

CLEVELAND ELECTRIC ILLUMINATING CO

Form 10-Q

October 26, 2010

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2010  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

<b>Commission File Number</b>	<b>Registrant; State of Incorporation; Address; and Telephone Number</b>	<b>I.R.S. Employer Identification No.</b>
333-21011	<b>FIRSTENERGY CORP.</b> (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
000-53742	<b>FIRSTENERGY SOLUTIONS CORP.</b> (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186
1-2578	<b>OHIO EDISON COMPANY</b> (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0437786
1-2323	<b>THE CLEVELAND ELECTRIC ILLUMINATING COMPANY</b> (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-0150020
1-3583	<b>THE TOLEDO EDISON COMPANY</b> (An Ohio Corporation) c/o FirstEnergy Corp.	34-4375005

**76 South Main Street  
Akron, OH 44308  
Telephone (800)736-3402**

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

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.

Yes  No  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  FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light  
 (Do not check if a smaller reporting company)

reporting company) b Company, Metropolitan Edison Company and Pennsylvania Electric Company

Smaller Reporting Company o N/A

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

Yes o 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:

<b>CLASS</b>	<b>OUTSTANDING AS OF OCTOBER 22, 2010</b>
FirstEnergy Corp., \$10 par value	304,835,407
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	859,500
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.

---

**Table of Contents**

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](http://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 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.

---

**Table of Contents**

**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 and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Pennsylvania.

The impact of the regulatory process on the pending matters in Ohio, Pennsylvania and New Jersey.

Business and regulatory impacts from ATSI's realignment into PJM.

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.

Replacement power costs being higher than anticipated or inadequately hedged.

The continued ability of FirstEnergy's regulated utilities to recover regulatory assets or increased costs.

Operation and maintenance costs being higher than anticipated.

Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission and coal combustion residual regulations.

The potential impacts of the proposed rules promulgated by the EPA on July 6, 2010, in response to the U.S. Court of Appeals' July 11, 2008 decision requiring revisions to the CAIR rules or any final laws, rules or regulations that may ultimately replace CAIR.

The uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated or that certain generating units may need to be shut down) or levels of emission reductions related to the Consent Decree resolving the NSR litigation or other potential similar regulatory initiatives or actions.

Adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight) by the NRC.

Ultimate resolution of Met-Ed's and Penelec's TSC filings with the PPUC.

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

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

The ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives).

The ability to improve electric commodity margins and to experience growth in the distribution business.

The changing market conditions that could affect the value of assets held in the registrants' nuclear decommissioning trusts, pension trusts and other trust funds, and cause FirstEnergy 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 and the cost of such capital.

Changes in general economic conditions affecting the registrants.

The state of the capital and credit markets affecting the registrants.

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

The state of the national and regional economies and associated impacts on the registrants' major industrial and commercial customers.

Issues concerning the soundness of financial institutions and counterparties with which the registrants do business.

The expected timing and likelihood of completion of the proposed merger with Allegheny Energy, Inc., including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed merger that could reduce anticipated benefits or cause the parties to abandon the merger, the diversion of management's time and attention from FirstEnergy's ongoing business during this time period, the 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.

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. A security rating is not a recommendation to buy, sell or hold securities that may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. 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.

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Glossary of Terms</u></b>	iii-v
<b><u>Item 1. Financial Statements</u></b>	
<b>FirstEnergy Corp.</b>	
<u>Consolidated Statements of Income</u>	1
<u>Consolidated Statements of Comprehensive Income</u>	2
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<b>FirstEnergy Solutions Corp.</b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	5
<u>Consolidated Balance Sheets</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<b>Ohio Edison Company</b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	8
<u>Consolidated Balance Sheets</u>	9
<u>Consolidated Statements of Cash Flows</u>	10
<b>The Cleveland Electric Illuminating Company</b>	
<u>Consolidated Statements of Income (Loss) and Comprehensive Income</u>	11
<u>Consolidated Balance Sheets</u>	12
<u>Consolidated Statements of Cash Flows</u>	13
<b>The Toledo Edison Company</b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	14
<u>Consolidated Balance Sheets</u>	15
<u>Consolidated Statements of Cash Flows</u>	16
Table of Contents	8



**Jersey Central Power & Light Company**

<u>Consolidated Statements of Income and Comprehensive Income</u>	17
<u>Consolidated Balance Sheets</u>	18
<u>Consolidated Statements of Cash Flows</u>	19

**Metropolitan Edison Company**

<u>Consolidated Statements of Income and Comprehensive Income</u>	20
<u>Consolidated Balance Sheets</u>	21
<u>Consolidated Statements of Cash Flows</u>	22

**Pennsylvania Electric Company**

<u>Consolidated Statements of Income and Comprehensive Income</u>	23
<u>Consolidated Balance Sheets</u>	24
<u>Consolidated Statements of Cash Flows</u>	25

**Table of Contents**

**TABLE OF CONTENTS (Cont d)**

	<b>Page</b>
<b><u>Combined Notes To Consolidated Financial Statements</u></b>	26
<b><u>Item 2. Management's Discussion and Analysis of Registrant and Subsidiaries</u></b>	63
<b><u>Management's Narrative Analysis of Results of Operations</u></b>	
<u>FirstEnergy Solutions Corp.</u>	99
<u>Ohio Edison Company</u>	102
<u>The Cleveland Electric Illuminating Company</u>	104
<u>The Toledo Edison Company</u>	106
<u>Jersey Central Power &amp; Light Company</u>	108
<u>Metropolitan Edison Company</u>	110
<u>Pennsylvania Electric Company</u>	112
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	114
<b><u>Item 4. Controls and Procedures – FirstEnergy</u></b>	114
<b><u>Item 4T. Controls and Procedures – FES, OE, CEI, TE, JCP&amp;L, Met-Ed and Penelec</u></b>	114
<b><u>Part II. Other Information</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	114
<b><u>Item 1A. Risk Factors</u></b>	114
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	114
<b><u>Item 5. Other Information</u></b>	114
<b><u>Item 6. Exhibits</u></b>	115
<u>Exhibit 10.1</u>	
<u>Exhibit 10.2</u>	
<u>Exhibit 10.3</u>	
<u>Exhibit 12</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

**Table of Contents**

**GLOSSARY OF TERMS**

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

ATSI	American Transmission Systems, Incorporated, owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FENOC	FirstEnergy Nuclear Operating Company, operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., provides energy-related products and services
FESC	FirstEnergy Service Company, provides legal, financial and other corporate support services
FEV	FirstEnergy Ventures Corp., invests in certain unregulated enterprises and business ventures
FGCO	FirstEnergy Generation Corp., owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., a public utility holding company
Global Rail	A joint venture between FirstEnergy Ventures Corp. 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, which 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
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
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 and Penn
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 FirstEnergy Ventures Corp. and WMB Loan Ventures LLC, that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
Utilities	OE, CEI, TE, Penn, JCP&L, Met-Ed and Penelec
The following abbreviations and	acronyms are used to identify frequently used terms in this report:

ALJ	Administrative Law Judge
AOCL	Accumulated Other Comprehensive Loss
AQC	Air Quality Control
ARO	Asset Retirement Obligation
BGS	Basic Generation Service
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CATR	Clean Air Transport Rule
CBP	Competitive Bid Process
CO <sub>2</sub>	Carbon Dioxide

CTC	Competitive Transition Charge
DOE	United States Department of Energy
DOJ	United States Department of Justice
DPA	Department of the Public Advocate, Division of Rate Counsel (New Jersey)
EE&C	Energy Efficiency and Conservation
EMP	Energy Master Plan
EPA	United States Environmental Protection Agency

**Table of Contents**

**GLOSSARY OF TERMS, Cont d.**

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
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gases
IRS	Internal Revenue Service
JOA	Joint Operating Agreement
kV	Kilovolt
KWH	Kilowatt-hours
LED	Light-Emitting Diode
LOC	Letter of Credit
MACT	Maximum Achievable Control Technology
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
MTEP	MISO Regional Transmission Expansion Plan
MW	Megawatts
MWH	Megawatt-hours
NAAQS	National Ambient Air Quality Standards
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 <sub>x</sub>	Nitrogen Oxide
NRC	Nuclear Regulatory Commission
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
OVEC	Ohio Valley Electric Corporation
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
RECs	Renewable Energy Credits
RFP	Request for Proposal
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

**Table of Contents**

**GLOSSARY OF TERMS, Cont d.**

SEC	U.S. Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act
SNCR	Selective Non-Catalytic Reduction
SO <sub>2</sub>	Sulfur Dioxide
TBC	Transition Bond Charge
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission



**Table of Contents**

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

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30</b>		<b>Ended September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In millions, except per share amounts)</i>			
<b>REVENUES:</b>				
Electric utilities	\$ 2,757	\$ 2,940	\$ 7,673	\$ 8,751
Unregulated businesses	936	468	2,449	1,262
Total revenues*	3,693	3,408	10,122	10,013
<b>EXPENSES:</b>				
Fuel	400	302	1,084	890
Purchased power	1,284	1,313	3,574	3,480
Other operating expenses	738	665	2,112	2,103
Provision for depreciation	182	188	565	550
Amortization of regulatory assets	176	261	549	903
Deferral of new regulatory assets				(136)
General taxes	206	192	587	587
Impairment of long-lived assets	292		294	
Total expenses	3,278	2,921	8,765	8,377
<b>OPERATING INCOME</b>	415	487	1,357	1,636
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	46	191	93	207
Interest expense	(208)	(355)	(628)	(755)
Capitalized interest	41	35	122	96
Total other expense	(121)	(129)	(413)	(452)
<b>INCOME BEFORE INCOME TAXES</b>	294	358	944	1,184
<b>INCOME TAXES</b>	119	128	364	430
<b>NET INCOME</b>	175	230	580	754
Loss attributable to noncontrolling interest	(4)	(4)	(19)	(14)

<b>EARNINGS AVAILABLE TO FIRSTENERGY CORP.</b>	\$	179	\$	234	\$	599	\$	768
<b>BASIC EARNINGS PER SHARE OF COMMON STOCK</b>	\$	0.59	\$	0.77	\$	1.97	\$	2.52
<b>WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING</b>		304		304		304		304
<b>DILUTED EARNINGS PER SHARE OF COMMON STOCK</b>	\$	0.59	\$	0.77	\$	1.96	\$	2.51
<b>WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING</b>		305		306		305		306
<b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>	\$	1.10	\$	1.10	\$	1.65	\$	1.65

\* Includes excise tax collections of \$120 million and \$106 million in the three months ended September 30, 2010 and 2009, respectively, and \$328 million and \$310 million in the nine months ended September 30, 2010 and 2009, respectively.

