FIRSTENERGY CORP
Form 10-Q
July 27, 2017

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

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

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

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 þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.

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 þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer þ FirstEnergy Corp.

Accelerated Filer o	N/A
Non-accelerated Filer (Do not check if a smaller reporting company) þ	FirstEnergy Solutions Corp.
Smaller Reporting Company o	N/A
Emerging Growth Company o	N/A

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ FirstEnergy Corp. and FirstEnergy Solutions Corp.
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 JUNE 30, 2017
FirstEnergy Corp., $0.10 par value	444,304,456
FirstEnergy Solutions Corp., no par value	7

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp. common stock.
This combined Form 10-Q is separately filed by FirstEnergy Corp. and FirstEnergy Solutions Corp. 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 the other registrant, except that information relating to FirstEnergy Solutions Corp. is also attributed to FirstEnergy Corp.
FirstEnergy Web Site and Other Social Media Sites and Applications

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 the "Investors" page of FirstEnergy's web site at www.firstenergycorp.com. The public may read and copy any reports or other information that the registrants file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services and the website maintained by the SEC at www.sec.gov.

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

FirstEnergy Solutions Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

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,” "forecast," "target," "will," "intend," “believe,” "project," “estimate," "plan" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following:

- The ability to experience growth in the Regulated Distribution and Regulated Transmission segments and the effectiveness of our strategy to transition to a fully regulated business profile.
- The accomplishment of our regulatory and operational goals in connection with our transmission investment plan, including, but not limited to, our planned transition to forward-looking formula rates.
- Changes in assumptions regarding economic conditions within our territories, assessment of the reliability of our transmission system, or the availability of capital or other resources supporting identified transmission investment opportunities.
- The ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet.
- Success of legislative and regulatory solutions for generation assets that recognize their environmental or energy security benefits, including the DOE study.
- The risks and uncertainties associated with the lack of viable alternative strategies regarding the CES segment, thereby causing FES, and likely FENOC, to restructure its debt and other financial obligations with its creditors or seek protection under U.S. bankruptcy laws and the losses, liabilities and claims arising from such bankruptcy proceeding, including any obligations at FirstEnergy.
- The risks and uncertainties at the CES segment, including FES and its subsidiaries and FENOC, related to continued depressed wholesale energy and capacity markets, and the viability and/or success of strategic business alternatives, such as pending and potential CES generating unit asset sales, the potential conversion of the remaining generation fleet from competitive operations to a regulated or regulated-like construct or the potential need to deactivate additional generating units.
- The substantial uncertainty as to FES’ ability to continue as a going concern and substantial risk that it may be necessary for FES, and likely FENOC, to seek protection under U.S. bankruptcy laws.
- The risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments, such as long-term fuel and transportation agreements.
- The uncertainties associated with the deactivation of older regulated and competitive units, including the impact on vendor commitments, such as long-term fuel and transportation agreements, and as it relates to the reliability of the transmission grid, the timing thereof.
- The impact of other future changes to the operational status or availability of our generating units and any capacity performance charges associated with unit unavailability.
- Changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil prices, and their availability and impact on margins.
- Costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices.
- Replacement power costs being higher than anticipated or not fully hedged.
- Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.
- The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation, or potential regulatory initiatives or rulemakings (including that such initiatives or

rulemakings could result in our decision to deactivate or idle certain generating units).
- Changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates.
- Economic or weather conditions affecting future sales and margins such as a polar vortex or other significant weather events, and all associated regulatory events or actions.
- Changes in national and regional economic conditions affecting us, our subsidiaries and/or our major industrial and commercial customers, and other counterparties with which we do business, including fuel suppliers.
- The impact of labor disruptions by our unionized workforce.
- The risks associated with cyber-attacks and other disruptions to our information technology system that may compromise our generation, transmission and/or distribution services and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our networks.
- The impact of the regulatory process and resulting outcomes on the matters at the federal level and in the various states in which we do business including, but not limited to, matters related to rates.
- The impact of the federal regulatory process on FERC-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM markets and FERC-jurisdictional wholesale transactions; FERC

regulation of cost-of-service rates; and FERC’s compliance and enforcement activity, including compliance and enforcement activity related to NERC’s mandatory reliability standards.
- The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.
- The ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates.
- Other legislative and regulatory changes, including the new federal administration's required review and potential revision of environmental requirements, including, but not limited to, the effects of the EPA's CPP, CCR, CSAPR and MATS programs, including our estimated costs of compliance, CWA waste water effluent limitations for power plants, and CWA 316(b) water intake regulation.
- Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to, the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).
- Issues arising from the indications of cracking in the shield building at Davis-Besse.
- Changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.
- The impact of changes to significant accounting policies.
- The impact of any changes in tax laws or regulations or adverse tax audit results or rulings.
- The ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.
- Further actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries’ access to financing, increase the costs thereof, increase requirements to post additional collateral to support, or accelerate payments under outstanding commodity positions, LOCs and other financial guarantees, and the impact of these events on the financial condition and liquidity of FirstEnergy and/or its subsidiaries, specifically FES and its subsidiaries.
- Issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business.
- The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

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

These forward-looking statements are also qualified by, and should be read together with, the risk factors included in FirstEnergy's and FES' filings with the SEC, including but not limited to the most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. The foregoing review of factors also should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. The registrants expressly disclaim any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.

