision for depreciation | 22,470 | 22,014 | 44,346 | 43,894 |
| Amortization of regulatory assets, net | 2,405 | 9,424 | 3,179 | 38,769 |
| General taxes | 45,592 | 43,362 | 95,018 | 90,854 |
| Total expenses | 313,046 | 375,951 | 640,225 | 811,431 |
| OPERATING INCOME | 72,098 | 63,435 | 136,945 | 136,355 |
| OTHER INCOME (EXPENSE): | | | | |
| Investment income | 5,043 | 6,309 | 9,351 | 11,553 |
| Miscellaneous income (expense) | (477) | 1,295 | (187) | 1,003 |
| Interest expense | (22,011) | (22,155) | (44,156) | (44,465) |
| Capitalized interest | 510 | 295 | 841 | 503 |
| Total other expense | (16,935) | (14,256) | (34,151) | (31,406) |
| INCOME BEFORE INCOME TAXES | 55,163 | 49,179 | 102,794 | 104,949 |
| INCOME TAXES | 16,538 | 11,856 | 34,029 | 31,465 |
| NET INCOME | 38,625 | 37,323 | 68,765 | 73,484 |
| Income attributable to noncontrolling interest | 114 | 130 | 230 | 262 |

| | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| EARNINGS AVAILABLE TO PARENT | \$ 38,511 | \$ 37,193 | \$ 68,535 | \$ 73,222 |
|-------------------------------------|-----------|-----------|-----------|-----------|

**STATEMENTS OF COMPREHENSIVE
INCOME**

| | | | | |
|-------------------|-----------|-----------|-----------|-----------|
| NET INCOME | \$ 38,625 | \$ 37,323 | \$ 68,765 | \$ 73,484 |
|-------------------|-----------|-----------|-----------|-----------|

OTHER COMPREHENSIVE INCOME:

| | | | | |
|---|-------|-----|-------|-------|
| Pension and other postretirement benefits | 1,122 | 322 | 1,461 | 4,337 |
|---|-------|-----|-------|-------|

| | | | | |
|--|-------|-----|-------|-----|
| Increase in unrealized gain on available-for-sale securities | 1,591 | 520 | 1,569 | 811 |
|--|-------|-----|-------|-----|

| | | | | |
|----------------------------|-------|-----|-------|-------|
| Other comprehensive income | 2,713 | 842 | 3,030 | 5,148 |
|----------------------------|-------|-----|-------|-------|

| | | | | |
|--|-----|------|---------|-----|
| Income tax expense (benefit) related to other comprehensive income | 386 | (26) | (1,110) | 667 |
|--|-----|------|---------|-----|

| | | | | |
|--|-------|-----|-------|-------|
| Other comprehensive income, net of tax | 2,327 | 868 | 4,140 | 4,481 |
|--|-------|-----|-------|-------|

| | | | | |
|-----------------------------|--------|--------|--------|--------|
| COMPREHENSIVE INCOME | 40,952 | 38,191 | 72,905 | 77,965 |
|-----------------------------|--------|--------|--------|--------|

COMPREHENSIVE INCOME

ATTRIBUTABLE TO

| | | | | |
|--------------------------------|-----|-----|-----|-----|
| NONCONTROLLING INTEREST | 114 | 130 | 230 | 262 |
|--------------------------------|-----|-----|-----|-----|

COMPREHENSIVE INCOME AVAILABLE

| | | | | |
|------------------|-----------|-----------|-----------|-----------|
| TO PARENT | \$ 40,838 | \$ 38,061 | \$ 72,675 | \$ 77,703 |
|------------------|-----------|-----------|-----------|-----------|

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

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**OHIO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---|--------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 176 | \$ 420,489 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$3,564 in 2011 and \$4,086 in 2010 | 159,393 | 176,591 |
| Associated companies | 68,709 | 118,135 |
| Other | 32,798 | 12,232 |
| Notes receivable from associated companies | 95,884 | 16,957 |
| Prepayments and other | 35,339 | 6,393 |
| | 392,299 | 750,797 |
| UTILITY PLANT: | | |
| In service | 3,176,455 | 3,136,623 |
| Less Accumulated provision for depreciation | 1,230,570 | 1,207,745 |
| | 1,945,885 | 1,928,878 |
| Construction work in progress | 66,656 | 45,103 |
| | 2,012,541 | 1,973,981 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Investment in lease obligation bonds | 177,835 | 190,420 |
| Nuclear plant decommissioning trusts | 133,354 | 127,017 |
| Other | 92,440 | 95,563 |
| | 403,629 | 413,000 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Regulatory assets | 392,580 | 400,322 |
| Pension assets | 62,612 | 28,596 |
| Property taxes | 71,331 | 71,331 |
| Unamortized sale and leaseback costs | 27,628 | 30,126 |
| Other | 19,041 | 17,634 |
| | 573,192 | 548,009 |
| | \$ 3,381,661 | \$ 3,685,787 |

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

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| | | |
|--|----------|----------|
| Currently payable long-term debt | \$ 1,429 | \$ 1,419 |
| Short-term borrowings- Associated companies | | 142,116 |
| Other | 166 | 320 |
| Accounts payable- Associated companies | 94,821 | 99,421 |
| Other | 41,417 | 29,639 |
| Accrued taxes | 69,364 | 78,707 |
| Accrued interest | 25,374 | 25,382 |
| Other | 79,795 | 74,947 |
| | 312,366 | 451,951 |

CAPITALIZATION:

| | | |
|---|-----------|-----------|
| Common stockholder's equity- | | |
| Common stock, without par value, authorized 175,000,000 shares 60 shares outstanding | 783,871 | 951,866 |
| Accumulated other comprehensive loss | (174,936) | (179,076) |
| Retained earnings | 110,156 | 141,621 |
| Total common stockholder's equity | 719,091 | 914,411 |
| Noncontrolling interest | 5,313 | 5,680 |
| Total equity | 724,404 | 920,091 |
| Long-term debt and other long-term obligations | 1,151,720 | 1,152,134 |
| | 1,876,124 | 2,072,225 |

NONCURRENT LIABILITIES:

| | | |
|---|-----------|-----------|
| Accumulated deferred income taxes | 749,687 | 696,410 |
| Accumulated deferred investment tax credits | 9,439 | 10,159 |
| Retirement benefits | 183,345 | 183,712 |
| Asset retirement obligations | 69,164 | 74,456 |
| Other | 181,536 | 196,874 |
| | 1,193,171 | 1,161,611 |

COMMITMENTS AND CONTINGENCIES (Note 9)

| | | |
|--|--------------|--------------|
| | \$ 3,381,661 | \$ 3,685,787 |
|--|--------------|--------------|

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

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OHIO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 68,765 | \$ 73,484 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 44,346 | 43,894 |
| Amortization of regulatory assets, net | 3,179 | 38,769 |
| Purchased power cost recovery reconciliation | (8,584) | (1,514) |
| Amortization of lease costs | (4,696) | (4,619) |
| Deferred income taxes and investment tax credits, net | 62,216 | 4,964 |
| Accrued compensation and retirement benefits | (8,328) | (16,154) |
| Accrued regulatory obligations | (3,309) | (2,309) |
| Cash collateral from (to) suppliers, net | (850) | 1,215 |
| Pension trust contribution | (27,000) | |
| Decrease (increase) in operating assets- | | |
| Receivables | 80,968 | 49,250 |
| Prepayments and other current assets | (28,947) | 5,072 |
| Decrease in operating liabilities- | | |
| Accounts payable | (22,253) | (57,208) |
| Accrued taxes | (9,360) | (25,685) |
| Other | 4,261 | (114) |
| Net cash provided from operating activities | 150,408 | 109,045 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Redemptions and Repayments- | | |
| Long-term debt | (707) | (2,957) |
| Short-term borrowings, net | (142,270) | (93,017) |
| Common stock dividend payments | (268,000) | (250,000) |
| Other | (2,340) | (881) |
| Net cash used for financing activities | (413,317) | (346,855) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (78,894) | (71,698) |
| Leasehold improvement payments from associated companies | | 18,375 |
| Sales of investment securities held in trusts | 19,595 | 59,804 |
| Purchases of investment securities held in trusts | (25,547) | (64,063) |
| Loans to associated companies, net | (78,927) | 12,420 |
| Cash investments | 11,962 | 11,774 |
| Other | (5,593) | (1,298) |

| | | |
|--|-----------|-----------|
| Net cash used for investing activities | (157,404) | (34,686) |
| Net change in cash and cash equivalents | (420,313) | (272,496) |
| Cash and cash equivalents at beginning of period | 420,489 | 324,175 |
| Cash and cash equivalents at end of period | \$ 176 | \$ 51,679 |