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

Table of Contents

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

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30</b>		<b>Ended September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In millions)</i>			
<b>NET INCOME</b>	\$ 175	\$ 230	\$ 580	\$ 754
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	17	(480)	47	24
Unrealized gain on derivative hedges	6	19	16	57
Change in unrealized gain on available-for-sale securities	20	(108)	32	(76)
Other comprehensive income (loss)	43	(569)	95	5
Income tax expense (benefit) related to other comprehensive income	14	(216)	30	26
Other comprehensive income (loss), net of tax	29	(353)	65	(21)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>204</b>	<b>(123)</b>	<b>645</b>	<b>733</b>
<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>(4)</b>	<b>(4)</b>	<b>(19)</b>	<b>(14)</b>
<b>COMPREHENSIVE INCOME (LOSS) AVAILABLE TO FIRSTENERGY CORP.</b>	<b>\$ 208</b>	<b>\$ (119)</b>	<b>\$ 664</b>	<b>\$ 747</b>

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

Table of Contents

**FIRSTENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In millions)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 632	\$ 874
Receivables-		
Customers (less allowances of \$39 million in 2010 and \$33 million in 2009)	1,414	1,244
Other (less allowances of \$7 million in 2010 and 2009)	150	153
Materials and supplies, at average cost	652	647
Prepaid taxes	291	248
Other	252	154
	3,391	3,320
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
In service	27,590	27,826
Less Accumulated provision for depreciation	11,206	11,397
	16,384	16,429
Construction work in progress	3,154	2,735
	19,538	19,164
<b>INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	1,965	1,859
Investments in lease obligation bonds	486	543
Other	564	621
	3,015	3,023
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	5,575	5,575
Regulatory assets	2,246	2,356
Power purchase contract asset	116	200
Other	826	666
	8,763	8,797
	\$ 34,707	\$ 34,304

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 1,590	\$ 1,834
Short-term borrowings	1,000	1,181
Accounts payable	813	829
Accrued taxes	230	314
Other	1,339	1,130
	4,972	5,288

**CAPITALIZATION:**

Common stockholders equity-		
Common stock, \$0.10 par value, authorized 375,000,000 shares- 304,835,407 shares outstanding	31	31
Other paid-in capital	5,445	5,448
Accumulated other comprehensive loss	(1,350)	(1,415)
Retained earnings	4,591	4,495
Total common stockholders equity	8,717	8,559
Noncontrolling interest	(26)	(2)
Total equity	8,691	8,557
Long-term debt and other long-term obligations	12,104	11,908
	20,795	20,465

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	2,824	2,468
Retirement benefits	1,541	1,534
Asset retirement obligations	1,394	1,425
Deferred gain on sale and leaseback transaction	968	993
Power purchase contract liability	756	643
Lease market valuation liability	228	262
Other	1,229	1,226
	8,940	8,551

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 34,707	\$ 34,304
--	-----------	-----------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In millions)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 580	\$ 754
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	565	550
Amortization of regulatory assets	549	903
Deferral of new regulatory assets		(136)
Nuclear fuel and lease amortization	123	92
Deferred purchased power and other costs	(192)	(235)
Deferred income taxes and investment tax credits, net	259	421
Impairment of long-lived assets	294	
Investment impairment	21	39
Gain on investment securities held in trusts	(39)	(172)
Loss on debt redemption		142
Deferred rents and lease market valuation liability	(21)	(20)
Accrued compensation and retirement benefits	48	20
Interest rate swap transactions	129	
Commodity derivative transactions, net	(40)	26
Cash collateral paid, net	(54)	(85)
Pension trust contribution		(500)
Decrease (increase) in operating assets-		
Receivables	(172)	78
Materials and supplies	(6)	30
Prepayments and other current assets	(4)	(349)
Increase (decrease) in operating liabilities-		
Accounts payable	(16)	(103)
Accrued taxes	(18)	(97)
Accrued interest	63	121
Other	4	(15)
Net cash provided from operating activities	2,073	1,464
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	251	4,151
Redemptions and Repayments-		
Long-term debt	(422)	(2,213)
Short-term borrowings, net	(171)	(764)
Common stock dividend payments	(503)	(503)
Other	(25)	(54)

Net cash provided from (used for) financing activities	(870)	617
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(1,467)	(1,575)
Proceeds from asset sales	117	19
Sales of investment securities held in trusts	2,577	3,039
Purchases of investment securities held in trusts	(2,610)	(3,101)
Customer acquisition costs	(110)	
Cash investments	56	(4)
Restricted funds for debt redemption		(150)
Other	(8)	(16)
Net cash used for investing activities	(1,445)	(1,788)
Net change in cash and cash equivalents	(242)	293
Cash and cash equivalents at beginning of period	874	545
Cash and cash equivalents at end of period	\$ 632	\$ 838

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

**Table of Contents**

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>			
<b>REVENUES:</b>				
Electric sales to affiliates	\$ 599,695	\$ 616,300	\$ 1,745,542	\$ 2,348,741
Electric sales to non-affiliates	904,752	443,819	2,302,240	928,944
Other	49,230	44,453	208,662	394,145
<b>Total revenues</b>	<b>1,553,677</b>	<b>1,104,572</b>	<b>4,256,444</b>	<b>3,671,830</b>
<b>EXPENSES:</b>				
Fuel	391,087	294,693	1,061,719	871,160
Purchased power from affiliates	116,381	35,290	246,232	149,746
Purchased power from non-affiliates	411,084	205,200	1,160,119	551,155
Other operating expenses	309,793	305,935	916,366	891,555
Provision for depreciation	59,298	66,041	185,535	192,962
General taxes	21,804	21,700	70,822	66,361
Impairment of long-lived assets	291,934		293,767	
<b>Total expenses</b>	<b>1,601,381</b>	<b>928,859</b>	<b>3,934,560</b>	<b>2,722,939</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(47,704)</b>	<b>175,713</b>	<b>321,884</b>	<b>948,891</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	29,895	158,857	43,978	135,723
Miscellaneous income	4,765	2,804	10,468	12,840
Interest expense affiliates	(2,497)	(2,209)	(7,362)	(8,503)
Interest expense other	(49,544)	(42,187)	(150,560)	(90,985)
Capitalized interest	22,955	17,869	66,550	41,975
<b>Total other income (expense)</b>	<b>5,574</b>	<b>135,134</b>	<b>(36,926)</b>	<b>91,050</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(42,130)</b>	<b>310,847</b>	<b>284,958</b>	<b>1,039,941</b>
<b>INCOME TAXES</b>	<b>(5,404)</b>	<b>111,164</b>	<b>107,833</b>	<b>372,175</b>
<b>NET INCOME (LOSS)</b>	<b>(36,726)</b>	<b>199,683</b>	<b>177,125</b>	<b>667,766</b>



**OTHER COMPREHENSIVE INCOME (LOSS):**

Pension and other postretirement benefits	886	(61,085)	(8,063)	13,604
Unrealized gain on derivative hedges	2,818	790	7,109	26,847
Change in unrealized gain on available-for-sale securities	17,445	(89,401)	28,533	(51,374)
Other comprehensive income (loss)	21,149	(149,696)	27,579	(10,923)
Income taxes related to other comprehensive income (loss)	7,694	(58,883)	9,898	(3,549)
Other comprehensive income (loss), net of tax	13,455	(90,813)	17,681	(7,374)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (23,271)</b>	<b>\$ 108,870</b>	<b>\$ 194,806</b>	<b>\$ 660,392</b>

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)**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10	\$ 12
Receivables-		
Customers (less accumulated provisions of \$16,277,000 and \$12,041,000, respectively, for uncollectible accounts)	325,265	195,107
Associated companies	269,986	318,561
Other (less accumulated provisions of \$6,702,000 for uncollectible accounts)	57,407	51,872
Notes receivable from associated companies	501,648	805,103
Materials and supplies, at average cost	554,043	539,541
Prepayments and other	204,065	107,782
	1,912,424	2,017,978
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
In service	9,663,264	10,357,632
Less Accumulated provision for depreciation	4,114,381	4,531,158
	5,548,883	5,826,474
Construction work in progress	2,736,635	2,423,446
	8,285,518	8,249,920
<b>INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	1,158,376	1,088,641
Other	7,400	22,466
	1,165,776	1,111,107
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Accumulated deferred income tax benefits	3,357	86,626
Customer intangibles	127,420	16,566
Goodwill	24,248	24,248
Property taxes	50,125	50,125
Unamortized sale and leaseback costs	61,934	72,553
Other	164,332	121,665
	431,416	371,783
	\$ 11,795,134	\$ 11,750,788

**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 1,396,792	\$ 1,550,927
Short-term borrowings-		
Associated companies	9,642	9,237
Other	100,000	100,000
Accounts payable-		
Associated companies	472,018	466,078
Other	204,928	245,363
Accrued taxes	59,422	83,158
Other	430,824	359,057
	2,673,626	2,813,820

**CAPITALIZATION:**

Common stockholders' equity-		
Common stock, without par value, authorized 750 shares, 7 shares outstanding	1,490,010	1,468,423
Accumulated other comprehensive loss	(85,320)	(103,001)
Retained earnings	2,326,274	2,149,149
Total common stockholders' equity	3,730,964	3,514,571
Long-term debt and other long-term obligations	2,819,150	2,711,652
	6,550,114	6,226,223

**NONCURRENT LIABILITIES:**

Deferred gain on sale and leaseback transaction	967,583	992,869
Accumulated deferred investment tax credits	55,267	58,396
Asset retirement obligations	877,522	921,448
Retirement benefits	228,779	204,035
Property taxes	50,125	50,125
Lease market valuation liability	228,119	262,200
Other	163,999	221,672
	2,571,394	2,710,745