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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. As of January 1, 2014, AE merged with and into FirstEnergy Corp.
AESC	Allegheny Energy Service Corporation, a subsidiary of FirstEnergy Corp.
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply and equity method investee of MP
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
CES	Competitive Energy Services, a reportable operating segment of FirstEnergy
FE	FirstEnergy Corp., a public utility holding company
FENOC	FirstEnergy Nuclear Operating Company, a subsidiary of FE, which operates NG's nuclear generating facilities
FES	FirstEnergy Solutions Corp., together with its consolidated subsidiaries, which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC, which is the parent of ATSI, TrAIL and MAIT, and has a joint venture in PATH
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	FirstEnergy Generation, LLC, a wholly owned subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	Global Rail Group, LLC, a subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
MAIT	Mid-Atlantic Interstate Transmission, LLC, a subsidiary of FET, which owns and operates transmission facilities
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	FirstEnergy Nuclear Generation, LLC, a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland and West Virginia electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE

Pennsylvania Companies	ME, PN, Penn and WP
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Signal Peak	Signal Peak Energy, LLC, an indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

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

AAA	American Arbitration Association
ADIT	Accumulated Deferred Income Taxes
AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge

GLOSSARY OF TERMS, Continued

AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ARR	Auction Revenue Right
ASU	Accounting Standards Update
BGS	Basic Generation Service
BNSF	BNSF Railway Company
BRA	PJM RPM Base Residual Auction
CAA	Clean Air Act
CCR	Coal Combustion Residuals
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO_2	Carbon Dioxide
CPP	EPA's Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
CSX	CSX Transportation, Inc.
CTA	Consolidated Tax Adjustment
CWA	Clean Water Act
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DOE	United States Department of Energy
DR	Demand Response
DSIC	Distribution System Improvement Charge
DSP	Default Service Plan
EDC	Electric Distribution Company
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
ELPC	Environmental Law & Policy Center
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP IV	Electric Security Plan IV
ESP IV PPA	Unit Power Agreement entered into on April 1, 2016 by and between the Ohio Companies and FES
Facebook®	Facebook is a registered trademark of Facebook, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
GWH	Gigawatt-hour
HB554	Ohio House Bill No. 554

HCl	Hydrochloric Acid
ICE	Intercontinental Exchange, Inc.
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
KWH	Kilowatt-hour

GLOSSARY OF TERMS, Continued

LOC	Letter of Credit
LS Power	LS Power Equity Partners III, LP
LSE	Load Serving Entity
LTIIPs	Long-Term Infrastructure Improvement Plans
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
MLP	Master Limited Partnership
mmBTU	One Million British Thermal Units
Moody’s	Moody’s Investors Service, Inc.
MOPR	Minimum Offer Price Rule
MVP	Multi-Value Project
MW	Megawatt
MWH	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NOAC	Northwestern Ohio Aggregation Coalition
NOL	Net Operating Loss
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
OCC	Ohio Consumers' Counsel
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCB	Polychlorinated Biphenyl
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection, L.L.C.
PJM Region	The aggregate of the zones within PJM
PJM Tariff	PJM Open Access Transmission Tariff
PM	Particulate Matter
POLR	Provider of Last Resort
POR	Purchase of Receivables
PPA	Purchase Power Agreement
PPB	Parts Per Billion
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration

PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RCRA	Resource Conservation and Recovery Act
REC	Renewable Energy Credit
Regulation FD	Regulation Fair Disclosure promulgated by the SEC