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|------------|-----------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales | \$ 202,148 | \$ 280,180 | \$ 408,890 | \$ 592,677 |
| Excise tax collections | 15,706 | 15,495 | 33,851 | 33,068 |
| Total revenues | 217,854 | 295,675 | 442,741 | 625,745 |
| EXPENSES: | | | | |
| Purchased power from affiliates | 36,040 | 99,422 | 82,208 | 208,815 |
| Purchased power from non-affiliates | 23,099 | 32,651 | 41,319 | 70,049 |
| Other operating expenses | 31,625 | 28,937 | 66,661 | 60,172 |
| Provision for depreciation | 18,488 | 18,336 | 36,914 | 36,447 |
| Amortization of regulatory assets, net | 18,166 | 30,807 | 41,536 | 75,946 |
| General taxes | 36,954 | 28,840 | 77,166 | 67,329 |
| Total expenses | 164,372 | 238,993 | 345,804 | 518,758 |
| OPERATING INCOME | 53,482 | 56,682 | 96,937 | 106,987 |
| OTHER INCOME (EXPENSE): | | | | |
| Investment income | 5,637 | 6,605 | 12,234 | 14,152 |
| Miscellaneous income | 1,038 | 675 | 1,674 | 1,257 |
| Interest expense | (32,135) | (33,262) | (65,213) | (66,883) |
| Capitalized interest | 36 | 7 | 63 | 33 |
| Total other expense | (25,424) | (25,975) | (51,242) | (51,441) |
| INCOME BEFORE INCOME TAXES | 28,058 | 30,707 | 45,695 | 55,546 |
| INCOME TAXES | 6,209 | 8,785 | 10,645 | 19,628 |
| NET INCOME | 21,849 | 21,922 | 35,050 | 35,918 |
| Income attributable to noncontrolling interest | 309 | 366 | 675 | 785 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| EARNINGS AVAILABLE TO PARENT | \$ 21,540 | \$ 21,556 | \$ 34,375 | \$ 35,133 |
| STATEMENTS OF COMPREHENSIVE INCOME | | | | |
| NET INCOME | \$ 21,849 | \$ 21,922 | \$ 35,050 | \$ 35,918 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | | | |
| Pension and other postretirement benefits (charges) | 2,975 | 3,228 | 5,942 | (19,357) |
| Income tax expense (benefit) related to other comprehensive income | 860 | 976 | 398 | (7,301) |
| Other comprehensive income (loss), net of tax | 2,115 | 2,252 | 5,544 | (12,056) |
| COMPREHENSIVE INCOME | 23,964 | 24,174 | 40,594 | 23,862 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | 309 | 366 | 675 | 785 |
| COMPREHENSIVE INCOME AVAILABLE TO PARENT | \$ 23,655 | \$ 23,808 | \$ 39,919 | \$ 23,077 |

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---|------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 244 | \$ 238 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$2,801 in 2011 and \$4,589 in 2010 | 97,997 | 183,744 |
| Associated companies | 32,348 | 77,047 |
| Other | 13,476 | 11,544 |
| Notes receivable from associated companies | 71,911 | 23,236 |
| Materials and supplies, at average cost | 13,784 | 398 |
| Prepayments and other | 6,431 | 3,258 |
| | 236,191 | 299,465 |
| UTILITY PLANT: | | |
| In service | 2,417,031 | 2,396,893 |
| Less Accumulated provision for depreciation | 944,379 | 932,246 |
| | 1,472,652 | 1,464,647 |
| Construction work in progress | 59,281 | 38,610 |
| | 1,531,933 | 1,503,257 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Investment in lessor notes | 286,745 | 340,029 |
| Other | 10,048 | 10,074 |
| | 296,793 | 350,103 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 1,688,521 | 1,688,521 |
| Regulatory assets | 320,337 | 370,403 |
| Pension assets | 14,652 | |
| Property taxes | 80,614 | 80,614 |
| Other | 12,884 | 11,486 |
| | 2,117,008 | 2,151,024 |
| | \$ 4,181,925 | \$ 4,303,849 |

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

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| | | |
|---|---------|---------|
| Currently payable long-term debt | \$ 188 | \$ 161 |
| Short-term borrowings from associated companies | 23,303 | 105,996 |
| Accounts payable- | | |
| Associated companies | 51,001 | 32,020 |
| Other | 18,700 | 14,947 |
| Accrued taxes | 83,265 | 84,668 |
| Accrued interest | 18,551 | 18,555 |
| Other | 38,685 | 44,569 |
| | 233,693 | 300,916 |

CAPITALIZATION:

| | | |
|---|-----------|-----------|
| Common stockholder s equity- | | |
| Common stock, without par value, authorized 105,000,000 shares, 67,930,743 shares outstanding | 887,053 | 887,087 |
| Accumulated other comprehensive loss | (147,643) | (153,187) |
| Retained earnings | 539,280 | 568,906 |
| Total common stockholder s equity | 1,278,690 | 1,302,806 |
| Noncontrolling interest | 15,195 | 18,017 |
| Total equity | 1,293,885 | 1,320,823 |
| Long-term debt and other long-term obligations | 1,831,023 | 1,852,530 |
| | 3,124,908 | 3,173,353 |

NONCURRENT LIABILITIES:

| | | |
|---|---------|---------|
| Accumulated deferred income taxes | 640,059 | 622,771 |
| Accumulated deferred investment tax credits | 10,574 | 10,994 |
| Retirement benefits | 76,010 | 95,654 |
| Other | 96,681 | 100,161 |
| | 823,324 | 829,580 |

COMMITMENTS AND CONTINGENCIES (Note 9)

| | | |
|--|--------------|--------------|
| | \$ 4,181,925 | \$ 4,303,849 |
|--|--------------|--------------|

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

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THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 35,050 | \$ 35,918 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 36,914 | 36,447 |
| Amortization of regulatory assets, net | 41,536 | 75,946 |
| Deferred income taxes and investment tax credits, net | 17,221 | (18,083) |
| Accrued compensation and retirement benefits | 5,421 | 5,421 |
| Accrued regulatory obligations | (2,001) | (444) |
| Cash collateral from suppliers, net | | 685 |
| Pension trust contribution | (35,000) | |
| Decrease (increase) in operating assets- | | |
| Receivables | 140,455 | 51,757 |
| Prepayments and other current assets | (17,469) | 5,392 |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 10,135 | (34,488) |
| Accrued taxes | (346) | (11,317) |
| Other | (4,436) | 2,023 |
| Net cash provided from operating activities | 227,480 | 149,257 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Redemptions and Repayments- | | |
| Long-term debt | (74) | (54) |
| Short-term borrowings, net | (104,228) | (136,013) |
| Common stock dividend payments | (64,000) | (100,000) |
| Other | (5,239) | (3,367) |
| Net cash used for financing activities | (173,541) | (239,434) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (52,743) | (44,373) |
| Loans to associated companies, net | (48,676) | 2,322 |
| Redemptions of lessor notes | 53,283 | 48,608 |
| Other | (5,797) | (2,365) |
| Net cash provided from (used for) investing activities | (53,933) | 4,192 |
| Net change in cash and cash equivalents | 6 | (85,985) |

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| | | |
|--|--------|--------|
| Cash and cash equivalents at beginning of period | 238 | 86,230 |
| Cash and cash equivalents at end of period | \$ 244 | \$ 245 |

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

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THE TOLEDO EDISON COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|---------------|-----------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales | \$ 93,048 | \$ 114,691 | \$ 199,373 | \$ 240,122 |
| Excise tax collections | 6,270 | 6,059 | 13,572 | 13,100 |
| Total revenues | 99,318 | 120,750 | 212,945 | 253,222 |
| EXPENSES: | | | | |
| Purchased power from affiliates | 17,037 | 47,106 | 52,554 | 101,725 |
| Purchased power from non-affiliates | 16,114 | 15,223 | 30,102 | 33,713 |
| Other operating expenses | 32,549 | 25,499 | 69,136 | 51,044 |
| Provision for depreciation | 7,959 | 8,013 | 15,890 | 15,963 |
| Deferral of regulatory assets, net | (7,054) | (1,800) | (18,532) | (10,299) |
| General taxes | 12,438 | 12,282 | 26,890 | 25,743 |
| Total expenses | 79,043 | 106,323 | 176,040 | 217,889 |
| OPERATING INCOME | 20,275 | 14,427 | 36,905 | 35,333 |
| OTHER INCOME (EXPENSE): | | | | |
| Investment income | 2,599 | 5,057 | 5,521 | 8,857 |
| Miscellaneous income (expense) | 396 | (945) | (1,233) | (2,351) |
| Interest expense | (10,415) | (10,455) | (20,858) | (20,942) |
| Capitalized interest | 135 | 80 | 237 | 158 |
| Total other expense | (7,285) | (6,263) | (16,333) | (14,278) |
| INCOME BEFORE INCOME TAXES | 12,990 | 8,164 | 20,572 | 21,055 |
| INCOME TAXES | 1,429 | 948 | 3,164 | 6,330 |
| NET INCOME | 11,561 | 7,216 | 17,408 | 14,725 |
| Income attributable to noncontrolling interest | 2 | 2 | 4 | 5 |

| | | | | |
|-------------------------------------|-----------|----------|-----------|-----------|
| EARNINGS AVAILABLE TO PARENT | \$ 11,559 | \$ 7,214 | \$ 17,404 | \$ 14,720 |
|-------------------------------------|-----------|----------|-----------|-----------|

**STATEMENTS OF COMPREHENSIVE
INCOME**

| | | | | |
|-------------------|-----------|----------|-----------|-----------|
| NET INCOME | \$ 11,561 | \$ 7,216 | \$ 17,408 | \$ 14,725 |
|-------------------|-----------|----------|-----------|-----------|

OTHER COMPREHENSIVE INCOME:

| | | | | |
|---|-------|-------|-------|-------|
| Pension and other postretirement benefits | 575 | 714 | 1,167 | 1,010 |
| Increase (decrease) in unrealized gain on available-for-sale securities | 754 | (330) | 2,059 | 39 |
| Other comprehensive income | 1,329 | 384 | 3,226 | 1,049 |
| Income tax expense related to other comprehensive income | 351 | 65 | 685 | 235 |
| Other comprehensive income, net of tax | 978 | 319 | 2,541 | 814 |

| | | | | |
|-----------------------------|--------|-------|--------|--------|
| COMPREHENSIVE INCOME | 12,539 | 7,535 | 19,949 | 15,539 |
|-----------------------------|--------|-------|--------|--------|

**COMPREHENSIVE INCOME
ATTRIBUTABLE TO NONCONTROLLING
INTEREST**

| | | | | |
|--|---|---|---|---|
| | 2 | 2 | 4 | 5 |
|--|---|---|---|---|

**COMPREHENSIVE INCOME AVAILABLE
TO PARENT**

| | | | | |
|--|-----------|----------|-----------|-----------|
| | \$ 12,537 | \$ 7,533 | \$ 19,945 | \$ 15,534 |
|--|-----------|----------|-----------|-----------|