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 11,795,134	\$ 11,750,788
--	---------------	---------------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 177,125	\$ 667,766
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	185,535	192,962
Nuclear fuel and lease amortization	126,071	94,244
Deferred rents and lease market valuation liability	(41,493)	(40,143)
Deferred income taxes and investment tax credits, net	96,152	268,812
Impairment of long-lived assets	293,767	
Investment impairment	21,089	36,169
Accrued compensation and retirement benefits	15,887	5,860
Commodity derivative transactions, net	(40,048)	25,794
Gain on asset sales	(2,213)	(9,832)
Gain on investment securities held in trusts	(34,292)	(154,723)
Cash collateral, net	(53,900)	(92,618)
Decrease (increase) in operating assets-		
Receivables	(91,134)	(55,774)
Materials and supplies	(15,324)	38,543
Prepayments and other current assets	36,004	(35,315)
Increase (decrease) in operating liabilities-		
Accounts payable	(50,114)	(72,181)
Accrued taxes	(8,404)	23,846
Accrued interest	(14,130)	31,770
Other	23,349	(43,369)
Net cash provided from operating activities	623,927	881,811
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	249,520	2,356,762
Short-term borrowings, net	405	
Redemptions and Repayments-		
Long-term debt	(296,339)	(618,213)
Short-term borrowings, net		(1,164,823)
Other	(798)	(20,006)
Net cash provided from (used for) financing activities	(47,212)	553,720
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Property additions	(801,238)	(842,600)
Proceeds from asset sales	117,213	16,129
Sales of investment securities held in trusts	1,478,086	2,152,717
Purchases of investment securities held in trusts	(1,511,273)	(2,175,135)
Loans from (to) associated companies, net	303,455	(298,841)
Customer acquisition costs	(110,073)	
Leasehold improvement payments to associated companies	(51,204)	
Other	(1,683)	(20,882)
Net cash used for investing activities	(576,717)	(1,168,612)
Net change in cash and cash equivalents	(2)	266,919
Cash and cash equivalents at beginning of period	12	39
Cash and cash equivalents at end of period	\$ 10	\$ 266,958

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

**Table of Contents**

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>			
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 456,531	\$ 575,377	\$ 1,351,893	\$ 1,942,612
Excise and gross receipts tax collections	30,058	27,127	82,482	81,055
Total revenues	486,589	602,504	1,434,375	2,023,667
<b>EXPENSES:</b>				
Purchased power from affiliates	136,804	200,506	424,530	847,712
Purchased power from non-affiliates	84,264	161,732	257,322	397,875
Other operating expenses	94,804	102,463	271,934	372,231
Provision for depreciation	21,990	22,407	65,884	65,916
Amortization of regulatory assets, net	9,704	17,404	48,473	59,910
General taxes	48,909	45,164	139,763	138,187
Total expenses	396,475	549,676	1,207,906	1,881,831
<b>OPERATING INCOME</b>	<b>90,114</b>	<b>52,828</b>	<b>226,469</b>	<b>141,836</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	5,438	20,285	16,991	39,796
Miscellaneous income	1,673	237	2,676	2,108
Interest expense	(21,975)	(22,961)	(66,440)	(67,717)
Capitalized interest	335	231	838	730
Total other expense	(14,529)	(2,208)	(45,935)	(25,083)
<b>INCOME BEFORE INCOME TAXES</b>	<b>75,585</b>	<b>50,620</b>	<b>180,534</b>	<b>116,753</b>
<b>INCOME TAXES</b>	<b>29,332</b>	<b>15,885</b>	<b>60,797</b>	<b>36,742</b>
<b>NET INCOME</b>	<b>46,253</b>	<b>34,735</b>	<b>119,737</b>	<b>80,011</b>
Income from noncontrolling interest	124	140	386	429

<b>EARNINGS AVAILABLE TO PARENT</b>	\$	46,129	\$	34,595	\$	119,351	\$	79,582
-------------------------------------	----	--------	----	--------	----	---------	----	--------

**STATEMENTS OF COMPREHENSIVE INCOME**

<b>NET INCOME</b>	\$	46,253	\$	34,735	\$	119,737	\$	80,011
-------------------	----	--------	----	--------	----	---------	----	--------

**OTHER COMPREHENSIVE INCOME LOSS:**

Pension and other postretirement benefits	321	(49,043)	4,658	46,559
Change in unrealized gain on available-for-sale securities	2,178	(7,695)	2,989	(9,676)

Other comprehensive income (loss)	2,499	(56,738)	7,647	36,883
-----------------------------------	-------	----------	-------	--------

Income tax expense (benefit) related to other comprehensive income	562	(21,924)	1,229	15,915
--	-----	----------	-------	--------

Other comprehensive income (loss), net of tax	1,937	(34,814)	6,418	20,968
---	-------	----------	-------	--------

<b>COMPREHENSIVE INCOME (LOSS)</b>	48,190	(79)	126,155	100,979
------------------------------------	--------	------	---------	---------

<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	124	140	386	429
---	-----	-----	-----	-----

<b>COMPREHENSIVE INCOME (LOSS) AVAILABLE TO PARENT</b>	\$	48,066	\$	(219)	\$	125,769	\$	100,550
--	----	--------	----	-------	----	---------	----	---------

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

**Table of Contents**

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

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 288,092	\$ 324,175
Receivables-		
Customers (less accumulated provisions of \$4,951,000 and \$5,119,000, respectively, for uncollectible accounts)	182,894	209,384
Associated companies	38,499	98,874
Other	20,777	14,155
Notes receivable from associated companies	16,234	118,651
Prepayments and other	9,490	15,964
	555,986	781,203
<b>UTILITY PLANT:</b>		
In service	3,118,239	3,036,467
Less Accumulated provision for depreciation	1,199,401	1,165,394
	1,918,838	1,871,073
Construction work in progress	38,915	31,171
	1,957,753	1,902,244
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lease obligation bonds	204,707	216,600
Nuclear plant decommissioning trusts	129,685	120,812
Other	96,897	96,861
	431,289	434,273
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Regulatory assets	413,596	465,331
Pension assets	39,271	19,881
Property taxes	67,037	67,037
Unamortized sale and leaseback costs	31,376	35,127
Other	17,540	39,881
	568,820	627,257
	\$ 3,513,848	\$ 3,744,977



**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 1,479	\$ 2,723
Short-term borrowings-		
Associated companies	47,648	92,863
Other	320	807
Accounts payable-		
Associated companies	32,084	102,763
Other	23,994	40,423
Accrued taxes	55,236	81,868
Accrued interest	25,354	25,749
Other	133,060	81,424
	319,175	428,620

**CAPITALIZATION:**

Common stockholder s equity-		
Common stock, without par value, authorized 175,000,000 shares - 60 shares outstanding	951,839	1,154,797
Accumulated other comprehensive loss	(157,159)	(163,577)
Retained earnings	104,241	29,890
Total common stockholder s equity	898,921	1,021,110
Noncontrolling interest	6,225	6,442
Total equity	905,146	1,027,552
Long-term debt and other long-term obligations	1,152,370	1,160,208
	2,057,516	2,187,760

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	678,815	660,114
Accumulated deferred investment tax credits	10,521	11,406
Retirement benefits	169,070	174,925
Asset retirement obligations	83,194	85,926
Other	195,557	196,226
	1,137,157	1,128,597

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 3,513,848	\$ 3,744,977
--	--------------	--------------

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

**Table of Contents**

**OHIO EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 119,737	\$ 80,011
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	65,884	65,916
Amortization of regulatory assets, net	48,473	59,910
Purchased power cost recovery reconciliation	3,906	15,372
Amortization of lease costs	28,314	28,394
Deferred income taxes and investment tax credits, net	7,612	32,658
Accrued compensation and retirement benefits	(16,659)	(3,542)
Accrued regulatory obligations	1,301	19,172
Electric service prepayment programs		(4,634)
Cash collateral from suppliers	23,286	6,469
Pension trust contributions		(103,035)
Decrease (increase) in operating assets-		
Receivables	91,971	128,688
Prepayments and other current assets	10,331	(2,553)
Decrease in operating liabilities-		
Accounts payable	(87,108)	(60,125)
Accrued taxes	(26,425)	(17,196)
Accrued interest	(395)	(59)
Other	(9,695)	(8,596)
Net cash provided from operating activities	260,533	236,850
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		100,000
Short-term borrowings, net		74,514
Redemptions and Repayments-		
Long-term debt	(9,628)	(101,088)
Short-term borrowings, net	(45,702)	
Common stock dividend payments	(250,000)	(150,000)
Other	(892)	(2,138)
Net cash used for financing activities	(306,222)	(78,712)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(110,645)	(108,253)

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Leasehold improvement payments from associated companies	18,375	
Sales of investment securities held in trusts	78,599	207,280
Purchases of investment securities held in trusts	(83,725)	(214,592)
Loan repayments from associated companies, net	102,417	134,975
Cash investments	12,296	7,070
Other	(7,711)	(1,216)
Net cash provided from investing activities	9,606	25,264
Net change in cash and cash equivalents	(36,083)	183,402
Cash and cash equivalents at beginning of period	324,175	146,343
Cash and cash equivalents at end of period	\$ 288,092	\$ 329,745

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

**Table of Contents**

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

**Three Months Ended**                      **Nine Months Ended**  
**September 30**                              **September 30**  
**2010**                              **2009**                              **2010**                              **2009**  
*(In thousands)*

**STATEMENTS OF INCOME****REVENUES:**

Electric sales	\$ 309,236	\$ 417,900	\$ 901,913	\$ 1,307,592
Excise tax collections	19,480	17,629	52,548	52,748
Total revenues	328,716	435,529	954,461	1,360,340

**EXPENSES:**

Purchased power from affiliates	89,389	153,556	298,204	635,927
Purchased power from non-affiliates	35,151	87,689	105,200	208,849
Other operating expenses	36,441	37,822	96,613	141,829
Provision for depreciation	18,057	17,753	54,504	53,885
Amortization of regulatory assets	45,136	39,313	121,082	325,630
Deferral of new regulatory assets				(134,587)
General taxes	39,878	37,752	107,207	112,749
Total expenses	264,052	373,885	782,810	1,344,282