GLOSSARY OF TERMS, Continued

REIT	Real Estate Investment Trust
RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
ROE	Return on Equity
RPM	Reliability Pricing Model
RRS	Retail Rate Stability
RSS	Rich Site Summary
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor’s Ratings Service
SB221	Amended Substitute Ohio Senate Bill No. 221
SB310	Substitute Ohio Senate Bill No. 310
SB320	Ohio Senate Bill No. 320
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
Seventh Circuit	United States Court of Appeals for the Seventh Circuit
SIP	State Implementation Plan(s) Under the Clean Air Act
SO_2	Sulfur Dioxide
Sixth Circuit	United States Court of Appeals for the Sixth Circuit
SOS	Standard Offer Service
SPE	Special Purpose Entity
SREC	Solar Renewable Energy Credit
SSO	Standard Service Offer
TDS	Total Dissolved Solid
TMI-2	Three Mile Island Unit 2
TO	Transmission Owner
Twitter®	Twitter is a registered trademark of Twitter, Inc.
U.S. Court of Appeals for the D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
VEPCO	Virginia Electric and Power Company
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(In millions, except per share amounts)	2017	2016	2017	2016
REVENUES:				
Regulated Distribution	$2,262	$2,189	$4,752	$4,699
Regulated Transmission	327	275	640	561
Unregulated businesses	720	937	1,469	2,010
Total revenues*	3,309	3,401	6,861	7,270
OPERATING EXPENSES:				
Fuel	343	438	711	819
Purchased power	735	889	1,598	2,013
Other operating expenses	957	964	2,099	1,882
Provision for depreciation	281	334	556	663
Amortization of regulatory assets, net	65	63	124	124
General taxes	253	241	524	521
Impairment of assets (Note 14)	131	1,447	131	1,447
Total operating expenses	2,765	4,376	5,743	7,469
OPERATING INCOME (LOSS)	544	(975)	1,118	(199)
OTHER INCOME (EXPENSE):				
Investment income	17	19	41	47
Interest expense	(290)	(289)	(577)	(577)
Capitalized financing costs	20	26	40	51
Total other expense	(253)	(244)	(496)	(479)
INCOME (LOSS) BEFORE INCOME TAXES (BENEFITS)	291	(1,219)	622	(678)
INCOME TAXES (BENEFITS)	117	(130)	243	83
NET INCOME (LOSS)	$174	$(1,089)	$379	$(761)
EARNINGS (LOSS) PER SHARE OF COMMON STOCK:				
Basic	$0.39	$(2.56)	$0.86	$(1.79)
Diluted	$0.39	$(2.56)	$0.85	$(1.79)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	444	425	443	424

Diluted	445	425	444	424
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$—	$—	$0.72	$0.72

* Includes excise tax collections of $91 million and $92 million in the three months ended June 30, 2017 and 2016, respectively, and $191 million and $199 million in the six months ended June 30, 2017 and 2016, respectively.

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
NET INCOME (LOSS)	$174	$(1,089)	$379	$(761)
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and OPEB prior service costs	(18)	(18)	(36)	(36)
Amortized losses on derivative hedges	1	2	4	4
Change in unrealized gains on available-for-sale securities	(2)	35	14	63
Other comprehensive income (loss)	(19)	19	(18)	31
Income taxes (benefits) on other comprehensive income (loss)	(7)	7	(7)	11
Other comprehensive income (loss), net of tax	(12)	12	(11)	20
COMPREHENSIVE INCOME (LOSS)	$162	$(1,077)	$368	$(741)

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$114	$ 199
Receivables-		
Customers, net of allowance for uncollectible accounts of $52 in 2017 and $53 in 2016	1,375	1,440
Other, net of allowance for uncollectible accounts of $1 in 2017 and 2016	161	175
Materials and supplies	553	564
Prepaid taxes	227	98
Derivatives	45	140
Collateral	129	176
Other	151	158
	2,755	2,950
PROPERTY, PLANT AND EQUIPMENT:		
In service	43,929	43,767
Less — Accumulated provision for depreciation	15,999	15,731
	27,930	28,036
Construction work in progress	1,249	1,351
	29,179	29,387
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,588	2,514
Other	507	512
	3,095	3,026
ASSETS HELD FOR SALE (Note 14)	815	—
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	5,618	5,618
Regulatory assets	994	1,014
Other	871	1,153
	7,483	7,785
	$43,327	$ 43,148
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$2,015	$ 1,685
Short-term borrowings	225	2,675
Accounts payable	932	1,043
Accrued taxes	518	580
Accrued compensation and benefits	293	363
Derivatives	18	78
Collateral	27	42
Other	619	660
	4,647	7,126
CAPITALIZATION:		
Common stockholders’ equity-		

Common stock, $0.10 par value, authorized 490,000,000 shares - 444,304,456 and 442,344,218 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	44	44
Other paid-in capital	10,272	10,555
Accumulated other comprehensive income	163	174
Accumulated deficit	(4,159)	(4,532)
Total common stockholders' equity	6,320	6,241
Long-term debt and other long-term obligations	20,582	18,192
	26,902	24,433
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	3,992	3,765
Retirement benefits	3,784	3,719
Asset retirement obligations	1,526	1,482
Deferred gain on sale and leaseback transaction	740	757
Adverse power contract liability	152	162
Other	1,584	1,704
	11,778	11,589
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	$43,327	$ 43,148