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

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**THE TOLEDO EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---|--------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 12 | \$ 149,262 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$1,142 in 2011 and \$1 in 2010 | 45,931 | 29 |
| Associated companies | 48,340 | 31,777 |
| Other, net of allowance for uncollectible accounts of \$339 in 2011 and \$330 in 2010 | 5,272 | 18,464 |
| Notes receivable from associated companies | 128,815 | 96,765 |
| Prepayments and other | 12,052 | 2,306 |
| | 240,422 | 298,603 |
| UTILITY PLANT: | | |
| In service | 955,002 | 947,203 |
| Less Accumulated provision for depreciation | 453,517 | 446,401 |
| | 501,485 | 500,802 |
| Construction work in progress | 17,386 | 12,604 |
| | 518,871 | 513,406 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Investment in lessor notes | 82,153 | 103,872 |
| Nuclear plant decommissioning trusts | 79,018 | 75,558 |
| Other | 1,448 | 1,492 |
| | 162,619 | 180,922 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 500,576 | 500,576 |
| Regulatory assets | 89,112 | 72,059 |
| Pension assets | 24,603 | |
| Property taxes | 24,990 | 24,990 |
| Other | 42,341 | 23,750 |
| | 681,622 | 621,375 |
| | \$ 1,603,534 | \$ 1,614,306 |

LIABILITIES AND CAPITALIZATION**CURRENT LIABILITIES:**

| | | | | |
|---|----|---------|----|---------|
| Currently payable long-term debt | \$ | 188 | \$ | 199 |
| Accounts payable- Associated companies | | 22,144 | | 17,168 |
| Other | | 12,524 | | 7,351 |
| Accrued taxes | | 23,699 | | 24,401 |
| Accrued interest | | 5,933 | | 5,931 |
| Lease market valuation liability | | 36,900 | | 36,900 |
| Other | | 18,060 | | 23,145 |
| | | 119,448 | | 115,095 |

CAPITALIZATION:

| | | | | |
|---|--|----------|--|----------|
| Common stockholder's equity- Common stock, \$5 par value, authorized 60,000,000 shares, 29,402,054 shares outstanding | | 147,010 | | 147,010 |
| Other paid-in capital | | 178,157 | | 178,182 |
| Accumulated other comprehensive loss | | (46,642) | | (49,183) |
| Retained earnings | | 100,937 | | 117,534 |
| Total common stockholder's equity | | 379,462 | | 393,543 |
| Noncontrolling interest | | 2,593 | | 2,589 |
| Total equity | | 382,055 | | 396,132 |
| Long-term debt and other long-term obligations | | 600,524 | | 600,493 |
| | | 982,579 | | 996,625 |

NONCURRENT LIABILITIES:

| | | | | |
|---|--|---------|--|---------|
| Accumulated deferred income taxes | | 168,429 | | 132,019 |
| Accumulated deferred investment tax credits | | 5,715 | | 5,930 |
| Retirement benefits | | 51,764 | | 71,486 |
| Asset retirement obligations | | 29,737 | | 28,762 |
| Lease market valuation liability | | 180,850 | | 199,300 |
| Other | | 65,012 | | 65,089 |
| | | 501,507 | | 502,586 |

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

| | | | | |
|--|----|-----------|----|-----------|
| | \$ | 1,603,534 | \$ | 1,614,306 |
|--|----|-----------|----|-----------|

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

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THE TOLEDO EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 17,408 | \$ 14,725 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 15,890 | 15,963 |
| Deferral of regulatory assets, net | (18,532) | (10,299) |
| Deferred rents and lease market valuation liability | (43,851) | (42,264) |
| Deferred income taxes and investment tax credits, net | 41,457 | 16,503 |
| Accrued compensation and retirement benefits | 1,085 | 2,600 |
| Accrued regulatory obligations | (1,193) | (632) |
| Pension trust contribution | (45,000) | |
| Cash collateral from (to) suppliers, net | (14) | 343 |
| Increase (decrease) in operating assets- | | |
| Receivables | (48,807) | 52,754 |
| Prepayments and other current assets | (9,758) | 3,608 |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 3,661 | (61,195) |
| Accrued taxes | (701) | (4,007) |
| Other | 5,771 | (8,960) |
| Net cash used for operating activities | (82,584) | (20,861) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Redemptions and Repayments- | | |
| Long-term debt | (105) | (111) |
| Short-term borrowings, net | | (225,975) |
| Common stock dividend payments | (34,000) | (130,000) |
| Other | (1,742) | (112) |
| Net cash used for financing activities | (35,847) | (356,198) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (17,386) | (20,237) |
| Leasehold improvement payments from associated companies | | 32,829 |
| Loans to associated companies, net | (32,050) | (10,818) |
| Redemptions of lessor notes | 21,739 | 20,485 |
| Sales of investment securities held in trusts | 28,401 | 106,814 |
| Purchases of investment securities held in trusts | (30,050) | (107,978) |
| Other | (1,473) | (2,905) |

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| | | |
|--|-----------|-----------|
| Net cash provided from (used for) investing activities | (30,819) | 18,190 |
| Net change in cash and cash equivalents | (149,250) | (358,869) |
| Cash and cash equivalents at beginning of period | 149,262 | 436,712 |
| Cash and cash equivalents at end of period | \$ 12 | \$ 77,843 |

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

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JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|------------|-----------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales | \$ 576,977 | \$ 709,606 | \$ 1,211,000 | \$ 1,400,998 |
| Excise tax collections | 11,120 | 11,012 | 23,607 | 23,364 |
| Total revenues | 588,097 | 720,618 | 1,234,607 | 1,424,362 |
| EXPENSES: | | | | |
| Purchased power | 328,463 | 410,470 | 698,631 | 824,486 |
| Other operating expenses | 78,603 | 75,177 | 164,682 | 170,837 |
| Provision for depreciation | 26,773 | 27,093 | 52,087 | 55,064 |
| Amortization of regulatory assets, net | 40,046 | 81,326 | 121,633 | 150,774 |
| General taxes | 15,115 | 14,902 | 32,526 | 31,338 |
| Total expenses | 489,000 | 608,968 | 1,069,559 | 1,232,499 |
| OPERATING INCOME | 99,097 | 111,650 | 165,048 | 191,863 |
| OTHER INCOME (EXPENSE): | | | | |
| Miscellaneous income | 3,554 | 1,649 | 5,464 | 3,482 |
| Interest expense | (31,125) | (30,041) | (61,782) | (59,464) |
| Capitalized interest | 618 | 156 | 1,045 | 289 |
| Total other expense | (26,953) | (28,236) | (55,273) | (55,693) |
| INCOME BEFORE INCOME TAXES | 72,144 | 83,414 | 109,775 | 136,170 |
| INCOME TAXES | 30,383 | 33,521 | 48,461 | 57,051 |
| NET INCOME | \$ 41,761 | \$ 49,893 | \$ 61,314 | \$ 79,119 |
| STATEMENTS OF COMPREHENSIVE INCOME | | | | |
| NET INCOME | \$ 41,761 | \$ 49,893 | \$ 61,314 | \$ 79,119 |

OTHER COMPREHENSIVE INCOME:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Pension and other postretirement benefits | 4,290 | 4,135 | 8,511 | 20,063 |
| Unrealized gain on derivative hedges | 69 | 69 | 138 | 138 |
| Other comprehensive income | 4,359 | 4,204 | 8,649 | 20,201 |
| Income tax expense related to other comprehensive income | 1,612 | 1,441 | 3,202 | 7,999 |
| Other comprehensive income, net of tax | 2,747 | 2,763 | 5,447 | 12,202 |
| COMPREHENSIVE INCOME | \$ 44,508 | \$ 52,656 | \$ 66,761 | \$ 91,321 |

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

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JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---|------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 42 | \$ 4 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$3,306 in 2011 and \$3,769 in 2010 | 259,313 | 323,044 |
| Associated companies | 66,069 | 53,780 |
| Other | 25,580 | 26,119 |
| Notes receivable associated companies | 16,288 | 177,228 |
| Prepaid taxes | 135,679 | 10,889 |
| Other | 15,421 | 12,654 |
| | 518,392 | 603,718 |
| UTILITY PLANT: | | |
| In service | 4,589,369 | 4,562,781 |
| Less Accumulated provision for depreciation | 1,682,577 | 1,656,939 |
| | 2,906,792 | 2,905,842 |
| Construction work in progress | 112,573 | 63,535 |
| | 3,019,365 | 2,969,377 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Nuclear fuel disposal trust | 212,419 | 207,561 |
| Nuclear plant decommissioning trusts | 190,422 | 181,851 |
| Other | 2,118 | 2,104 |
| | 404,959 | 391,516 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 1,810,936 | 1,810,936 |
| Regulatory assets | 469,490 | 513,395 |
| Other | 34,028 | 27,938 |
| | 2,314,454 | 2,352,269 |
| | \$ 6,257,170 | \$ 6,316,880 |

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

| | | |
|-----------------------------------|-----------|-----------|
| Currently payable long-term debt | \$ 33,315 | \$ 32,402 |
| Short-term borrowings- | | |
| Associated companies | 360,917 | |
| Other | 50,000 | |
| Accounts payable- | | |
| Associated companies | 56,544 | 28,571 |
| Other | 159,720 | 158,442 |
| Accrued compensation and benefits | 35,578 | 35,232 |
| Customer deposits | 23,684 | 23,385 |
| Accrued taxes | 1,346 | 2,509 |
| Accrued interest | 18,059 | 18,111 |
| Other | 13,487 | 22,263 |
| | 752,650 | 320,915 |