**OPERATING INCOME**

	64,664	61,644	171,651	16,058
--	--------	--------	---------	--------

**OTHER INCOME (EXPENSE):**

Investment income	6,604	7,565	20,756	23,599
Miscellaneous income	533	645	1,790	3,437
Interest expense	(33,384)	(34,740)	(100,267)	(100,819)
Capitalized interest	10	27	43	145
Total other expense	(26,237)	(26,503)	(77,678)	(73,638)

**INCOME (LOSS) BEFORE INCOME TAXES**

	38,427	35,141	93,973	(57,580)
--	--------	--------	--------	----------

**INCOME TAX EXPENSE (BENEFIT)**

	13,479	9,755	33,107	(25,290)
--	--------	-------	--------	----------

**NET INCOME (LOSS)**

	24,948	25,386	60,866	(32,290)
--	--------	--------	--------	----------

Income from noncontrolling interest	366	418	1,151	1,295
<b>EARNINGS (LOSS) AVAILABLE TO PARENT</b>	<b>\$ 24,582</b>	<b>\$ 24,968</b>	<b>\$ 59,715</b>	<b>\$ (33,585)</b>
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME (LOSS)</b>	<b>\$ 24,948</b>	<b>\$ 25,386</b>	<b>\$ 60,866</b>	<b>\$ (32,290)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	3,228	(48,024)	(16,129)	(154)
Unrealized loss on derivative hedges		(1,451)		(1,451)
Other comprehensive income (loss)	3,228	(49,475)	(16,129)	(1,605)
Income tax expense (benefit) related to other comprehensive income	976	(17,854)	(6,325)	1,452
Other comprehensive income (loss), net of tax	2,252	(31,621)	(9,804)	(3,057)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>27,200</b>	<b>(6,235)</b>	<b>51,062</b>	<b>(35,347)</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>366</b>	<b>418</b>	<b>1,151</b>	<b>1,295</b>
<b>COMPREHENSIVE INCOME (LOSS) AVAILABLE TO PARENT</b>	<b>\$ 26,834</b>	<b>\$ (6,653)</b>	<b>\$ 49,911</b>	<b>\$ (36,642)</b>

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

**Table of Contents**

**THE CLEVELAND ELECTRIC ILLUMINATING COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 247	\$ 86,230
Receivables-		
Customers (less accumulated provisions of \$5,271,000 and \$5,239,000, respectively, for uncollectible accounts)	186,044	209,335
Associated companies	59,339	98,954
Other	4,910	11,661
Notes receivable from associated companies	23,905	26,802
Prepayments and other	4,362	9,973
	278,807	442,955
<b>UTILITY PLANT:</b>		
In service	2,373,419	2,310,074
Less Accumulated provision for depreciation	921,040	888,169
	1,452,379	1,421,905
Construction work in progress	30,482	36,907
	1,482,861	1,458,812
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lessor notes	340,031	388,641
Other	10,084	10,220
	350,115	398,861
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	1,688,521	1,688,521
Regulatory assets	420,144	545,505
Pension assets (Note 6)		13,380
Property taxes	77,319	77,319
Other	12,897	12,777
	2,198,881	2,337,502
	\$ 4,310,664	\$ 4,638,130

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 148	\$ 117
Short-term borrowings-		
Associated companies	129,912	339,728
Accounts payable-		
Associated companies	14,803	68,634
Other	13,725	17,166
Accrued taxes	64,492	90,511
Accrued interest	39,261	18,466
Other	63,732	45,440
	326,073	580,062

**CAPITALIZATION:**

Common stockholders' equity-		
Common stock, without par value, authorized 105,000,000 shares, 67,930,743 shares outstanding	886,927	884,897
Accumulated other comprehensive loss	(147,962)	(138,158)
Retained earnings	556,963	597,248
Total common stockholders' equity	1,295,928	1,343,987
Noncontrolling interest	17,651	20,592
Total equity	1,313,579	1,364,579
Long-term debt and other long-term obligations	1,852,511	1,872,750
	3,166,090	3,237,329

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	628,244	644,745
Accumulated deferred investment tax credits	11,205	11,836
Retirement benefits	82,070	69,733
Other	96,982	94,425
	818,501	820,739

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 4,310,664	\$ 4,638,130
--	--------------	--------------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ 60,866	\$ (32,290)
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Provision for depreciation	54,504	53,885
Amortization of regulatory assets, net	121,082	325,630
Deferral of new regulatory assets		(134,587)
Purchased power cost recovery reconciliation		(3,478)
Deferred income taxes and investment tax credits, net	(24,283)	(41,939)
Accrued compensation and retirement benefits	10,467	10,311
Pension trust contribution		(89,789)
Electric service prepayment programs		(3,510)
Cash collateral from suppliers, net	19,245	5,404
Decrease (increase) in operating assets-		
Receivables	86,725	30,977
Prepayments and other current assets	5,421	(633)
Increase (decrease) in operating liabilities-		
Accounts payable	(57,272)	(32,240)
Accrued taxes	(23,876)	(17,003)
Accrued interest	20,795	29,816
Other	740	11,489
 Net cash provided from operating activities	 274,414	 112,043
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		298,398
Redemptions and Repayments-		
Long-term debt	(84)	(558)
Short-term borrowings, net	(230,132)	(111,128)
Common stock dividend payments	(100,000)	(93,000)
Other	(4,100)	(6,161)
 Net cash provided from (used for) financing activities	 (334,316)	 87,551
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(70,812)	(73,577)
Restricted cash		(155,573)
Loan repayments from (to) associated companies, net	2,897	(4,638)



Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Redemptions of lessor notes	48,610	37,072
Other	(6,776)	(2,871)
Net cash used for investing activities	(26,081)	(199,587)
Net change in cash and cash equivalents	(85,983)	7
Cash and cash equivalents at beginning of period	86,230	226
Cash and cash equivalents at end of period	\$ 247	\$ 233

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

Table of Contents

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>			
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 136,058	\$ 206,086	\$ 376,180	\$ 663,082
Excise tax collections	7,979	7,422	21,079	21,448
Total revenues	144,037	213,508	397,259	684,530
<b>EXPENSES:</b>				
Purchased power from affiliates	42,338	86,278	144,062	342,166
Purchased power from non-affiliates	16,663	56,494	50,377	115,275
Other operating expenses	28,746	30,238	79,790	110,722
Provision for depreciation	7,800	7,847	23,763	23,136
Amortization (deferral) of regulatory assets, net	6,591	9,253	(3,708)	30,921
General taxes	14,023	13,205	39,766	39,804
Total expenses	116,161	203,315	334,050	662,024
<b>OPERATING INCOME</b>	<b>27,876</b>	<b>10,193</b>	<b>63,209</b>	<b>22,506</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	3,018	9,302	11,875	22,315
Miscellaneous expense	(502)	(1,725)	(2,853)	(1,690)
Interest expense	(10,479)	(10,854)	(31,421)	(25,649)
Capitalized interest	94	46	252	138
Total other expense	(7,869)	(3,231)	(22,147)	(4,886)
<b>INCOME BEFORE INCOME TAXES</b>	<b>20,007</b>	<b>6,962</b>	<b>41,062</b>	<b>17,620</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>6,911</b>	<b>(138)</b>	<b>13,241</b>	<b>3,123</b>
<b>NET INCOME</b>	<b>13,096</b>	<b>7,100</b>	<b>27,821</b>	<b>14,497</b>
Income from noncontrolling interest	(4)	14	1	17

<b>EARNINGS AVAILABLE TO PARENT</b>	\$ 13,100	\$ 7,086	\$ 27,820	\$ 14,480
-------------------------------------	-----------	----------	-----------	-----------

**STATEMENTS OF COMPREHENSIVE  
INCOME**

<b>NET INCOME</b>	\$ 13,096	\$ 7,100	\$ 27,821	\$ 14,497
-------------------	-----------	----------	-----------	-----------

**OTHER COMPREHENSIVE INCOME  
(LOSS):**

Pension and other postretirement benefits	713	(24,201)	1,723	(5,052)
Change in unrealized gain on available-for-sale securities	427	(11,633)	466	(15,181)
Other comprehensive income (loss)	1,140	(35,834)	2,189	(20,233)
Income tax expense (benefit) related to other comprehensive income	330	(13,187)	565	(5,982)
Other comprehensive income (loss), net of tax	810	(22,647)	1,624	(14,251)

<b>COMPREHENSIVE INCOME (LOSS)</b>	13,906	(15,547)	29,445	246
------------------------------------	--------	----------	--------	-----

**COMPREHENSIVE INCOME  
(LOSS) ATTRIBUTABLE TO  
NONCONTROLLING INTEREST**

	(4)	14	1	17
--	-----	----	---	----

**COMPREHENSIVE INCOME  
(LOSS) AVAILABLE TO PARENT**

	\$ 13,910	\$ (15,561)	\$ 29,444	\$ 229
--	-----------	-------------	-----------	--------

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

**Table of Contents**

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

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 134,158	\$ 436,712
Receivables-		
Customers	30	75
Associated companies	44,075	90,191
Other (less accumulated provisions of \$224,000 and \$208,000, respectively, for uncollectible accounts)	19,146	20,180
Notes receivable from associated companies	81,254	85,101
Prepayments and other	4,272	7,111
	282,935	639,370
<b>UTILITY PLANT:</b>		
In service	938,532	912,930
Less Accumulated provision for depreciation	440,510	427,376
	498,022	485,554
Construction work in progress	9,946	9,069
	507,968	494,623
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lessor notes	103,848	124,357
Nuclear plant decommissioning trusts	76,051	73,935
Other	1,514	1,580
	181,413	199,872
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	500,576	500,576
Regulatory assets	74,297	69,557
Property taxes	23,658	23,658
Other	27,215	55,622
	625,746	649,413
	\$ 1,598,062	\$ 1,983,278
<b>LIABILITIES AND CAPITALIZATION</b>		

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 208	\$ 222
Accounts payable- Associated companies	8,644	78,341
Other	6,212	8,312
Notes payable to associated companies		225,975
Accrued taxes	17,904	25,734
Lease market valuation liability	36,900	36,900
Other	44,745	29,273
	114,613	404,757