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	For the Six Months Ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$379	$(761)
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Depreciation and amortization, including nuclear fuel, regulatory assets, net, intangible assets and deferred debt-related costs	792	950
Deferred purchased power and other costs	34	(33)
Deferred income taxes and investment tax credits, net	224	72
Impairment of assets (Note 14)	131	1,447
Investment impairments	7	10
Deferred costs on sale leaseback transaction, net	24	24
Retirement benefits, net of payments	17	31
Pension trust contributions	—	(160)
Unrealized loss on derivative transactions (Note 8)	53	5
Lease payments on sale and leaseback transaction	(47)	(94)
Changes in current assets and liabilities-		
Receivables	83	101
Materials and supplies	(10)	(1)
Prepaid taxes and other current assets	(127)	(91)
Accounts payable	—	(22)
Accrued taxes	(62)	(80)
Accrued compensation and benefits	(125)	(50)
Other current liabilities	(55)	16
Collateral, net	32	21
Other	132	87
Net cash provided from operating activities	1,482	1,472
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	3,500	—
Short-term borrowings, net	—	1,225
Redemptions and Repayments-		
Long-term debt	(735)	(581)
Short-term borrowings, net	(2,450)	—
Common stock dividend payments	(319)	(305)
Other	(52)	24
Net cash provided from (used for) financing activities	(56)	363
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,254)	(1,492)
Nuclear fuel	(134)	(188)
Sales of investment securities held in trusts	1,257	1,024
Purchases of investment securities held in trusts	(1,305)	(1,073)

Asset removal costs	(79)	(63)
Other	4	25
Net cash used for investing activities	(1,511)	(1,767)
Net change in cash and cash equivalents	(85)	68
Cash and cash equivalents at beginning of period	199	131
Cash and cash equivalents at end of period	$114	$199

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(In millions)	2017	2016	2017	2016
STATEMENTS OF INCOME (LOSS)				
REVENUES:				
Electric sales to non-affiliates	$635	$958	$1,403	$1,965
Electric sales to affiliates	80	102	191	249
Other	26	42	61	87
Total revenues	741	1,102	1,655	2,301
OPERATING EXPENSES:				
Fuel	154	228	298	393
Purchased power from affiliates	39	167	202	249
Purchased power from non-affiliates	156	266	316	643
Other operating expenses	286	369	804	609
Provision for depreciation	27	84	52	167
General taxes	18	19	39	45
Impairment of assets (Note 14)	—	540	—	540
Total operating expenses	680	1,673	1,711	2,646
OPERATING INCOME (LOSS)	61	(571)	(56)	(345)
OTHER INCOME (EXPENSE):				
Investment income	15	19	35	32
Miscellaneous income	—	1	5	3
Interest expense — affiliates	(5)	(1)	(7)	(3)
Interest expense — other	(35)	(37)	(70)	(73)
Capitalized interest	6	8	14	18
Total other expense	(19)	(10)	(23)	(23)
INCOME (LOSS) BEFORE INCOME TAXES (BENEFITS)	42	(581)	(79)	(368)
INCOME TAXES (BENEFITS)	23	(143)	(18)	(61)
NET INCOME (LOSS)	$19	$(438)	$(61)	$(307)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)				
NET INCOME (LOSS)	$19	$(438)	$(61)	$(307)
OTHER COMPREHENSIVE INCOME:				
Pension and OPEB prior service costs	(4)	(3)	(7)	(7)
Amortized gains on derivative hedges	—	(1)	—	(1)

Change in unrealized gains on available-for-sale securities	6	33	22	56
Other comprehensive income	2	29	15	48
Income taxes on other comprehensive income	—	12	5	19
Other comprehensive income, net of tax	2	17	10	29
COMPREHENSIVE INCOME (LOSS)	$21	$(421)	$(51)	$(278)

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

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$2	$ 2
Receivables-		
Customers, net of allowance for uncollectible accounts of $3 in 2017 and $5 in 2016	185	213
Affiliated companies	385	452
Other	12	27
Notes receivable from affiliated companies	—	29
Materials and supplies	260	267
Derivatives	41	137
Collateral	111	157
Prepaid taxes and other	51	63
	1,047	1,347
PROPERTY, PLANT AND EQUIPMENT:		
In service	7,382	7,057
Less — Accumulated provision for depreciation	6,055	5,929
	1,327	1,128
Construction work in progress	299	427
	1,626	1,555
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,793	1,552
Other	9	10
	1,802	1,562
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	20	40
Accumulated deferred income taxes	2,108	2,279
Derivatives	9	77
Other	379	381
	2,516	2,777
	$6,991	$ 7,241
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$255	$ 179
Short-term borrowings - affiliated companies	275	101
Accounts payable-		
Affiliated companies	264	550
Other	91	110
Accrued taxes	129	143
Derivatives	18	77
Other	170	156
	1,202	1,316
CAPITALIZATION:		
Common stockholder's equity-		
	3,730	3,658