CAPITALIZATION:

| | | |
|--|-----------|-----------|
| Common stockholder s equity- | | |
| Common stock, \$10 par value, authorized 16,000,000 shares- 13,628,447 shares outstanding | 136,284 | 136,284 |
| Other paid-in capital | 2,008,847 | 2,508,874 |
| Accumulated other comprehensive loss | (248,095) | (253,542) |
| Retained earnings | 288,484 | 227,170 |
| Total common stockholder s equity | 2,185,520 | 2,618,786 |
| Long-term debt and other long-term obligations | 1,754,582 | 1,769,849 |
| | 3,940,102 | 4,388,635 |

NONCURRENT LIABILITIES:

| | | |
|-----------------------------------|-----------|-----------|
| Accumulated deferred income taxes | 761,844 | 715,527 |
| Power purchase contract liability | 239,943 | 233,492 |
| Nuclear fuel disposal costs | 196,868 | 196,768 |
| Retirement benefits | 71,711 | 182,364 |
| Asset retirement obligations | 111,831 | 108,297 |
| Other | 182,221 | 170,882 |
| | 1,564,418 | 1,607,330 |

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

| | | |
|--|--------------|--------------|
| | \$ 6,257,170 | \$ 6,316,880 |
|--|--------------|--------------|

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

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JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 61,314 | \$ 79,119 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 52,087 | 55,064 |
| Amortization of regulatory assets, net | 121,633 | 150,774 |
| Deferred purchased power and other costs | (70,998) | (67,664) |
| Deferred income taxes and investment tax credits, net | 51,222 | (1,425) |
| Accrued compensation and retirement benefits | 1,319 | 2,608 |
| Cash collateral paid, net | (235) | (23,400) |
| Pension trust contribution | (105,000) | |
| Decrease (increase) in operating assets- | | |
| Receivables | 58,466 | (46,788) |
| Prepaid taxes | (124,790) | (111,968) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 13,856 | 11,924 |
| Accrued taxes | (1,167) | 10,368 |
| Other | 612 | (6,446) |
| Net cash provided from operating activities | 58,319 | 52,166 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Short-term borrowings, net | 410,917 | 57,850 |
| Redemptions and Repayments- | | |
| Long-term debt | (14,671) | (13,830) |
| Common stock dividend payments | | (90,000) |
| Equity payment to parent | (500,000) | |
| Other | (1,452) | |
| Net cash used for financing activities | (105,206) | (45,980) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (98,153) | (80,727) |
| Loans to associated companies, net | 160,940 | 85,049 |
| Sales of investment securities held in trusts | 375,885 | 281,242 |
| Purchases of investment securities held in trusts | (385,448) | (289,454) |
| Other | (6,299) | (2,224) |
| Net cash provided from (used for) investing activities | 46,925 | (6,114) |

| | | |
|--|-------|-------|
| Net change in cash and cash equivalents | 38 | 72 |
| Cash and cash equivalents at beginning of period | 4 | 27 |
| Cash and cash equivalents at end of period | \$ 42 | \$ 99 |

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

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METROPOLITAN EDISON COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|------------|-----------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUES: | | | | |
| Electric sales | \$ 265,363 | \$ 422,030 | \$ 603,779 | \$ 873,590 |
| Gross receipts tax collections | 14,601 | 20,629 | 33,401 | 42,196 |
| Total revenues | 279,964 | 442,659 | 637,180 | 915,786 |
| EXPENSES: | | | | |
| Purchased power from affiliates | 34,935 | 149,000 | 84,824 | 310,080 |
| Purchased power from non-affiliates | 100,836 | 85,276 | 253,879 | 177,204 |
| Other operating expenses | 50,075 | 90,151 | 97,307 | 192,134 |
| Provision for depreciation | 12,766 | 13,440 | 25,189 | 26,198 |
| Amortization of regulatory assets, net | 22,167 | 48,589 | 54,261 | 97,389 |
| General taxes | 17,152 | 19,894 | 39,302 | 41,634 |
| Total expenses | 237,931 | 406,350 | 554,762 | 844,639 |
| OPERATING INCOME | 42,033 | 36,309 | 82,418 | 71,147 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | 13 | 880 | 106 | 2,097 |
| Miscellaneous income | 915 | 1,381 | 1,885 | 3,554 |
| Interest expense | (13,130) | (13,002) | (26,187) | (26,775) |
| Capitalized interest | 228 | 159 | 375 | 285 |
| Total other expense | (11,974) | (10,582) | (23,821) | (20,839) |
| INCOME BEFORE INCOME TAXES | 30,059 | 25,727 | 58,597 | 50,308 |
| INCOME TAXES | 13,281 | 8,618 | 19,232 | 20,884 |
| NET INCOME | \$ 16,778 | \$ 17,109 | \$ 39,365 | \$ 29,424 |
| STATEMENTS OF COMPREHENSIVE INCOME | | | | |
| NET INCOME | \$ 16,778 | \$ 17,109 | \$ 39,365 | \$ 29,424 |

OTHER COMPREHENSIVE INCOME

| | | | | |
|--|-------|-------|-------|--------|
| Pension and other postretirement benefits | 2,227 | 2,162 | 4,190 | 11,871 |
| Unrealized gain on derivative hedges | 84 | 84 | 168 | 168 |
| Other comprehensive income | 2,311 | 2,246 | 4,358 | 12,039 |
| Income tax expense related to other comprehensive income | 869 | 724 | 1,632 | 4,901 |
| Other comprehensive income, net of tax | 1,442 | 1,522 | 2,726 | 7,138 |

| | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|
| COMPREHENSIVE INCOME | \$ 18,220 | \$ 18,631 | \$ 42,091 | \$ 36,562 |
|-----------------------------|-----------|-----------|-----------|-----------|

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

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**METROPOLITAN EDISON COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| (In thousands) | ASSETS | June 30, 2011 | December 31, 2010 |
|---|--------|------------------|----------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$ 157 | \$ 243,220 |
| Receivables- | | | |
| Customers, net of allowance for uncollectible accounts of \$3,087 in 2011 and \$3,868 in 2010 | | 143,820 | 178,522 |
| Associated companies | | 12,849 | 24,920 |
| Other | | 16,437 | 13,007 |
| Notes receivable from associated companies | | 10,432 | 11,028 |
| Prepaid taxes | | 27,083 | 343 |
| Other | | 1,443 | 2,289 |
| | | 212,221 | 473,329 |
| UTILITY PLANT: | | | |
| In service | | 2,266,437 | 2,247,853 |
| Less Accumulated provision for depreciation | | 859,055 | 846,003 |
| | | 1,407,382 | 1,401,850 |
| Construction work in progress | | 42,604 | 23,663 |
| | | 1,449,986 | 1,425,513 |
| OTHER PROPERTY AND INVESTMENTS: | | | |
| Nuclear plant decommissioning trusts | | 301,188 | 289,328 |
| Other | | 840 | 884 |
| | | 302,028 | 290,212 |
| DEFERRED CHARGES AND OTHER ASSETS: | | | |
| Goodwill | | 416,499 | 416,499 |
| Regulatory assets | | 341,488 | 295,856 |
| Power purchase contract asset | | 65,861 | 111,562 |
| Other | | 54,587 | 31,699 |
| | | 878,435 | 855,616 |
| | | \$ 2,842,670 | \$ 3,044,670 |

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

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| | | |
|----------------------------------|-----------|-----------|
| Currently payable long-term debt | \$ 28,760 | \$ 28,760 |
| Short-term borrowings- | | |
| Associated companies | 238,399 | 124,079 |
| Other | 50,000 | |
| Accounts payable- | | |
| Associated companies | 24,377 | 33,942 |
| Other | 48,262 | 29,862 |
| Accrued taxes | 12,844 | 60,856 |
| Accrued interest | 16,011 | 16,114 |
| Other | 29,605 | 29,278 |
| | 448,258 | 322,891 |

CAPITALIZATION:

| | | |
|--|-----------|-----------|
| Common stockholder s equity- | | |
| Common stock, without par value, authorized 900,000 shares, 740,905 and 859,500 shares outstanding, respectively | 842,023 | 1,197,076 |
| Accumulated other comprehensive loss | (139,657) | (142,383) |
| Retained earnings | 46,772 | 32,406 |
| Total common stockholder s equity | 749,138 | 1,087,099 |
| Long-term debt and other long-term obligations | 704,486 | 718,860 |
| | 1,453,624 | 1,805,959 |

NONCURRENT LIABILITIES:

| | | |
|---|---------|---------|
| Accumulated deferred income taxes | 494,716 | 473,009 |
| Accumulated deferred investment tax credits | 6,656 | 6,866 |
| Nuclear fuel disposal costs | 44,471 | 44,449 |
| Asset retirement obligations | 199,162 | 192,659 |
| Retirement benefits | 22,276 | 29,121 |
| Power purchase contract liability | 121,924 | 116,027 |
| Other | 51,583 | 53,689 |
| | 940,788 | 915,820 |

COMMITMENTS AND CONTINGENCIES (Note 9)

\$ 2,842,670 \$ 3,044,670

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

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METROPOLITAN EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 39,365 | \$ 29,424 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 25,189 | 26,198 |
| Amortization of regulatory assets, net | 54,261 | 97,389 |
| Deferred costs recoverable as regulatory assets | (41,699) | (38,358) |
| Deferred income taxes and investment tax credits, net | 11,972 | (12,079) |
| Accrued compensation and retirement benefits | (510) | (1,573) |
| Cash collateral from suppliers, net | 174 | 50 |
| Pension trust contribution | (35,000) | |
| Decrease (increase) in operating assets- | | |
| Receivables | 46,240 | (29,439) |
| Prepaid taxes | (26,740) | (31,246) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 5,148 | 733 |
| Accrued taxes | (47,676) | 9,519 |
| Accrued interest | (103) | (1,277) |
| Other | 10,903 | 7,553 |
| Net cash provided from operating activities | 41,524 | 56,894 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Short-term borrowings, net | 164,320 | 17,898 |
| Redemptions and Repayments- | | |
| Common stock | (150,000) | |
| Long-term debt | (14,784) | (100,000) |
| Common stock dividend payments | (80,000) | |
| Equity payment to parent | (150,000) | |
| Net cash used for financing activities | (230,464) | (82,102) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (46,647) | (54,405) |
| Sales of investment securities held in trusts | 501,260 | 376,610 |
| Purchases of investment securities held in trusts | (506,220) | (381,219) |
| Loans to associated companies, net | 596 | 85,943 |
| Other | (3,112) | (1,715) |