**CAPITALIZATION:**

Common stockholders' equity- Common stock, \$5 par value, authorized 60,000,000 shares, 29,402,054 shares outstanding	147,010	147,010
Other paid-in-capital	178,170	178,181
Accumulated other comprehensive loss	(48,179)	(49,803)
Retained earnings	112,310	214,490
Total common stockholders' equity	389,311	489,878
Noncontrolling interest	2,587	2,696
Total equity	391,898	492,574
Long-term debt and other long-term obligations	600,478	600,443
	992,376	1,093,017

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	116,090	80,508
Accumulated deferred investment tax credits	6,039	6,367
Retirement benefits	67,953	65,988
Asset retirement obligations	28,287	32,290
Lease market valuation liability	208,525	236,200
Other	64,179	64,151
	491,073	485,504

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 1,598,062	\$ 1,983,278
--	--------------	--------------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 27,821	\$ 14,497
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	23,763	23,136
Amortization (deferral) of regulatory assets, net	(3,708)	30,921
Deferred rents and lease market valuation liability	(36,123)	(34,556)
Deferred income taxes and investment tax credits, net	18,927	(2,242)
Accrued compensation and retirement benefits	4,529	3,039
Accrued regulatory obligations	40	4,841
Electric service prepayment programs		(1,458)
Pension trust contribution		(21,590)
Cash collateral from suppliers	9,874	2,830
Decrease in operating assets-		
Receivables	61,051	24,561
Prepayments and other current assets	2,839	109
Increase (decrease) in operating liabilities-		
Accounts payable	(69,846)	(13,440)
Accrued taxes	(6,172)	(5,057)
Accrued interest	10,050	14,033
Other	(10,971)	(3,694)
Net cash provided from operating activities	32,074	35,930
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		297,422
Redemptions and Repayments-		
Long-term debt	(167)	(292)
Short-term borrowings, net	(225,975)	(101,569)
Common stock dividend payments	(130,000)	(25,000)
Other	(112)	(351)
Net cash provided from (used for) financing activities	(356,254)	170,210
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(29,592)	(33,005)
Leasehold improvement payments from associated companies	32,829	
Loan repayments from associated companies, net	3,847	10,256

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Redemptions of lessor notes	20,509	18,358
Sales of investment securities held in trusts	118,360	171,061
Purchases of investment securities held in trusts	(119,777)	(173,214)
Other	(4,550)	(2,776)
Net cash provided from (used for) investing activities	21,626	(9,320)
Net change in cash and cash equivalents	(302,554)	196,820
Cash and cash equivalents at beginning of period	436,712	14
Cash and cash equivalents at end of period	\$ 134,158	\$ 196,834

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

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
	<i>(In thousands)</i>			
<b>REVENUES:</b>				
Electric sales	\$ 952,420	\$ 854,108	\$ 2,353,418	\$ 2,312,089
Excise tax collections	16,080	14,128	39,444	37,890
Total revenues	968,500	868,236	2,392,862	2,349,979
<b>EXPENSES:</b>				
Purchased power	556,618	509,035	1,381,104	1,414,226
Other operating expenses	89,167	84,495	260,004	241,241
Provision for depreciation	26,614	26,565	81,678	76,969
Amortization of regulatory assets, net	100,476	96,051	251,250	262,900
General taxes	19,974	18,344	51,312	48,427
Total expenses	792,849	734,490	2,025,348	2,043,763
<b>OPERATING INCOME</b>	175,651	133,746	367,514	306,216
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income	1,662	1,301	5,144	4,113
Interest expense	(30,220)	(29,593)	(89,684)	(87,132)
Capitalized interest	199	139	488	419
Total other expense	(28,359)	(28,153)	(84,052)	(82,600)
<b>INCOME BEFORE INCOME TAXES</b>	147,292	105,593	283,462	223,616
<b>INCOME TAXES</b>	64,440	43,435	121,491	95,834
<b>NET INCOME</b>	82,852	62,158	161,971	127,782
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	4,135	(51,932)	24,198	(26,893)
Unrealized gain on derivative hedges	69	69	207	207



Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Other comprehensive income (loss)	4,204	(51,863)	24,405	(26,686)
Income tax expense (benefit) related to other comprehensive income	1,443	(21,295)	9,442	(8,806)
Other comprehensive income (loss), net of tax	2,761	(30,568)	14,963	(17,880)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 85,613</b>	<b>\$ 31,590</b>	<b>\$ 176,934</b>	<b>\$ 109,902</b>

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

Table of Contents

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

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1	\$ 27
Receivables-		
Customers (less accumulated provisions of \$4,736,000 and \$3,506,000, respectively, for uncollectible accounts)	378,822	300,991
Associated companies	3,900	12,884
Other	26,024	21,877
Notes receivable associated companies	64,168	102,932
Prepaid taxes	71,153	34,930
Other	15,674	12,945
	559,742	486,586
<b>UTILITY PLANT:</b>		
In service	4,568,640	4,463,490
Less Accumulated provision for depreciation	1,666,918	1,617,639
	2,901,722	2,845,851
Construction work in progress	51,857	54,251
	2,953,579	2,900,102
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	175,254	166,768
Nuclear fuel disposal trust	208,870	199,677
Other	2,136	2,149
	386,260	368,594
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	1,810,936	1,810,936
Regulatory assets	722,086	888,143
Other	30,608	27,096
	2,563,630	2,726,175
	\$ 6,463,211	\$ 6,481,457

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 31,947	\$ 30,639
Accounts payable- Associated companies	12,743	26,882
Other	154,872	168,093
Accrued taxes	24,798	12,594
Accrued interest	30,003	18,256
Other	78,903	111,156
	333,266	367,620

**CAPITALIZATION:**

Common stockholders' equity- Common stock, \$10 par value, authorized 16,000,000 shares, 13,628,447 shares outstanding	136,284	136,284
Other paid-in capital	2,508,852	2,507,049
Accumulated other comprehensive loss	(228,049)	(243,012)
Retained earnings	197,046	200,075
Total common stockholders' equity	2,614,133	2,600,396
Long-term debt and other long-term obligations	1,779,081	1,801,589
	4,393,214	4,401,985

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	720,825	687,545
Nuclear fuel disposal costs	196,703	196,511
Retirement benefits	133,579	150,603
Asset retirement obligations	106,573	101,568
Power purchase contract liability	386,273	399,105
Other	192,778	176,520
	1,736,731	1,711,852

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 6,463,211	\$ 6,481,457
--	--------------	--------------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 161,971	\$ 127,782
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	81,678	76,969
Amortization of regulatory assets, net	251,250	262,900
Deferred purchased power and other costs	(85,136)	(106,340)
Deferred income taxes and investment tax credits, net	14,984	40,989
Accrued compensation and retirement benefits	11,621	7,308
Cash collateral paid, net	(23,400)	(210)
Pension trust contribution		(100,000)
Decrease (increase) in operating assets-		
Receivables	(72,994)	18,984
Prepayments and other current assets	(36,573)	(83,538)
Increase (decrease) in operating liabilities-		
Accounts payable	(37,668)	(40,670)
Accrued taxes	35,326	(13,399)
Accrued interest	11,747	20,946
Tax collections payable		(9,714)
Other	(13,953)	12,606
Net cash provided from operating activities	298,853	214,613
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		299,619
Redemptions and Repayments-		
Common stock		(150,000)
Long-term debt	(21,703)	(20,570)
Short-term borrowings, net		(114,766)
Common stock dividend payments	(165,000)	(88,000)
Other	(2)	(2,275)
Net cash used for financing activities	(186,705)	(75,992)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(130,008)	(121,342)
Loans from (to) associated companies, net	38,764	(660)
Sales of investment securities held in trusts	340,368	338,684

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Purchases of investment securities held in trusts	(353,028)	(351,216)
Other	(8,270)	(4,152)
Net cash used for investing activities	(112,174)	(138,686)
Net change in cash and cash equivalents	(26)	(65)
Cash and cash equivalents at beginning of period	27	66
Cash and cash equivalents at end of period	\$ 1	\$ 1

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

Table of Contents

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>			
<b>REVENUES:</b>				
Electric sales	\$ 460,864	\$ 424,901	\$ 1,334,454	\$ 1,194,609
Gross receipts tax collections	23,049	20,612	65,245	58,181
Total revenues	483,913	445,513	1,399,699	1,252,790
<b>EXPENSES:</b>				
Purchased power from affiliates	166,039	94,768	476,119	273,497
Purchased power from non-affiliates	87,561	142,495	264,765	389,705
Other operating expenses	141,761	63,654	333,895	221,320
Provision for depreciation	12,978	13,262	39,176	38,320
Amortization of regulatory assets, net	15,480	84,631	112,869	173,770
General taxes	25,029	22,540	66,663	66,509
Total expenses	448,848	421,350	1,293,487	1,163,121
<b>OPERATING INCOME</b>	<b>35,065</b>	<b>24,163</b>	<b>106,212</b>	<b>89,669</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest income	581	2,169	2,678	8,124
Miscellaneous income	1,539	1,068	5,093	2,982
Interest expense	(13,037)	(14,380)	(39,812)	(42,502)
Capitalized interest	176	47	461	124
Total other expense	(10,741)	(11,096)	(31,580)	(31,272)
<b>INCOME BEFORE INCOME TAXES</b>	<b>24,324</b>	<b>13,067</b>	<b>74,632</b>	<b>58,397</b>
<b>INCOME TAXES</b>	<b>10,084</b>	<b>2,324</b>	<b>30,968</b>	<b>21,027</b>
<b>NET INCOME</b>	<b>14,240</b>	<b>10,743</b>	<b>43,664</b>	<b>37,370</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	2,161	(31,365)	14,032	557

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Unrealized gain on derivative hedges	84	84	252	252
Other comprehensive income (loss)	2,245	(31,281)	14,284	809
Income tax expense (benefit) related to other comprehensive income	723	(13,112)	5,624	2,273
Other comprehensive income (loss), net of tax	1,522	(18,169)	8,660	(1,464)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 15,762</b>	<b>\$ (7,426)</b>	<b>\$ 52,324</b>	<b>\$ 35,906</b>