Common stock, without par value, authorized 750 shares - 7 shares outstanding as of June 30, 2017 and December 31, 2016		
Accumulated other comprehensive income	79	69
Accumulated deficit	(3,570)	(3,509)
Total common stockholder's equity	239	218
Long-term debt and other long-term obligations	2,573	2,813
	2,812	3,031
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	740	757
Retirement benefits	205	197
Asset retirement obligations (Note 9)	975	901
Derivatives	1	52
Other	1,056	987
	2,977	2,894
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11)		
	$6,991	$ 7,241

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

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

(In millions)	For the Six Months Ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(61)	$(307)
Adjustments to reconcile net loss to net cash from operating activities-		
Depreciation and amortization, including nuclear fuel, intangible assets and deferred debt-related costs	157	301
Deferred costs on sale and leaseback transaction, net	24	24
Deferred income taxes and investment tax credits, net	104	(16)
Investment impairments	7	9
Unrealized loss on derivative transactions (Note 8)	53	5
Lease payments on sale and leaseback transaction	(47)	(94)
Impairment of assets (Note 14)	—	540
Changes in current assets and liabilities-		
Receivables	110	110
Materials and supplies	(10)	12
Prepaid taxes and other current assets	12	(13)
Accounts payable	(194)	(79)
Accrued taxes	(14)	2
Other current liabilities	(8)	16
Collateral, net	46	50
Other	116	(3)
Net cash provided from operating activities	295	557
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Short-term borrowings, net	174	210
Redemptions and repayments-		
Long-term debt	(163)	(245)
Other	(4)	(3)
Net cash (used for) provided from financing activities	7	(38)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(169)	(335)
Nuclear fuel	(134)	(188)
Sales of investment securities held in trusts	437	441
Purchases of investment securities held in trusts	(466)	(467)
Cash investments	—	11
Loans to affiliated companies, net	29	11
Other	1	8

Net cash used for investing activities	(302)	(519)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	2	2
Cash and cash equivalents at end of period	$2	$2
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: Affiliated net asset transfer (Note 9)	$73	$28

The accompanying Combined Notes to 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)

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

FE was organized under the laws of the State of Ohio in 1996. FE's principal business is the holding, directly or indirectly, of all of the outstanding equity of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, FES and its principal subsidiaries (FG and NG), AE Supply, MP, PE, WP, FET and its principal subsidiaries (ATSI, MAIT and TrAIL), and AESC. In addition, FE holds all of the outstanding equity of other direct subsidiaries including: FirstEnergy Properties, Inc., FEV, FENOC, FELHC, Inc., GPU Nuclear, Inc., and Allegheny Ventures, Inc.

FE and its subsidiaries are principally involved in the generation, transmission, and distribution of electricity. FirstEnergy's ten utility operating companies comprise one of the nation's largest investor-owned electric systems, based on serving six million customers in the Midwest and Mid-Atlantic regions. Its regulated and unregulated generation subsidiaries control nearly 17,000 MW of capacity from a diverse mix of non-emitting nuclear, scrubbed coal, natural gas, hydroelectric and other renewables. FirstEnergy's transmission operations include approximately 24,000 miles of lines and two regional transmission operation centers.
FES, a subsidiary of FE, was organized under the laws of the State of Ohio in 1997. FES provides energy-related products and services to retail and wholesale customers. FES also owns and operates, through its FG subsidiary, fossil generating facilities and owns, through its NG subsidiary, nuclear generating facilities. FES purchases the entire output of the generation facilities owned by FG and NG. Prior to April 1, 2016, FES financially purchased the uncommitted output of AE Supply's generation facilities under a PSA. On December 21, 2015, FES agreed, under a PSA, to physically purchase all the output of AE Supply's generation facilities effective April 1, 2016. FES and AE Supply terminated the PSA effective on April 1, 2017. FES complies with the regulations, orders, policies and practices prescribed by the SEC, FERC, NRC and applicable state regulatory authorities.

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2016. These Notes to the Consolidated Financial Statements are combined for FirstEnergy and FES.

FirstEnergy follows GAAP and complies 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, the VSCC and the NJBPU. The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair statement of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period. FE and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

FE and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation as appropriate. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary (see Note 6, "Variable Interest Entities"). Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but do not have a controlling financial interest, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage of FE's ownership share of the entity's earnings is reported in the Consolidated Statements of Income and Comprehensive Income.

For each of the three months ended June 30, 2017 and 2016, capitalized financing costs on FirstEnergy's Consolidated Statements of Income (Loss) include $9 million of allowance for equity funds used during construction and $11 million and $17 million, respectively, of capitalized interest. For each of the six months ended June 30, 2017 and 2016, capitalized financing costs on FirstEnergy's Consolidated Statements of Income (Loss) include $17 million of allowance for equity funds used during construction and $23 million and $34 million, respectively, of capitalized interest.