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| | | |
|--|-----------|--------|
| Net cash provided from (used for) investing activities | (54,123) | 25,214 |
| Net change in cash and cash equivalents | (243,063) | 6 |
| Cash and cash equivalents at beginning of period | 243,220 | 120 |
| Cash and cash equivalents at end of period | \$ 157 | \$ 126 |

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

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PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| (In thousands) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|------------|-----------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| STATEMENTS OF INCOME | | | | |
| REVENUES: | | | | |
| Electric sales | \$ 238,942 | \$ 350,335 | \$ 547,258 | \$ 736,271 |
| Gross receipts tax collections | 12,727 | 16,162 | 29,256 | 33,686 |
| Total revenues | 251,669 | 366,497 | 576,514 | 769,957 |
| EXPENSES: | | | | |
| Purchased power from affiliates | 54,635 | 152,945 | 102,119 | 321,345 |
| Purchased power from non-affiliates | 64,459 | 86,829 | 205,895 | 178,252 |
| Other operating expenses | 44,570 | 67,070 | 85,898 | 139,464 |
| Provision for depreciation | 15,770 | 16,605 | 30,343 | 31,287 |
| Amortization (deferral) of regulatory assets, net | 12,608 | (10,522) | 25,615 | (20,488) |
| General taxes | 14,665 | 18,647 | 35,401 | 35,181 |
| Total expenses | 206,707 | 331,574 | 485,271 | 685,041 |
| OPERATING INCOME | 44,962 | 34,923 | 91,243 | 84,916 |
| OTHER INCOME (EXPENSE): | | | | |
| Miscellaneous income | 644 | 1,310 | 669 | 2,923 |
| Interest expense | (17,361) | (17,630) | (34,595) | (34,920) |
| Capitalized interest | 41 | 183 | 63 | 323 |
| Total other expense | (16,676) | (16,137) | (33,863) | (31,674) |
| INCOME BEFORE INCOME TAXES | 28,286 | 18,786 | 57,380 | 53,242 |
| INCOME TAXES | 13,568 | 5,812 | 25,356 | 22,969 |
| NET INCOME | \$ 14,718 | \$ 12,974 | \$ 32,024 | \$ 30,273 |

**STATEMENTS OF COMPREHENSIVE
INCOME**

| | | | | |
|--|-----------|-----------|-----------|-----------|
| NET INCOME | \$ 14,718 | \$ 12,974 | \$ 32,024 | \$ 30,273 |
| OTHER COMPREHENSIVE INCOME: | | | | |
| Pension and other postretirement benefits | 1,890 | 1,830 | 3,475 | 10,377 |
| Unrealized gain on derivative hedges | 17 | 16 | 33 | 32 |
| Other comprehensive income | 1,907 | 1,846 | 3,508 | 10,409 |
| Income tax expense related to other comprehensive income | 678 | 483 | 1,233 | 3,767 |
| Other comprehensive income, net of tax | 1,229 | 1,363 | 2,275 | 6,642 |
| COMPREHENSIVE INCOME | \$ 15,947 | \$ 14,337 | \$ 34,299 | \$ 36,915 |

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

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**PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---|--------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2 | \$ 5 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$2,856 in 2011 and \$3,369 in 2010 | 121,511 | 148,864 |
| Associated companies | 65,989 | 54,052 |
| Other | 11,420 | 11,314 |
| Notes receivable from associated companies | 13,498 | 14,404 |
| Prepaid taxes | 26,372 | 14,026 |
| Other | 1,423 | 1,592 |
| | 240,215 | 244,257 |
| UTILITY PLANT: | | |
| In service | 2,552,303 | 2,532,629 |
| Less Accumulated provision for depreciation | 947,315 | 935,259 |
| | 1,604,988 | 1,597,370 |
| Construction work in progress | 62,592 | 30,505 |
| | 1,667,580 | 1,627,875 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Nuclear plant decommissioning trusts | 162,154 | 152,928 |
| Non-utility generation trusts | 126,786 | 80,244 |
| Other | 292 | 297 |
| | 289,232 | 233,469 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Goodwill | 768,628 | 768,628 |
| Regulatory assets | 222,804 | 163,407 |
| Power purchase contract asset | 4,000 | 5,746 |
| Other | 15,272 | 19,287 |
| | 1,010,704 | 957,068 |
| | \$ 3,207,731 | \$ 3,062,669 |

LIABILITIES AND CAPITALIZATION

CURRENT LIABILITIES:

| | | |
|--|-----------|-----------|
| Currently payable long-term debt | \$ 45,000 | \$ 45,000 |
| Short-term borrowings- Associated companies | 159,902 | 101,338 |
| Accounts payable- Associated companies | 77,121 | 35,626 |
| Other | 29,217 | 41,420 |
| Accrued taxes | 3,397 | 5,075 |
| Accrued interest | 17,454 | 17,378 |
| Other | 23,280 | 22,541 |
| | 355,371 | 268,378 |

CAPITALIZATION:

| | | |
|--|-----------|-----------|
| Common stockholder s equity- Common stock, \$20 par value, authorized 5,400,000 shares- 4,427,577 shares outstanding | 88,552 | 88,552 |
| Other paid-in capital | 913,486 | 913,519 |
| Accumulated other comprehensive loss | (161,251) | (163,526) |
| Retained earnings | 23,017 | 60,993 |
| Total common stockholder s equity | 863,804 | 899,538 |
| Long-term debt and other long-term obligations | 1,072,417 | 1,072,262 |
| | 1,936,221 | 1,971,800 |

NONCURRENT LIABILITIES:

| | | |
|-----------------------------------|---------|---------|
| Accumulated deferred income taxes | 415,899 | 371,877 |
| Retirement benefits | 188,407 | 187,621 |
| Power purchase contract liability | 160,130 | 116,972 |
| Asset retirement obligations | 101,441 | 98,132 |
| Other | 50,262 | 47,889 |
| | 916,139 | 822,491 |

COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)

| | | |
|--|--------------|--------------|
| | \$ 3,207,731 | \$ 3,062,669 |
|--|--------------|--------------|

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

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**PENNSYLVANIA ELECTRIC COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

| (In thousands) | Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 32,024 | \$ 30,273 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Provision for depreciation | 30,343 | 31,287 |
| Amortization (deferral) of regulatory assets, net | 25,615 | (20,488) |
| Deferred costs recoverable as regulatory assets | (38,291) | (38,955) |
| Deferred income taxes and investment tax credits, net | 46,687 | 42,943 |
| Accrued compensation and retirement benefits | 4,733 | 4,216 |
| Cash collateral paid, net | (1,276) | (3,613) |
| Decrease (increase) in operating assets- | | |
| Receivables | 19,561 | 3,266 |
| Prepaid taxes | (12,346) | (37,504) |
| Increase (decrease) in operating liabilities- | | |
| Accounts payable | 23,449 | (4,603) |
| Accrued taxes | (12,373) | (1,339) |
| Other | 13,153 | 10,227 |
| Net cash provided from operating activities | 131,279 | 15,710 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Long-term debt | 25,000 | |
| Short-term borrowings, net | 58,564 | 25,313 |
| Redemptions and Repayments- | | |
| Long-term debt | (25,000) | |
| Common stock dividend payments | (70,000) | |
| Other | (1,353) | 5 |
| Net cash provided from (used for) financing activities | (12,789) | 25,318 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (64,177) | (58,293) |
| Loans to associated companies, net | 906 | 498 |
| Sales of investment securities held in trusts | 265,223 | 133,934 |
| Purchases of investment securities held in trusts | (314,738) | (113,067) |
| Other | (5,707) | (4,104) |
| Net cash used for investing activities | (118,493) | (41,032) |

| | | |
|--|------|-------|
| Net change in cash and cash equivalents | (3) | (4) |
| Cash and cash equivalents at beginning of period | 5 | 14 |
| Cash and cash equivalents at end of period | \$ 2 | \$ 10 |

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

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**FIRSTENERGY CORP. AND SUBSIDIARIES
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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Table of Contents**COMBINED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. ORGANIZATION AND BASIS OF PRESENTATION**

FirstEnergy is a diversified energy company that holds, directly or indirectly, all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), ATSI, JCP&L, Met-Ed, Penelec, FENOC, AE and its principal subsidiaries (AE Supply, AGC, MP, PE, WP and TrAIL), FES and its subsidiaries FGCO and NGC, and FESC. AE merged with a subsidiary of FirstEnergy on February 25, 2011, with AE continuing as the surviving corporation and becoming a wholly-owned subsidiary of FirstEnergy (See Note 2, Merger).

FirstEnergy and its subsidiaries follow GAAP and comply with the related regulations, orders, policies and practices prescribed by the SEC, FERC, and, as applicable, the PUCO, the PPUC, the MDPSC, the NYPSC, the WVPSC and the NJBPU. These unaudited interim financial statements and notes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual 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 indicative of results of operations for any future period.

These unaudited interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2010 for FirstEnergy, FES and the Utility Registrants, as applicable. The consolidated unaudited financial statements of FirstEnergy, FES and each of the Utility Registrants reflect all normal recurring adjustments that, in the opinion of management, are necessary to fairly present results of operations for the interim periods. Certain prior year amounts have been reclassified to conform to the current year presentation. Unless otherwise indicated, defined terms used herein have the meanings set forth in the accompanying Glossary of Terms.

FirstEnergy 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. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary (see Note 7, Variable Interest Entities). Investments in affiliates over which FirstEnergy and its subsidiaries have the ability to exercise significant influence, but with respect to which are not the primary beneficiary and do not exercise control, 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 share of the entity's earnings is reported in the Consolidated Statements of Income.