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

Table of Contents

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

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 124	\$ 120
Receivables-		
Customers (less accumulated provisions of \$4,344,000 and \$4,044,000, respectively, for uncollectible accounts)	182,509	171,052
Associated companies	41,689	29,413
Other	13,654	11,650
Notes receivable from associated companies	11,201	97,150
Prepaid taxes	27,307	15,229
Other	2,523	1,459
	279,007	326,073
<b>UTILITY PLANT:</b>		
In service	2,213,765	2,162,815
Less Accumulated provision for depreciation	836,821	810,746
	1,376,944	1,352,069
Construction work in progress	31,488	14,901
	1,408,432	1,366,970
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	277,823	266,479
Other	877	890
	278,700	267,369
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	416,499	416,499
Regulatory assets	400,375	356,754
Power purchase contract asset	103,902	176,111
Other	64,084	36,544
	984,860	985,908
	\$ 2,950,999	\$ 2,946,320

**LIABILITIES AND CAPITALIZATION**



**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 28,500	\$ 128,500
Short-term borrowings- Associated companies	6,296	
Accounts payable- Associated companies	34,204	40,521
Other	28,604	41,050
Accrued taxes	2,967	11,170
Accrued interest	11,717	17,362
Other	31,993	24,520
	144,281	263,123

**CAPITALIZATION:**

Common stockholders' equity- Common stock, without par value, authorized 900,000 shares, 859,500 shares outstanding	1,197,064	1,197,070
Accumulated other comprehensive loss	(134,891)	(143,551)
Retained earnings	48,064	4,399
Total common stockholders' equity	1,110,237	1,057,918
Long-term debt and other long-term obligations	713,941	713,873
	1,824,178	1,771,791

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	489,608	453,462
Accumulated deferred investment tax credits	6,978	7,313
Nuclear fuel disposal costs	44,434	44,391
Retirement benefits	28,268	33,605
Asset retirement obligations	189,489	180,297
Power purchase contract liability	175,259	143,135
Other	48,504	49,203
	982,540	911,406

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 2,950,999	\$ 2,946,320
--	--------------	--------------

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

**Table of Contents**

**METROPOLITAN EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 43,664	\$ 37,370
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	39,176	38,320
Amortization of regulatory assets, net	112,869	173,770
Deferred costs recoverable as regulatory assets	(49,646)	(70,044)
Deferred income taxes and investment tax credits, net	23,781	59,393
Accrued compensation and retirement benefits	(282)	6,712
Pension trust contribution		(123,521)
Cash collateral paid, net	(17,647)	(6,800)
Decrease (increase) in operating assets-		
Receivables	(18,444)	(23,370)
Prepayments and other current assets	(13,144)	(22,614)
Increase (decrease) in operating liabilities-		
Accounts payable	(18,763)	(17,293)
Accrued taxes	(8,203)	(11,095)
Accrued interest	(5,645)	5,001
Other	7,721	11,891
Net cash provided from operating activities	95,437	57,720
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		300,000
Short-term borrowings, net	6,296	
Redemptions and Repayments-		
Long-term debt	(100,000)	
Short-term borrowings, net		(265,003)
Other		(2,268)
Net cash provided from (used for) financing activities	(93,704)	32,729
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(77,921)	(73,106)
Sales of investment securities held in trusts	420,116	88,802
Purchases of investment securities held in trusts	(427,150)	(95,982)
Loans from (to) associated companies, net	85,949	(6,586)
Other	(2,723)	(3,597)

Net cash used for investing activities	(1,729)	(90,469)
Net change in cash and cash equivalents	4	(20)
Cash and cash equivalents at beginning of period	120	144
Cash and cash equivalents at end of period	\$ 124	\$ 124

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

Table of Contents

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>			
<b>REVENUES:</b>				
Electric sales	\$ 372,480	\$ 340,246	\$ 1,108,751	\$ 1,028,420
Gross receipts tax collections	17,414	15,246	51,100	47,342
Total revenues	389,894	355,492	1,159,851	1,075,762
<b>EXPENSES:</b>				
Purchased power from affiliates	165,125	81,191	486,470	249,438
Purchased power from non-affiliates	92,648	144,777	270,900	397,260
Other operating expenses	58,832	47,785	198,296	171,375
Provision for depreciation	14,859	15,038	46,146	45,074
Amortization (deferral) of regulatory assets, net	(1,771)	17,201	(22,259)	44,090
General taxes	19,194	17,230	54,375	56,074
Total expenses	348,887	323,222	1,033,928	963,311
<b>OPERATING INCOME</b>	41,007	32,270	125,923	112,451
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income	1,508	1,156	4,431	2,865
Interest expense	(17,581)	(11,614)	(52,501)	(36,690)
Capitalized interest	193	23	516	74
Total other expense	(15,880)	(10,435)	(47,554)	(33,751)
<b>INCOME BEFORE INCOME TAXES</b>	25,127	21,835	78,369	78,700
<b>INCOME TAXES</b>	5,311	6,039	28,280	29,393
<b>NET INCOME</b>	19,816	15,796	50,089	49,307
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits	1,830	(79,579)	12,207	(47,224)
Unrealized gain on derivative hedges	16	17	48	49

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Change in unrealized gain on available-for-sale securities		19		3
Other comprehensive income (loss)	1,846	(79,543)	12,255	(47,172)
Income tax expense (benefit) related to other comprehensive income	484	(33,141)	4,251	(16,986)
Other comprehensive income (loss), net of tax	1,362	(46,402)	8,004	(30,186)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	\$ 21,178	\$ (30,606)	\$ 58,093	\$ 19,121

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

**Table of Contents**

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

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 8	\$ 14
Receivables-		
Customers (less accumulated provisions of \$3,481,000 and \$3,483,000, respectively, for uncollectible accounts)	135,416	139,302
Associated companies	95,355	77,338
Other	14,413	18,320
Notes receivable from associated companies	14,569	14,589
Prepaid taxes	48,264	18,946
Other	2,115	1,400
	310,140	269,909
<b>UTILITY PLANT:</b>		
In service	2,503,555	2,431,737
Less Accumulated provision for depreciation	925,894	901,990
	1,577,661	1,529,747
Construction work in progress	28,498	24,205
	1,606,159	1,553,952
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	147,675	142,603
Non-utility generation trusts	92,034	120,070
Other	294	289
	240,003	262,962
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	768,628	768,628
Regulatory assets	202,801	9,045
Power purchase contract asset	5,746	15,362
Other	28,780	19,143
	1,005,955	812,178
	\$ 3,162,257	\$ 2,899,001

**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 69,310	\$ 69,310
Short-term borrowings-		
Associated companies	43,244	41,473
Accounts payable-		
Associated companies	40,747	39,884
Other	28,427	41,990
Accrued taxes	4,164	6,409
Accrued interest	24,513	17,598
Other	25,871	22,741
	236,276	239,405

**CAPITALIZATION:**

Common stockholders' equity-		
Common stock, \$20 par value, authorized 5,400,000 shares, 4,427,577 shares outstanding	88,552	88,552
Other paid-in capital	913,507	913,437
Accumulated other comprehensive loss	(154,100)	(162,104)
Retained earnings	141,590	91,501
Total common stockholders' equity	989,549	931,386
Long-term debt and other long-term obligations	1,072,207	1,072,181
	2,061,756	2,003,567

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	356,536	242,040
Retirement benefits	167,542	174,306
Asset retirement obligations	96,519	91,841
Power purchase contract liability	194,102	100,849
Other	49,526	46,993
	864,225	656,029

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 3,162,257	\$ 2,899,001
--	--------------	--------------

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

**Table of Contents**

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 50,089	\$ 49,307
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	46,146	45,074
Amortization (deferral) of regulatory assets, net	(22,259)	44,090
Deferred costs recoverable as regulatory assets	(61,574)	(76,953)
Deferred income taxes and investment tax credits, net	94,015	56,144
Accrued compensation and retirement benefits	7,634	6,271
Cash collateral paid, net	(11,760)	
Pension trust contribution		(60,000)
Decrease (increase) in operating assets-		
Receivables	(2,584)	3,687
Prepayments and other current assets	(30,034)	(24,730)
Increase (decrease) in operating liabilities-		
Accounts payable	(12,766)	(8,988)
Accrued taxes	(2,245)	(7,015)
Accrued interest	6,915	(2,570)
Other	10,127	13,392
Net cash provided from operating activities	71,704	37,709
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt		498,583
Short-term borrowings, net	1,771	
Redemptions and Repayments-		
Long-term debt		(100,000)
Short-term borrowings, net		(239,770)
Common stock dividend payments		(85,000)
Other	(125)	(3,865)
Net cash provided from financing activities	1,646	69,948
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(91,924)	(92,070)
Sales of investment securities held in trusts	141,392	80,986
Purchases of investment securities held in trusts	(116,240)	(91,105)
Other	(6,584)	(5,482)



Net cash used for investing activities	(73,356)	(107,671)
Net change in cash and cash equivalents	(6)	(14)
Cash and cash equivalents at beginning of period	14	23
Cash and cash equivalents at end of period	\$ 8	\$ 9

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

**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, FES and its subsidiaries FGCO and NGC, and FESC.

FirstEnergy and its subsidiaries follow GAAP and comply with the regulations, orders, policies and practices prescribed by the SEC, the FERC and, as applicable, the PUCO, the PPUC and the NJBPU. 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. In preparing the financial statements, FirstEnergy and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

These 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, 2009 for FirstEnergy, FES and the Utilities, as applicable. The consolidated unaudited financial statements of FirstEnergy, FES and each of the Utilities 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). Investments in affiliates over which FirstEnergy and its subsidiaries have the ability to exercise significant influence, but 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. EARNINGS PER SHARE**

Basic earnings per share of common stock is computed using the weighted average of actual common shares outstanding during the respective 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. The following table reconciles basic and diluted earnings per share of common stock:

<b>Reconciliation of Basic and Diluted Earnings per Share of Common Stock</b>	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30</b>		<b>Ended September 30</b>	
	2010	2009	2010	2009
	<i>(In millions, except per share amounts)</i>			
Earnings available to FirstEnergy Corp.	\$ 179	\$ 234	\$ 599	\$ 768
Weighted average number of basic shares outstanding	304	304	304	304
Assumed exercise of dilutive stock options and awards	1	2	1	2
Weighted average number of diluted shares outstanding	305	306	305	306
Basic earnings per share of common stock	\$ 0.59	\$ 0.77	\$ 1.97	\$ 2.52

Diluted earnings per share of common stock	\$	0.59	\$	0.77	\$	1.96	\$	2.51
--	----	------	----	------	----	------	----	------

**Table of Contents**

**3. GOODWILL**

In a business combination, the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is recognized as goodwill. Goodwill is evaluated for impairment at least annually and more frequently if indicators of impairment arise. In accordance with the accounting standards, if the fair value of a reporting unit is less than its carrying value (including goodwill), the goodwill is tested for impairment. Impairment is indicated and a loss is recognized if the implied fair value of a reporting unit's goodwill is less than the carrying value of its goodwill.