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

Strategic Review of Competitive Operations

FirstEnergy believes having a combination of distribution, transmission and generation assets in a regulated or regulated-like construct is the best way to serve customers. FirstEnergy's strategy is to be a fully regulated utility, focusing on stable and predictable earnings and cash flow from its regulated business units.

Over the past several years, CES has been impacted by a prolonged decrease in demand and excess generation supply in the PJM Region, which has resulted in a period of protracted low power and capacity prices. To address this, CES sold or deactivated more than 6,770 MWs of competitive generation from 2012 to 2015 and announced in 2016 plans to exit and/or deactivate an additional 856 MWs by 2020 related to the Bay Shore Unit 1 generating station and Units 1-4 of the W.H. Sammis generating station. Additionally, CES has continued to focus on cost reductions, including those identified as part of FirstEnergy’s previously disclosed cash flow improvement plan.

However, the energy and capacity markets continue to be weak, as evidenced by the significantly depressed capacity clearing prices and current forward pricing as well as the long-term fundamental view on energy and capacity prices. In order to focus on stable and predictable cash flow from its regulated business units, in November of 2016, FirstEnergy announced a strategic review of its competitive operations with a target to implement its exit from competitive operations by mid-2018.

As a result of this strategic review, FirstEnergy announced in January 2017 that AE Supply and AGC entered into an asset purchase agreement to sell four of AE Supply’s natural gas generating plants and its approximately 59% of AGC’s interest in Bath County (1,572 MWs of combined capacity) to a subsidiary of LS Power for an all-cash purchase price of $925 million, subject to customary and other closing conditions, including receipt of regulatory approvals from FERC and the VSCC, third party consents and the satisfaction and discharge of $305 million of AE Supply’s senior notes, which is expected to require the payment of a “make-whole” premium currently estimated to be approximately $100 million based on current interest rates. As a further condition to closing, FE will provide the purchaser two limited guarantees of certain obligations of AE Supply and AGC arising under the purchase agreement. Additionally, the consent of VEPCO is needed for the sale of AGC’s interest in the Bath County pumped hydro facility, as well as agreement among AGC, LS Power and VEPCO with respect to certain amendments to the Bath County project agreements. On May 24, 2017, AE Supply and AGC and LS Power exercised a provision in the purchase agreement that allows either party to terminate the purchase agreement without penalty after June 23, 2017. All parties continue to negotiate, including consideration of various alternative structures regarding pricing and closing, and neither party has elected its termination rights under the provisions of the purchase agreement. As a result of the status of these ongoing negotiations regarding the asset purchase agreement and reflecting the impact of prevailing market conditions, CES recorded a non-cash pre-tax impairment charge of $131 million in the second quarter of 2017. FirstEnergy is targeting to close the transaction with revised terms in the second half of 2017, subject to satisfaction of various customary and other closing conditions, including without limitation, receipt of regulatory approvals and third party consents.

Additionally, AE Supply’s Pleasants power station (1,300 MWs) was selected in MP's RFP seeking additional generation capacity, and on March 6, 2017, MP and AE Supply signed an asset purchase agreement for MP to acquire the Pleasants power station for approximately $195 million, subject to customary and other closing conditions, including regulatory approvals as further discussed below in Note 10, "Regulatory Matters - State Regulation - West Virginia."

The strategic options to exit the remaining portion of CES’ generation, which is primarily at FES, are still uncertain, but could include one or more of the following:

- legislative or regulatory solutions for generation assets that recognize their environmental or energy security benefits;
- restructuring FES debt with its creditors;
- seeking protection under U.S. bankruptcy laws for FES and likely FENOC; and/or
- additional asset sales and/or plant deactivations.

Furthermore, the implementation of various strategic options, and the timing thereof, could be impacted by various events, including, but not limited to the following:

- The outcome of the recently announced directive by the Secretary of Energy to complete a study that explores critical issues central to protecting the long-term reliability of the electric grid, including the impact of federal policy interventions and the changing nature of electricity fuel mix, compensation of on-site fuel supply and other factors that strengthen grid resilience, and the impact of regulatory burdens, mandates and tax and subsidy policies on the premature retirement of baseload power plants;
- The resolution of legislation before the Ohio General Assembly that would create a zero-emission nuclear (ZEN) credit that would compensate nuclear power plants for their environmental attributes and the potential for similar legislative action in Pennsylvania; and/or
- The inability to finalize and consummate a settlement agreement with BNSF and NS regarding a previously disclosed long-term coal transportation contract dispute as discussed in Note 11, "Commitments, Guarantees and Contingencies - Environmental Matters" below, whereby FG could be subject to materially higher damages.