2. MERGER***Merger***

On February 25, 2011, the merger between FirstEnergy and Allegheny closed. Pursuant to the terms of the Agreement and Plan of Merger among FirstEnergy, Element Merger Sub, Inc., a Maryland corporation and a wholly-owned subsidiary of FirstEnergy (Merger Sub) and AE, Merger Sub merged with and into AE, with AE continuing as the surviving corporation and becoming a wholly-owned subsidiary of FirstEnergy. As part of the merger, AE shareholders received 0.667 of a share of FirstEnergy common stock for each share of AE common stock outstanding as of the date the merger was completed, and all outstanding AE equity-based employee compensation awards were converted into FirstEnergy equity-based awards on the same basis.

The total consideration in the merger was based on the closing price of a share of FirstEnergy common stock on February 24, 2011, the day prior to the date the merger was completed, and was calculated as follows (in millions, except per share data):

| | |
|---|----------|
| Shares of Allegheny common stock outstanding on February 24, 2011 | 170 |
| Exchange ratio | 0.667 |
| Number of shares of FirstEnergy common stock issued | 113 |
| Closing price of FirstEnergy common stock on February 24, 2011 | \$ 38.16 |

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| | | |
|--|----|-------|
| Fair value of shares issued by FirstEnergy | \$ | 4,327 |
| Fair value of replacement share-based compensation awards relating to pre-merger service | | 27 |
| Total consideration transferred | \$ | 4,354 |

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The allocation of the total consideration transferred to the assets acquired and liabilities assumed includes adjustments for the fair value of coal contracts, energy supply contracts, emission allowances, unregulated property, plant and equipment, derivative instruments, goodwill, intangible assets, long-term debt and accumulated deferred income taxes. The preliminary allocation of the purchase price is as follows:

(In millions)

| | | |
|--|----|---------|
| Current assets | \$ | 1,494 |
| Property, plant and equipment | | 9,656 |
| Investments | | 138 |
| Goodwill | | 881 |
| Other noncurrent assets | | 1,347 |
| Current liabilities | | (716) |
| Noncurrent liabilities | | (3,452) |
| Long-term debt and other long-term obligations | | (4,994) |
| | \$ | 4,354 |

The allocation of purchase price in the table above reflects a refinement made during the quarter ended June 30, 2011 in the determination of the fair values of income tax benefits, certain coal contracts and an adverse purchase power contract. This resulted in an increase in noncurrent assets of approximately \$85 million and decreases in current assets and goodwill of \$15 million and \$71 million, respectively. The impact of the refinements on the amortization of purchase accounting adjustments recorded during the quarter ended March 31, 2011 was not significant. Further modifications to the purchase price allocation may occur as a result of continuing review of the assets acquired and liabilities assumed.

The estimated fair values of the assets acquired and liabilities assumed have been determined based on the accounting guidance for fair value measurements under GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill. The Allegheny delivery, transmission and generation businesses have been assigned to the Regulated Distribution, Regulated Independent Transmission and Competitive Energy Services segments, respectively. The preliminary estimate of goodwill from the merger of \$881 million has been assigned to the Competitive Energy Services segment based on expected synergies from the merger. The goodwill is not deductible for tax purposes.

Total goodwill recognized by segment in FirstEnergy's Consolidated Balance Sheet is as follows:

| (In millions) | Regulated Distribution | Competitive Energy Services | Regulated Independent Transmission | Other/ Corporate | Consolidated |
|---------------------------------|-----------------------------------|--|---|-----------------------------|---------------------|
| Balance as of December 31, 2010 | \$ 5,551 | \$ 24 | \$ | \$ | \$ 5,575 |
| Merger with Allegheny | | 881 | | | 881 |
| Balance as of June 30, 2011 | \$ 5,551 | \$ 905 | \$ | \$ | \$ 6,456 |

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The preliminary valuation of the additional intangible assets and liabilities recorded as result of the merger is as follows:

| (In millions) | Preliminary Valuation | Weighted Average Amortization Period |
|-------------------------|----------------------------------|---|
| Above market contracts: | | |
| Energy contracts | \$ 189 | 10 years |
| NUG contracts | 124 | 25 years |
| Coal supply contracts | 516 | 8 years |
| | 829 | |
| Below market contracts: | | |
| NUG contracts | 143 | 13 years |
| Coal supply contracts | 83 | 7 years |
| Transportation contract | 35 | 8 years |
| | 261 | |
| Net intangible assets | \$ 568 | |

The fair value measurements of intangible assets and liabilities were based on significant unobservable inputs and thus represent level 3 measurements as defined in accounting guidance for fair value measurements.

The fair value of Allegheny's energy, NUG and gas transportation contracts, both above-market and below-market, were estimated based on the present value of the above/below market cash flows attributable to the contracts based on the contract type, discounted by a current market interest rate consistent with the overall credit quality of the portfolio. The above/below market cash flows were estimated by comparing the expected cash flow based on existing contracted prices and expected volumes with the cash flows from estimated current market contract prices for the same expected volumes. The estimated current market contract prices were derived considering current market prices, such as the price of energy and transmission, miscellaneous fees and a normal profit margin. The weighted average amortization period was determined based on the expected volumes to be delivered over the life of the contract.

The fair value of coal supply contracts was determined in a similar manner based on the present value of the above/below market cash flows attributable to the contracts. The fair value adjustment for these contracts is being amortized based on expected deliveries under each contract.

As of June 30, 2011, intangible assets on FirstEnergy's Consolidated Balance Sheet, including those recorded in connection with the merger, include the following:

| (In millions) | Intangible Assets |
|--------------------------|------------------------------|
| Purchase contract assets | |
| NUG | \$ 198 |
| OVEC | 54 |
| | 252 |
| Intangible assets | |

| | |
|--------------------------------|--------|
| Coal contracts | 487 |
| FES customer intangible assets | 129 |
| Energy contracts | 105 |
| | 721 |
| Total intangible assets | \$ 973 |

Acquired land easements and software with a fair value of \$169 million are included in Property, plant and equipment on FirstEnergy's Consolidated Balance Sheet as of June 30, 2011.

In connection with the merger, FirstEnergy recorded merger transaction costs of approximately \$7 million (\$5 million net of tax) and \$7 million (\$5 million net of tax) during the three months ended June 30, 2011 and 2010, respectively and approximately \$89 million (\$72 million net of tax) and \$21 million (\$15 million net of tax) during the first six months of 2011 and 2010, respectively. These costs are included in Other operating expenses in the Consolidated Statements of Income. Merger transaction costs recognized in the first six months of 2011 include \$56 million (\$47 million net of tax) of change in control and other benefit payments to AE executives.

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FirstEnergy also recorded approximately \$10 million (\$6 million net of tax) and \$85 million (\$66 million net of tax) in merger integration costs during the three and six months ended June 30 2011, respectively, including an inventory valuation adjustment. In connection with the merger, FirstEnergy reviewed its inventory levels as a result of combining the inventory of both companies. Following this review, FirstEnergy management determined that the combined inventory stock contained excess and duplicative items. FirstEnergy management also adopted a consistent excess and obsolete inventory practice for the combined entity. Application of the revised practice, in conjunction with those items identified as excess and duplicative, resulted in an inventory valuation adjustment of \$67 million (\$42 million net of tax) in the first quarter of 2011.

Revenues and earnings of Allegheny included in FirstEnergy's Consolidated Statement of Income for the periods subsequent to the February 25, 2011 merger date are as follows:

| (In millions, except per share amounts) | April 1 June 30, 2011 | February 26 June 30, 2011 |
|--|--------------------------------------|--|
| Total revenues | \$ 1,181 | \$ 1,618 |
| Earnings available to FirstEnergy Corp. ⁽¹⁾ | 63 | 17 |
| Basic Earnings Per Share | \$ 0.15 | \$ 0.04 |
| Diluted Earnings Per Share | \$ 0.15 | \$ 0.04 |

⁽¹⁾ Includes Allegheny's after-tax merger costs of \$4 million and \$56 million, respectively.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of FirstEnergy as if the merger with Allegheny had taken place on January 1, 2010. The unaudited pro forma information has been calculated after applying FirstEnergy's accounting policies and adjusting Allegheny's results to reflect the depreciation and amortization that would have been charged assuming fair value adjustments to property, plant and equipment, debt and intangible assets had been applied on January 1, 2010, together with the consequential tax effects.

FirstEnergy and Allegheny both incurred non-recurring costs directly related to the merger that have been included in the pro forma earnings presented below. Combined pre-tax transaction costs incurred were approximately \$7 million and \$11 million in the three months ended June 30, 2011 and 2010, respectively, and approximately \$90 million and \$39 million in the six months ended June 30, 2011 and 2010, respectively. In addition, during the six months ended June 30, 2011, \$85 million of pre-tax merger integration costs and \$32 million of charges from merger settlements approved by regulatory agencies were recognized. Charges resulting from merger settlements are not expected to be material in future periods.