FirstEnergy's goodwill primarily relates to its energy delivery services segment. FirstEnergy's aggregated reporting units are consistent with its operating segments, which are energy delivery services and competitive energy. Goodwill is allocated to these operating segments based on the original purchase price allocation for acquisitions within the various reporting units. The goodwill allocated to competitive energy is insignificant to that segment and to FirstEnergy.

Annual impairment testing is conducted during the third quarter of each year and for 2010 the analysis indicated no impairment of goodwill. For purposes of annual testing the estimated fair values of energy delivery services and the utilities were determined using a discounted cash flow approach.

The discounted cash flow model of the reporting units, which are aggregated into operating segments, is based on the forecasted operating cash flow for the current year, projected operating cash flows for the next five years (determined using forecasted amounts as well as an estimated growth rate) and a terminal value beyond five years. Discounted cash flows consist of the operating cash flows for each reporting unit less an estimate for capital expenditures. The key assumptions incorporated in the discounted cash flow approach include growth rates, projected operating income, changes in working capital, projected capital expenditures, planned funding of pension plans, anticipated funding of nuclear decommissioning trusts, expected results of future rate proceedings and a discount rate equal to our assumed long term cost of capital. Cash flows may be adjusted to exclude certain non-recurring or unusual items. Reporting unit income, which excludes non-recurring or unusual items, was the starting point for determining operating cash flow and there were no non-recurring or unusual items excluded from the calculations of operating cash flow in any of the periods included in the determination of fair value.

Unanticipated changes in assumptions could have a significant effect on FirstEnergy's evaluation of goodwill. At the time of annual impairment testing, fair value would have to have declined in excess of 52% for energy delivery services to indicate a potential goodwill impairment. Fair value would have to have declined more than 26% for CEI, 64% for TE, 38% for JCP&L, 56% for Met-Ed, and 57% for Penelec to indicate potential goodwill impairment.

**Table of Contents****4. FAIR VALUE OF FINANCIAL INSTRUMENTS****(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 September 30, 2010 and December 31, 2009:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In millions)</i>			
FirstEnergy (Consolidated)	\$ 13,592	\$ 14,920	\$ 13,753	\$ 14,502
FES	4,181	4,228	4,224	4,306
OE	1,159	1,409	1,169	1,299
CEI	1,853	2,144	1,873	2,032
TE	600	706	600	638
JCP&L	1,819	2,076	1,840	1,950
Met-Ed	742	849	842	909
Penelec	1,144	1,269	1,144	1,177

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FES and the Utilities.

**(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.

*Available-For-Sale Securities*

The following table summarizes the amortized cost basis, unrealized gains and losses and fair values of investments held in nuclear decommissioning trusts, nuclear fuel disposal trusts and NUG trusts as of September 30, 2010 and December 31, 2009:

	Cost Basis	September 30, 2010 <sup>(1)</sup>			Cost Basis	December 31, 2009 <sup>(2)</sup>		
		Unrealized Gains	Unrealized Losses	Fair Value		Unrealized Gains	Unrealized Losses	Fair Value
	<i>(In millions)</i>							
<b>Debt securities</b>								
FirstEnergy	\$ 1,795	\$ 73	\$	\$ 1,868	\$ 1,727	\$ 22	\$	\$ 1,749
FES	1,079	39		1,118	1,043	3		1,046
OE	124	4		128	55			55
TE	31	1		32	72			72
JCP&L	277	15		292	271	9		280
Met-Ed	129	8		137	120	5		125
Penelec	155	6		161	166	5		171
<b>Equity securities</b>								
FirstEnergy	\$ 261	\$ 44	\$	\$ 305	\$ 252	\$ 43	\$	\$ 295
JCP&L	78	9		87	74	11		85

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Met-Ed	122	23	145	117	23	140
Penelec	62	10	72	61	9	70

(1) Excludes cash balances: FirstEnergy \$93 million; FES \$40 million; OE \$2 million; TE \$44 million; JCP&L \$5 million; Met-Ed \$(5) million and Penelec \$6 million.

(2) Excludes cash balances: FirstEnergy \$137 million; FES \$43 million; OE \$66 million; TE \$2 million; JCP&L \$3 million and Penelec \$23 million.

**Table of Contents**

Proceeds from the sale of investments in available-for-sale securities, realized gains and losses on those sales, and interest and dividend income for the nine-month period ended September 30, 2010 and 2009 were as follows:

<b>September 30, 2010</b>	<b>FirstEnergy</b>	<b>FES</b>	<b>OE</b>	<b>TE</b>	<b>JCP&amp;L</b>	<b>Met-Ed</b>	<b>Penelec</b>
	<i>(In millions)</i>						
Proceeds from sales	\$ 2,577	\$ 1,478	\$ 79	\$ 118	\$ 340	\$ 420	\$ 141
Realized gains	132	101	2	3	10	10	6
Realized losses	118	88		1	10	12	7
Interest and dividend income	56	33	2	1	10	5	5
<b>September 30, 2009</b>	<b>FirstEnergy</b>	<b>FES</b>	<b>OE</b>	<b>TE</b>	<b>JCP&amp;L</b>	<b>Met-Ed</b>	<b>Penelec</b>
	<i>(In millions)</i>						
Proceeds from sales	\$ 3,040	\$ 2,153	\$ 207	\$ 171	\$ 339	\$ 89	\$ 81
Realized gains	186	162	11	7	4	1	1
Realized losses	96	62	3		11	13	7
Interest and dividend income	47	22	4	2	10	5	4

**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 September 30, 2010 and December 31, 2009:

	<b>September 30, 2010</b>				<b>December 31, 2009</b>			
	<b>Cost Basis</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Cost Basis</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
	<i>(In millions)</i>							
<b>Debt Securities</b>								
FirstEnergy	\$ 486	\$ 99	\$	\$ 585	\$ 544	\$ 72	\$	\$ 616
OE	205	60		265	217	29		246
CEI	340	31		371	389	43		432

Investments in emission allowances, employee benefits and cost and equity method investments totaling \$256 million as of September 30, 2010, and \$264 million as of December 31, 2009 are not required to be disclosed and are therefore excluded from the amounts reported above.

**Notes Receivable**

The table below provides the approximate fair value and related carrying amounts of notes receivable as of September 30, 2010 and December 31, 2009. 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.

	<b>September 30, 2010</b>		<b>December 31, 2009</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<i>(In millions)</i>			
<b>Notes Receivable</b>				
FirstEnergy	\$ 7	\$ 8	\$ 36	\$ 35
FES			2	1
TE	104	114	124	141

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.

**(C) RECURRING FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. A fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. FirstEnergy's Level 1 assets and liabilities primarily consist of exchange-traded derivatives and equity securities listed on active exchanges that are held in various trusts.



**Table of Contents**

**Level 2** Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. FirstEnergy's Level 2 assets and liabilities consist primarily of investments in debt securities held in various trusts and commodity forwards. Additionally, Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Instruments in this category include non-exchange-traded derivatives such as forwards and certain interest rate swaps.

**Level 3** Pricing inputs include inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. FirstEnergy develops its view of the future market price of key commodities through a combination of market observation and assessment (generally for the short term) and fundamental modeling (generally for the long term). Key fundamental electricity model inputs are generally directly observable in the market or derived from publicly available historic and forecast data. Some key inputs reflect forecasts published by industry leading consultants who generally employ similar fundamental modeling approaches. Fundamental model inputs and results, as well as the selection of consultants, reflect the consensus of appropriate FirstEnergy management. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. FirstEnergy's Level 3 instruments consist exclusively of NUG contracts.

FirstEnergy utilizes market data and assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. FirstEnergy primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, FirstEnergy maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The following tables set forth financial assets and financial liabilities that are accounted for at fair value by level within the fair value hierarchy as of September 30, 2010 and December 31, 2009. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. FirstEnergy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the fair valuation of assets and liabilities and their placement within the fair value hierarchy levels.

**Recurring Fair Value Measures as of September 30, 2010**

	<b>FirstEnergy</b>	<b>FES</b>	<b>OE</b>	<b>Level 1 TE</b>	<b>JCP&amp;L</b>	<b>Met-Ed</b>	<b>Penelec</b>
	<i>(In millions)</i>						
<b>Assets</b>							
Nuclear Decommissioning Trust Investments - equity securities <sup>(1)</sup>	\$ 305	\$	\$	\$	\$ 88	\$ 145	\$ 73
<b>Total Assets<sup>(2)</sup></b>	<b>\$ 305</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 88</b>	<b>\$ 145</b>	<b>\$ 73</b>
<b>Liabilities</b>							
Derivatives - commodity contracts	\$ 2	\$ 2	\$	\$	\$	\$	\$
<b>Total Liabilities</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>



**Table of Contents**

	FirstEnergy	FES	OE	Level 2 TE (In millions)	JCP&L	Met-Ed	Penelec
<b>Assets</b>							
<b>Nuclear</b>							
<b>Decommissioning Trust</b>							
<b>Investments</b>							
U.S. government debt securities	\$ 619	\$ 337	\$ 127	\$ 26	\$ 37	\$ 82	\$ 10
U.S. state debt securities	88				29		59
Foreign government debt securities	285	285					
Corporate debt securities	580	496		6	23	47	8
Other	101	38	6	45	2	9	1
<b>Total Nuclear Decommissioning Trust Investments</b>	<b>\$ 1,673</b>	<b>\$ 1,156</b>	<b>\$ 133</b>	<b>\$ 77</b>	<b>\$ 91</b>	<b>\$ 138</b>	<b>\$ 78</b>
<b>Rabbi Trust Investments</b>							
Equity securities financial	\$ 1	\$	\$	\$	\$	\$	\$
Other	11						
<b>Total Rabbi Trust Investments</b>	<b>\$ 12</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Nuclear Fuel Disposal Trust Investments</b>							
U.S. state debt securities	\$ 209	\$	\$	\$	\$ 209	\$	\$
<b>Total Nuclear Fuel Disposal Trust Investments</b>	<b>\$ 209</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 209</b>	<b>\$</b>	<b>\$</b>
<b>NUG Trust Investments</b>							
U.S. state debt securities	\$ 86	\$	\$	\$	\$	\$	\$ 86
Other	6						6
<b>Total NUG Trust Investments</b>	<b>\$ 92</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 92</b>
<b>Derivatives</b>							
Commodity contracts	\$ 183	\$ 174	\$	\$	\$ 2	\$ 5	\$ 2