Today, the competitive generation portfolio is comprised of more than 13,000 MWs of generation, primarily from coal, nuclear and natural gas and oil fuel sources. The assets can generate approximately 70-75 million MWHs annually, with up to an additional five million MWHs available from purchased power agreements for wind, solar, and CES' entitlement in OVEC, of which a portion is sold through various retail channels and the remainder targeting forward wholesale or spot sales. Subject to the completion of the AE Supply and AGC asset sale discussed above as well as the transfer of the Pleasants Power station to MP, the size and generation capacity of CES' portfolio will be reduced to approximately 10,000 MWs, primarily at FES, with approximately 60-65 million MWHs produced annually.

The competitive business continues to be managed conservatively due to the stress of weak energy prices, insufficient results from recent capacity auctions and anemic demand forecasts. Furthermore, the credit quality of CES, specifically FES' unsecured debt rating of Caa1 at Moody's, CCC at S&P and C at Fitch and negative outlook from each of the rating agencies has challenged its ability to hedge generation with retail and forward wholesale sales due to significant collateral requirements. As a result, CES' contract sales are expected to decline from 53 million MWHs in 2016 to 40-45 million MWHs in 2017 and to 35-40 million MWHs in 2018. While the reduced contract sales will decrease potential collateral requirements, market price volatility may significantly impact CES' financial results due to the increased exposure to the wholesale spot market.

Going Concern at FES

Although FES has access to a $500 million secured line of credit with FE, all of which was available as of June 30, 2017, its current credit rating and the current forward wholesale pricing environment present significant challenges to FES. Furthermore, an inability to develop and execute upon viable alternative strategies for its competitive portfolio would continue to further stress the liquidity and financial condition of FES.

Cash flow from operations at FES is expected to be more than sufficient to fund capital expenditures and nuclear fuel purchases through March 2018. As previously disclosed, FES has $515 million of maturing debt in 2018, beginning in the second quarter. Based on FES' current senior unsecured debt rating, capital structure and the forecasted decline in wholesale forward market prices over the next few years, the debt maturities are likely to be difficult to refinance, even on a secured basis. Furthermore, lack of clarity regarding the timing and viability of alternative strategies, including additional asset sales or deactivations and/or converting generation from competitive operations to a regulated or regulated-like construct in a way that provides FES with the means to satisfy its obligations over the long-term, may also require FES to restructure debt and other financial obligations with its creditors or seek protection under U.S. bankruptcy laws. In the event FES seeks protection under U.S. bankruptcy laws, FENOC will likely seek such protection. Although management is exploring capital and other cost reductions, asset sales, and other options to improve cash flow as well as continuing with efforts to explore legislative or regulatory solutions, these obligations and their impact to liquidity raise substantial doubt about FES' ability to meet its obligations as they come due over the next twelve months and, as such, its ability to continue as a going concern.

New Accounting Pronouncements

Recently Adopted Pronouncements

ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (Issued March 2016): ASU 2016-09 simplifies several aspects of the accounting for employee share-based payments. The new guidance requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also does not require liability accounting when an employer repurchases more of an employee's shares for tax withholding purposes. FirstEnergy adopted ASU 2016-09 on January 1, 2017. Upon adoption, FirstEnergy elected to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment to retained earnings of approximately $6 million as of January 1, 2017. Additionally, FirstEnergy retrospectively applied the cash flow presentation requirement to present cash paid to tax authorities when shares are withheld to satisfy statutory tax withholding obligations as financing activities by reclassifying $12 million from operating activities to financing activities in the 2016 Statement of Cash Flow.

ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments" (Issued August 2016): The standard is intended to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows, including the presentation of debt prepayment or debt extinguishment costs, all of which will be classified as financing activities. ASU 2016-15 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. FirstEnergy early adopted this ASU as of January 1, 2017. There was no impact to prior periods.

Recently Issued Pronouncements - The following new authoritative accounting guidance issued by the FASB has not yet been adopted. Unless otherwise indicated, FirstEnergy is currently assessing the impact such guidance may have on its financial statements and disclosures, as well as the potential to early adopt where applicable. FirstEnergy has assessed other FASB issuances of new standards not described below or in the 2016 Annual Report on Form 10-K based upon the current expectation that such new standards will not significantly impact FirstEnergy's financial reporting. Below is an update to the discussion of pronouncements contained in the 2016 Annual Report on Form 10-K.

ASU 2014-09, "Revenue from Contracts with Customers" (Issued May 2014 and subsequently updated to address implementation questions): For public business entities, the new revenue recognition guidance will be effective for annual and interim reporting periods beginning after December 15, 2017. FirstEnergy will not early adopt the standard. FirstEnergy has evaluated its revenues and expects limited impacts to current revenue recognition practices. FirstEnergy expects to apply the new guidance on a modified retrospective basis and continues to assess the impact on its financial statements and disclosures.