The unaudited pro forma financial information has been presented below for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved or the future consolidated results of operations of the combined company.

| (Pro forma amounts in millions, except per share amounts) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|---------------------------------------|-------------|-------------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 4,062 | \$ 4,401 | \$ 8,848 | \$ 9,086 |
| Earnings available to FirstEnergy | \$ 186 | \$ 389 | \$ 323 | \$ 644 |
| Basic Earnings Per Share | \$ 0.44 | \$ 0.93 | \$ 0.77 | \$ 1.54 |
| Diluted Earnings Per Share | \$ 0.44 | \$ 0.93 | \$ 0.77 | \$ 1.53 |

Table of Contents**3. EARNINGS PER SHARE**

Basic earnings per share of common stock are computed using the weighted average of actual common shares outstanding during the relevant period as the denominator. The denominator for diluted earnings per share of common stock reflects the weighted average of common shares outstanding plus the potential additional common shares that would be issued if dilutive securities and other agreements to issue common stock were exercised. The following table reconciles basic and diluted earnings per share of common stock:

| Reconciliation of Basic and Diluted Earnings per Share of Common Stock | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|--|---------|--------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(In millions, except per share amounts)</i> | | | |
| Earnings available to FirstEnergy Corp. | \$ 181 | \$ 265 | \$ 231 | \$ 420 |
| Weighted average number of basic shares outstanding ⁽¹⁾ | 418 | 304 | 380 | 304 |
| Assumed exercise of dilutive stock options and awards | 2 | 1 | 2 | 1 |
| Weighted average number of diluted shares outstanding ⁽¹⁾ | 420 | 305 | 382 | 305 |
| Basic earnings per share of common stock | \$ 0.43 | \$ 0.87 | \$ 0.61 | \$ 1.38 |
| Diluted earnings per share of common stock | \$ 0.43 | \$ 0.87 | \$ 0.61 | \$ 1.37 |

⁽¹⁾ Includes 113 million shares issued to AE stockholders for the periods subsequent to the merger date. (See Note 2)

4. FAIR VALUE MEASUREMENTS**(A) 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 on the Consolidated Balance Sheets at cost, which approximates their fair market value, in the caption short-term borrowings. The following table provides the approximate fair value and related carrying amounts of long-term debt and other long-term obligations as of June 30, 2011 and December 31 2010:

| | June 30, 2011 | | December 31, 2010 | |
|----------------------------|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <i>(In millions)</i> | | | | |
| FirstEnergy ⁽¹⁾ | \$ 18,371 | \$ 19,436 | \$ 13,928 | \$ 14,845 |
| FES | 4,056 | 4,310 | 4,279 | 4,403 |
| OE | 1,158 | 1,367 | 1,159 | 1,321 |
| CEI | 1,831 | 2,083 | 1,853 | 2,035 |
| TE | 600 | 690 | 600 | 653 |
| JCP&L | 1,795 | 2,008 | 1,810 | 1,962 |
| Met-Ed | 729 | 828 | 742 | 821 |
| Penelec | 1,120 | 1,231 | 1,120 | 1,189 |

⁽¹⁾ Includes debt assumed in the Allegheny merger (See Note 2) with a carrying value and a fair value as of June 30, 2011 of \$4,530 million and \$4,127 million, respectively.

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those obligations 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 debt with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy, FES, the Utilities and other subsidiaries.

(B) 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 held-to-maturity securities, available-for-sale securities and notes receivable.

FES and the Utilities periodically evaluate their investments for other-than-temporary impairment. They first consider their intent and ability to hold an equity investment until recovery and then consider, among other factors, the duration and the extent to which the security's fair value has been less than cost and the near-term financial prospects of the security issuer when evaluating an investment for impairment. For debt securities, FES and the Utilities consider their intent to hold the security, the likelihood that they will be required to sell the security before recovery of their cost basis, and the likelihood of recovery of the security's entire amortized cost basis.

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Unrealized gains applicable to the decommissioning trusts of FES, OE and TE are recognized in OCI because fluctuations in fair value will eventually impact earnings while unrealized losses are recorded to earnings. The decommissioning trusts of JCP&L, Met-Ed and Penelec are subject to regulatory accounting. Net unrealized gains and losses are recorded as regulatory assets or liabilities because the difference between investments held in the trust and the decommissioning liabilities will be recovered from or refunded to customers.

The investment policy for the nuclear decommissioning trust 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, preferred stocks, securities convertible into common stock and securities of the trust funds' custodian or managers and their parents or subsidiaries.

Available-For-Sale Securities

FES and the Utilities hold debt and equity securities within their NDT, nuclear fuel disposal trusts and NUG trusts. These trust investments are considered as available-for-sale at fair market value. FES and the Utilities have no securities held for trading purposes.

The following table summarizes the amortized cost basis, unrealized gains and losses and fair values of investments held in NDT, nuclear fuel disposal trusts and NUG trusts as of June 30, 2011 and December 31, 2010:

| | June 30, 2011 ⁽¹⁾ | | | | December 31, 2010 ⁽²⁾ | | | |
|--------------------------|------------------------------|------------------|-------------------|------------|----------------------------------|------------------|-------------------|------------|
| | Cost Basis | Unrealized Gains | Unrealized Losses | Fair Value | Cost Basis | Unrealized Gains | Unrealized Losses | Fair Value |
| <i>(In millions)</i> | | | | | | | | |
| Debt securities | | | | | | | | |
| FirstEnergy | \$ 2,015 | \$ 48 | \$ | \$ 2,063 | \$ 1,699 | \$ 31 | \$ | \$ 1,730 |
| FES | 1,023 | 26 | | 1,049 | 980 | 13 | | 993 |
| OE | 128 | 3 | | 131 | 123 | 1 | | 124 |
| TE | 52 | 1 | | 53 | 42 | | | 42 |
| JCP&L | 353 | 9 | | 362 | 281 | 9 | | 290 |
| Met-Ed | 249 | 5 | | 254 | 127 | 4 | | 131 |
| Penelec | 210 | 4 | | 214 | 145 | 4 | | 149 |
| Equity securities | | | | | | | | |
| FirstEnergy | \$ 187 | \$ 11 | \$ | \$ 198 | \$ 268 | \$ 69 | \$ | \$ 337 |
| FES | 90 | 6 | | 96 | | | | |
| TE | 24 | 2 | | 26 | | | | |
| JCP&L | 21 | 1 | | 22 | 80 | 17 | | 97 |
| Met-Ed | 32 | 1 | | 33 | 125 | 35 | | 160 |
| Penelec | 20 | 1 | | 21 | 63 | 16 | | 79 |

(1) Excludes cash investments, receivables, payables, deferred taxes and accrued income: FirstEnergy \$130 million; FES \$39 million; OE \$3 million; JCP&L \$19 million; Met-Ed \$14 million and Penelec \$55 million.

(2) Excludes cash investments, receivables, payables, deferred taxes and accrued income: FirstEnergy \$193 million; FES \$153 million; OE \$3 million; TE \$34 million; JCP&L \$3 million; Met-Ed \$(3) million and Penelec \$4 million.

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Proceeds from the sale of investments in available-for-sale securities, realized gains and losses on those sales net of adjustments recorded to earnings and interest and dividend income for the three months and six months ended June 30, 2011 and 2010 were as follows:

Three Months Ended June 30,

| 2011 | Sales Proceeds | Realized Gains | Realized Losses | Interest and Dividend Income |
|-------------|---------------------------|---------------------------|----------------------------|---|
| | | | <i>(In millions)</i> | |
| FirstEnergy | \$ 734 | \$ 22 | \$ (16) | \$ 28 |
| FES | 297 | 10 | (7) | 17 |
| OE | 12 | | | 1 |
| TE | 15 | 1 | (1) | 1 |
| JCP&L | 159 | 4 | (2) | 4 |
| Met-Ed | 165 | 4 | (3) | 3 |
| Penelec | 86 | 3 | (3) | 2 |

| 2010 | Sales Proceeds | Realized Gains | Realized Losses | Interest and Dividend Income |
|-------------|---------------------------|---------------------------|----------------------------|---|
| | | | <i>(In millions)</i> | |
| FirstEnergy | \$ 1,183 | \$ 46 | \$ (36) | \$ 16 |
| FES | 685 | 41 | (35) | 9 |
| OE | 57 | 2 | | |
| TE | 76 | 2 | | |
| JCP&L | 91 | | | 3 |
| Met-Ed | 233 | 1 | (1) | 2 |
| Penelec | 41 | | | 2 |

Six Months Ended June 30,

| 2011 | Sales Proceeds | Realized Gains | Realized Losses | Interest and Dividend Income |
|-------------|---------------------------|---------------------------|----------------------------|---|
| | | | <i>(In millions)</i> | |
| FirstEnergy | \$ 1,703 | \$ 122 | \$ (45) | \$ 52 |
| FES | 513 | 22 | (23) | 32 |
| OE | 20 | | | 2 |
| TE | 28 | 1 | (2) | 1 |
| JCP&L | 376 | 26 | (6) | 8 |
| Met-Ed | 501 | 48 | (7) | 5 |
| Penelec | 265 | 25 | (7) | 4 |

| 2010 | Sales Proceeds | Realized Gains | Realized Losses | Interest and Dividend Income |
|-------------|---------------------------|---------------------------|----------------------------|---|
| | | | <i>(In millions)</i> | |
| FirstEnergy | \$ 1,915 | \$ 83 | \$ (86) | \$ 37 |

| | | | | |
|---------|-----|----|------|----|
| FES | 957 | 54 | (58) | 22 |
| OE | 60 | 2 | | 1 |
| TE | 107 | 3 | | 1 |
| JCP&L | 281 | 9 | (9) | 7 |
| Met-Ed | 377 | 9 | (12) | 3 |
| Penelec | 134 | 6 | (7) | 3 |

Held-To-Maturity Securities

The following table provides the amortized cost basis, unrealized gains and losses, and approximate fair values of investments in held-to-maturity securities as of June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | December 31, 2010 | | | Fair Value |
|------------------------|---------------|------------------|-------------------|-------------------|------------------|-------------------|------------|
| | Cost Basis | Unrealized Gains | Unrealized Losses | Cost Basis | Unrealized Gains | Unrealized Losses | |
| <i>(In millions)</i> | | | | | | | |
| Debt Securities | | | | | | | |
| FirstEnergy | \$ 414 | \$ 84 | \$ | 498 | \$ 476 | \$ 91 | \$ 567 |
| OE | 178 | 45 | | 223 | 190 | 51 | 241 |
| CEI | 287 | 39 | | 326 | 340 | 41 | 381 |

Investments in emission allowances, employee benefits and cost and equity method investments totaling \$345 million as of June 30, 2011 and \$259 million as of December 31, 2010, are not required to be disclosed and are excluded from the amounts reported above.

Table of Contents*Notes Receivable*

The table below provides the approximate fair value and related carrying amounts of notes receivable as of June 30, 2011 and December 31, 2010. The fair value of notes receivable represents the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms. The maturity dates range from 2013 to 2021.

| | June 30, 2011 | | December 31, 2010 | |
|-------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | <i>(In millions)</i> | | | |
| Notes Receivable | | | | |
| FirstEnergy | \$ 6 | \$ 7 | \$ 7 | \$ 8 |
| TE | 82 | 94 | 104 | 118 |

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(C) 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 are as follows:

Level 1 Quoted prices for identical instruments in active markets.

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

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

The following tables set forth financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. There were no significant transfers between levels during the three months and six months ended June 30, 2011.

Table of Contents**FirstEnergy Corp.**

The following tables summarize assets and liabilities recorded on FirstEnergy's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

| June 30, 2011 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------------|-----------------|-----------------|
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| Corporate debt securities | \$ | \$ 868 | \$ | \$ 868 |
| Derivative assets – commodity contracts | | 312 | | 312 |
| Derivative assets – FTRs | | | 13 | 13 |
| Derivative assets – interest rate swaps | | 4 | | 4 |
| Derivative assets – NUG contracts ⁽¹⁾ | | | 75 | 75 |
| Equity securities ⁽²⁾ | 198 | | | 198 |
| Foreign government debt securities | | 206 | | 206 |
| U.S. government debt securities | | 673 | | 673 |
| U.S. state debt securities | | 306 | | 306 |
| Other ⁽⁴⁾ | | 146 | | 146 |
| Total assets | \$ 198 | \$ 2,515 | \$ 88 | \$ 2,801 |
| Liabilities | | | | |
| Derivative liabilities – commodity contracts | \$ | \$ (362) | \$ | \$ (362) |
| Derivative liabilities – FTRs | | | (7) | (7) |
| Derivative liabilities – interest rate swaps | | (5) | | (5) |
| Derivative liabilities – NUG contracts ⁽¹⁾ | | | (522) | (522) |
| Total liabilities | \$ | \$ (367) | \$ (529) | \$ (896) |
| Net assets (liabilities)⁽³⁾ | \$ 198 | \$ 2,148 | \$ (441) | \$ 1,905 |

| December 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------------|----------------|-----------------|
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| Corporate debt securities | \$ | \$ 597 | \$ | \$ 597 |
| Derivative assets – commodity contracts | | 250 | | 250 |
| Derivative assets – NUG contracts ⁽¹⁾ | | | 122 | 122 |
| Equity securities ⁽²⁾ | 338 | | | 338 |
| Foreign government debt securities | | 149 | | 149 |
| U.S. government debt securities | | 595 | | 595 |
| U.S. state debt securities | | 379 | | 379 |
| Other ⁽⁴⁾ | | 219 | | 219 |
| Total assets | \$ 338 | \$ 2,189 | \$ 122 | \$ 2,649 |

Liabilities

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| | | | | | | | | | |
|---|------------------------------|----|-----|----|-------|----|-------|----|-------|
| Derivative liabilities | commodity contracts | \$ | | \$ | (348) | \$ | | \$ | (348) |
| Derivative liabilities | NUG contracts ⁽⁴⁾ | | | | | | (466) | | (466) |
| Total liabilities | | \$ | | \$ | (348) | \$ | (466) | \$ | (814) |
| Net assets (liabilities)⁽³⁾ | | \$ | 338 | \$ | 1,841 | \$ | (344) | \$ | 1,835 |

- (1) NUG contracts are generally subject to regulatory accounting and do not materially impact earnings.
- (2) NDT funds hold equity portfolios the performance of which is benchmarked against the S&P 500 Index or Russell 3000 Index.
- (3) Excludes \$6 million and \$(7) million as of June 30, 2011 and December 31, 2010, respectively, of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.
- (4) Primarily consists of cash and cash equivalents.

Table of Contents*Rollforward of Level 3 Measurements*

The following table provides a reconciliation of changes in the fair value of NUG contracts held by the Utilities and FTRs held by FirstEnergy and classified as Level 3 in the fair value hierarchy during the periods ending June 30, 2011 and December 31, 2010:

| | Derivative Asset⁽¹⁾ | | Derivative Liability⁽¹⁾ | | Net⁽¹⁾ |
|---------------------------|---|----|---|----|--------------------------|
| | | | <i>(In millions)</i> | | |
| January 1, 2011 Balance | \$ 122 | \$ | (466) | \$ | (344) |
| Realized gain (loss) | | | | | |
| Unrealized gain (loss) | (40) | | (203) | | (243) |
| Purchases | 13 | | (3) | | 10 |
| Issuances | | | | | |
| Sales | | | | | |
| Settlements | (6) | | 154 | | 148 |
| Transfers into Level 3 | | | (12) | | (12) |
| June 30, 2011 Balance | \$ 89 | \$ | (530) | \$ | (441) |
| January 1, 2010 Balance | \$ 200 | \$ | (643) | \$ | (443) |
| Realized gain (loss) | | | | | |
| Unrealized gain (loss) | (71) | | (110) | | (181) |
| Purchases | | | | | |
| Issuances | | | | | |
| Sales | | | | | |
| Settlements | (7) | | 287 | | 280 |
| Transfers into Level 3 | | | | | |
| December 31, 2010 Balance | \$ 122 | \$ | (466) | \$ | (344) |

⁽¹⁾ Changes in the fair value of NUG contracts are generally subject to regulatory accounting and do not materially impact earnings.

Table of Contents**FirstEnergy Solutions Corp.**

The following tables summarize assets and liabilities recorded on FES Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

| June 30, 2011 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------------|----------------|--------------|
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| Corporate debt securities | \$ | \$ 562 | \$ | \$ 562 |
| Derivative assets commodity contracts | | 283 | | 283 |
| Derivative assets FTRs | | | 2 | 2 |
| Equity securities ⁽³⁾ | 96 | | | 96 |
| Foreign government debt securities | | 160 | | 160 |
| U.S. government debt securities | | 316 | | 316 |
| U.S. state debt securities | | 7 | | 7 |
| Other ⁽²⁾ | | 42 | | 42 |
| Total assets | \$ 96 | \$ 1,370 | \$ 2 | \$ 1,468 |
| Liabilities | | | | |
| Derivative liabilities commodity contracts | \$ | \$ (327) | \$ | \$ (327) |
| Total liabilities | \$ | \$ (327) | \$ | \$ (327) |
| Net assets (liabilities)⁽¹⁾ | \$ 96 | \$ 1,043 | \$ 2 | \$ 1,141 |
| | | | | |
| December 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| Corporate debt securities | \$ | \$ 528 | \$ | \$ 528 |
| Derivative assets commodity contracts | | 241 | | 241 |
| Foreign government debt securities | | 147 | | 147 |
| U.S. government debt securities | | 308 | | 308 |
| U.S. state debt securities | | 6 | | 6 |
| Other ⁽²⁾ | | 148 | | 148 |
| Total assets | \$ | \$ 1,378 | \$ | \$ 1,378 |
| Liabilities | | | | |
| Derivative liabilities commodity contracts | \$ | \$ (348) | \$ | \$ (348) |
| Total liabilities | \$ | \$ (348) | \$ | \$ (348) |
| Net assets (liabilities)⁽¹⁾ | \$ | \$ 1,030 | \$ | \$ 1,030 |

- (1) Excludes \$7 million as of December 31, 2010 of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.
- (2) Primarily consists of cash and cash equivalents.
- (3) NDT funds hold equity portfolios the performance of which is benchmarked against the S&P 500 Index or Russell 3000 Index.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of FTRs held by FES and classified as Level 3 in the fair value hierarchy during the period ending June 30, 2011:

| | Derivative Asset FTRs | Derivative Liability FTRs <i>(In millions)</i> | Net FTRs |
|-------------------------------|--------------------------------------|---|---------------------|
| January 1, 2011 Balance | \$ | \$ | \$ |
| Realized gain (loss) | | | |
| Unrealized gain (loss) | 1 | | 1 |
| Purchases | 2 | | 2 |
| Issuances | | | |
| Sales | | | |
| Settlements | (1) | | (1) |
| Transfers in (out) of Level 3 | | | |
| June 30, 2011 Balance | \$ 2 | \$ | \$ 2 |

Table of Contents**Ohio Edison Company**

The following tables summarize assets and liabilities recorded on OE's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

| June 30, 2011 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|----------------|----------------------|----------------|--------------|
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| U.S. government debt securities | \$ | \$ 131 | \$ | \$ 131 |
| Other | | 2 | | 2 |
| Total assets⁽¹⁾ | \$ | \$ 133 | \$ | \$ 133 |
| | | | | |
| December 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| U.S. government debt securities | \$ | \$ 124 | \$ | \$ 124 |
| Other | | 2 | | 2 |
| Total assets⁽¹⁾ | \$ | \$ 126 | \$ | \$ 126 |

(1) Excludes \$2 million and \$1 million as of June 30, 2011 and December 31, 2010, respectively, of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.

The Toledo Edison Company

The following tables summarize assets and liabilities recorded on TE's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

| June 30, 2011 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|----------------|----------------------|----------------|--------------|
| | | <i>(In millions)</i> | | |
| Assets | | | | |
| Corporate debt securities | \$ | \$ 16 | \$ | \$ 16 |
| Equity securities ⁽³⁾ | 26 | | | 26 |
| U.S. government debt securities | | 33 | | 33 |
| U.S. state debt securities | | 1 | | 1 |
| Other ⁽²⁾ | | 3 | | 3 |
| Total assets⁽¹⁾ | \$ 26 | \$ 53 | \$ | \$ 79 |
| | | | | |
| December 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
| | | <i>(In millions)</i> | | |