ASU 2016-02, "Leases (Topic 842)" (Issued February 2016): ASU 2016-02 will require organizations that lease assets with lease terms of more than 12 months to recognize assets and liabilities for the rights and obligations created by those leases on their balance sheets. In addition, new qualitative and quantitative disclosures of the amounts, timing, and uncertainty of cash flows arising from leases will be required. The ASU will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Lessors and lessees will be required to apply a modified retrospective transition approach, which requires adjusting the accounting for any leases existing at the beginning of the earliest comparative period presented in the adoption-period financial statements. Any leases that expire before the initial application date will not require any accounting adjustment.

ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business" (Issued January 2017): ASU 2017-01 assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The ASU will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued or made available for issuance.

ASU 2017-07,"Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (Issued March 2017): ASU 2017-07 requires entities to retrospectively (1) disaggregate the current-service-cost component from the other components of net benefit cost (the “other components”) and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. In addition, only service costs are eligible for capitalization on a prospective basis. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard, which will be heavily dependent on the resolution of certain industry issues. The ASU will be effective in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

2. EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share of common stock are computed using the weighted average number of 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 could result if dilutive securities and other agreements to issue common stock were exercised. As discussed above, FirstEnergy adopted ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" beginning January 1, 2017. For the three and six months ended June 30, 2017, there were no material impacts to the basic or diluted earnings per share due to the new standard.

The following table reconciles basic and diluted earnings (loss) per share of common stock:

(In millions, except per share amounts)	For the Three Months Ended June 30		For the Six Months Ended June 30	
Reconciliation of Basic and Diluted Earnings (Loss) per Share of Common Stock	2017	2016	2017	2016
Net income (loss)	$174	$(1,089)	$379	$(761)
Weighted average number of basic shares outstanding	444	425	443	424
Assumed exercise of dilutive stock options and awards[1]	1	—	1	—
Weighted average number of diluted shares outstanding	445	425	444	424

Basic earnings (loss) per share of common stock	$0.39	$(2.56)	$0.86	$(1.79)
Diluted earnings (loss) per share of common stock	$0.39	$(2.56)	$0.85	$(1.79)

(1) For both the three and six months ended June 30, 2017, one million shares were excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive. For both the three and six months ended June 30, 2016, three million shares were excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive as a result of the net loss.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

Components of Net Periodic Benefit Costs (Credits)	Pension		OPEB	
For the Three Months Ended June 30	2017	2016	2017	2016
	(In millions)			
Service costs	$52	$48	$1	$1
Interest costs	97	99	7	8
Expected return on plan assets	(112)	(100)	(7)	(8)
Amortization of prior service costs (credits)	2	2	(20)	(20)
Net periodic costs (credits)	$39	$49	$(19)	$(19)

Components of Net Periodic Benefit Costs (Credits)	Pension		OPEB	
For the Six Months Ended June 30	2017	2016	2017	2016
	(In millions)			
Service costs	$104	$96	$2	$2
Interest costs	194	199	14	15
Expected return on plan assets	(224)	(197)	(15)	(16)
Amortization of prior service costs (credits)	4	4	(40)	(40)
Net periodic costs (credits)	$78	$102	$(39)	$(39)

FES' share of the net periodic pension and OPEB costs (credits) were as follows:

	Pension		OPEB	
	2017	2016	2017	2016
	(In millions)			
For the Three Months Ended June 30	$3	$ 6	$(4)	$(4)
For the Six Months Ended June 30	6	12	(8)	(8)

Pension and OPEB obligations are allocated to FE's subsidiaries, including FES, employing the plan participants. The net periodic pension and OPEB costs (credits), net of amounts capitalized, recognized in earnings by FirstEnergy and FES were as follows:

Net Periodic Benefit Expense (Credit)	Pension		OPEB	
For the Three Months Ended June 30	2017	2016	2017	2016
	(In millions)			
FirstEnergy	$27	$ 35	$(14)	$(15)
FES	3	6	(4)	(4)

Net Periodic Benefit Expense (Credit)	Pension		OPEB	
For the Six Months Ended June 30	2017	2016	2017	2016
	(In millions)			
FirstEnergy	$59	$ 72	$(29)	$(30)
FES	6	12	(8)	(8)

As of June 30, 2017, and December 31, 2016, FES had $866 million of affiliated non-current liabilities related to allocated pension and OPEB mark-to-market costs, of which $570 million was from FENOC.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in AOCI, net of tax, in the three and six months ended June 30, 2017 and 2016, for FirstEnergy are included in the following tables:

FirstEnergy	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of April 1, 2017	$(26)	$ 63	$ 138	$175
Other comprehensive income before reclassifications	—	4		