<b>Total Derivatives Contracts</b>	\$ 183	\$ 174	\$	\$	\$ 2	\$ 5	\$ 2
<b>Total Assets<sup>(2)</sup></b>	\$ 2,169	\$ 1,330	\$ 133	\$ 77	\$ 302	\$ 143	\$ 172
<b>Liabilities</b>							
<b>Derivatives</b>							
Commodity contracts	\$ 329	\$ 329	\$	\$	\$	\$	\$
<b>Total Liabilities</b>	\$ 329	\$ 329	\$	\$	\$	\$	\$

	FirstEnergy	FES	OE	Level 3 TE (In millions)	JCP&L	Met-Ed	Penelec
<b>Assets</b>							
Derivatives NUG contracts <sup>(3)</sup>	\$ 116	\$	\$	\$	\$ 7	\$ 104	\$ 6
<b>Liabilities</b>							
Derivatives NUG contracts <sup>(3)</sup>	\$ 756	\$	\$	\$	\$ 386	\$ 175	\$ 194

(1) NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index or Russell 3000 Index.

(2) Excludes \$(13) million of receivables, payables and accrued income.

(3) NUG contracts are subject to regulatory accounting and do not impact earnings.

#### Recurring Fair Value Measures as of December 31, 2009

	FirstEnergy	FES	OE	Level 1 TE (In millions)	JCP&L	Met-Ed	Penelec
<b>Assets</b>							
Nuclear Decommissioning Trust Investments equity securities <sup>(1)</sup>	\$ 294	\$	\$	\$	\$ 87	\$ 133	\$ 74
<b>Total Assets<sup>(2)</sup></b>	\$ 294	\$	\$	\$	\$ 87	\$ 133	\$ 74
<b>Liabilities</b>							
Derivatives commodity contracts	\$ 11	\$ 11	\$	\$	\$	\$	\$
<b>Total Liabilities</b>	\$ 11	\$ 11	\$	\$	\$	\$	\$



**Table of Contents**

	FirstEnergy	FES	OE	Level 2 TE (In millions)	JCP&L	Met-Ed	Penelec
<b>Assets</b>							
<b>Nuclear</b>							
<b>Decommissioning Trust</b>							
<b>Investments</b>							
U.S. government debt securities	\$ 558	\$ 306	\$ 118	\$ 72	\$ 23	\$ 30	\$ 9
U.S. state debt securities	188	15			41	82	50
Foreign government debt securities	279	279					
Corporate debt securities	484	443			15	20	6
Other	35	29	2		1	2	1
<b>Total Nuclear Decommissioning Trust Investments</b>	<b>\$ 1,544</b>	<b>\$ 1,072</b>	<b>\$ 120</b>	<b>\$ 72</b>	<b>\$ 80</b>	<b>\$ 134</b>	<b>\$ 66</b>
<b>Rabbi Trust Investments</b>							
Equity securities financial	\$ 1	\$	\$	\$	\$	\$	\$
Other	9						
<b>Total Rabbi Trust Investments</b>	<b>\$ 10</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Nuclear Fuel Disposal Trust Investments</b>							
U.S. state debt securities	\$ 189	\$	\$	\$	\$ 189	\$	\$
Other	11				11		
<b>Total Nuclear Fuel Disposal Trust Investments</b>	<b>\$ 200</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 200</b>	<b>\$</b>	<b>\$</b>
<b>NUG Trust Investments</b>							
U.S. state debt securities	\$ 101	\$	\$	\$	\$	\$	\$ 101
Other	19						19
<b>Total NUG Trust Investments</b>	<b>\$ 120</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 120</b>
<b>Derivatives Commodity Contracts</b>							
	\$ 34	\$ 15	\$	\$	\$ 5	\$ 9	\$ 5

<b>Other</b>	\$	1	\$	\$	\$	\$	\$	\$						
<b>Total Assets<sup>(2)</sup></b>	\$	1,909	\$	1,087	\$	120	\$	72	\$	285	\$	143	\$	191
<b>Liabilities</b>														
Derivatives commodity contracts	\$	224	\$	224	\$		\$		\$		\$		\$	
<b>Total Liabilities</b>	\$	224	\$	224	\$		\$		\$		\$		\$	

		FirstEnergy	FES	OE	Level 3 TE (In millions)	JCP&L	Met-Ed	Penelec		
<b>Assets</b>										
Derivatives NUG contracts <sup>(3)</sup>	\$	200	\$		\$	9	\$	176	\$	15
<b>Liabilities</b>										
Derivatives NUG contracts <sup>(3)</sup>	\$	643	\$		\$	399	\$	143	\$	101

(1) NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index or Russell 3000 Index.

(2) Excludes \$21 million of receivables, payables and accrued income.

(3) NUG contracts are subject to regulatory accounting and do not impact earnings.

The determination of the above fair value measures takes into consideration various factors. These factors include nonperformance risk, including counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of nonperformance risk was immaterial in the fair value measurements.

**Table of Contents**

The following tables set forth a reconciliation of changes in the fair value of NUG contracts classified as Level 3 in the fair value hierarchy for the three and nine months ended September 30, 2010 and 2009 (in millions):

	<b>FirstEnergy</b>	<b>JCP&amp;L</b>	<b>Met-Ed</b>	<b>Penelec</b>
Balance as of January 1, 2010	\$ (444)	\$ (391)	\$ 33	\$ (86)
Settlements <sup>(1)</sup>	209	99	60	50
Unrealized losses <sup>(1)</sup>	(405)	(88)	(164)	(153)
Balance as of September 30, 2010	\$ (640)	\$ (380)	\$ (71)	\$ (189)
Balance as of July 1, 2010	\$ (557)	\$ (371)	\$ (38)	\$ (148)
Settlements <sup>(1)</sup>	63	29	23	11
Unrealized losses <sup>(1)</sup>	(146)	(38)	(56)	(52)
Balance as of September 30, 2010	\$ (640)	\$ (380)	\$ (71)	\$ (189)
	<b>FirstEnergy</b>	<b>JCP&amp;L</b>	<b>Met-Ed</b>	<b>Penelec</b>
Balance as of January 1, 2009	\$ (332)	\$ (518)	\$ 150	\$ 36
Settlements <sup>(1)</sup>	273	132	63	78
Unrealized losses <sup>(1)</sup>	(406)	(30)	(178)	(198)
Balance as of September 30, 2009	\$ (465)	\$ (416)	\$ 35	\$ (84)
Balance as of July 1, 2009	\$ (536)	\$ (466)	\$ 23	\$ (93)
Settlements <sup>(1)</sup>	93	42	20	31
Unrealized gains (losses) <sup>(1)</sup>	(22)	8	(8)	(22)
Balance as of September 30, 2009	\$ (465)	\$ (416)	\$ 35	\$ (84)

<sup>(1)</sup> Changes in fair value of NUG contracts are subject to regulatory accounting and do not impact earnings.

**5. DERIVATIVE INSTRUMENTS**

FirstEnergy is exposed to financial risks resulting from fluctuating interest rates and commodity prices, including prices for electricity, natural gas, coal and energy transmission. To manage the volatility relating to these exposures, FirstEnergy uses a variety of derivative instruments, including forward contracts, options, futures contracts and swaps. The derivatives are used for risk management purposes. In addition to derivatives, FirstEnergy also enters into master netting agreements with certain third parties. FirstEnergy's Risk Policy Committee, comprised of members of senior management, provides general management oversight for risk management activities throughout FirstEnergy. The Committee is responsible for promoting the effective design and implementation of sound risk management programs and oversees compliance with corporate risk management policies and established risk management practices.

FirstEnergy accounts for derivative instruments on its Consolidated Balance Sheets at fair value unless they meet the normal purchases and normal sales criteria. Derivatives that meet those criteria are accounted for at cost under the accrual method of accounting. The changes in the fair value of derivative instruments that do not meet the normal purchases and normal sales criteria are included in purchased power, other expense, unrealized gain (loss) on derivative hedges in other comprehensive income (loss), or as part of the value of the hedged item. Based on derivative contracts held as of September 30, 2010, an adverse 10% change in commodity prices would decrease net income by approximately \$6 million (\$4 million net of tax) during the next twelve months. A hypothetical 10%



increase in the interest rates associated with variable-rate debt would decrease net income by approximately \$1 million for the three and nine months ended September 30, 2010.

#### *Cash Flow Hedges*

FirstEnergy has used forward starting swap agreements to hedge a portion of the consolidated interest rate risk associated with anticipated issuances of fixed-rate, long-term debt securities of its subsidiaries. These derivatives were treated as cash flow hedges, protecting against the risk of changes in future interest payments resulting from changes in benchmark U.S. Treasury rates between the date of hedge inception and the date of the debt issuance. As of September 30, 2010, no forward starting swap agreements were outstanding.

Total unamortized losses included in AOCL associated with prior interest rate cash flow hedges totaled \$95 million (\$62 million net of tax) as of September 30, 2010. Based on current estimates, approximately \$11 million will be amortized to interest expense during the next twelve months. The table below provides the activity of AOCL related to interest rate cash flow hedges as of September 30, 2010 and 2009.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In millions)</i>		<i>(In millions)</i>	
Effective Portion				
Gain (Loss) Recognized in AOCL	\$	\$	\$	\$
Reclassification from AOCL into Interest Expense		(3)	(9)	(37)
		(17)	(18)	
		(26)	(37)	

**Table of Contents***Fair Value Hedges*

FirstEnergy has used fixed-for-floating interest rate swap agreements to hedge a portion of the consolidated interest rate risk associated with the debt portfolio of its subsidiaries. These derivatives were treated as fair value hedges of fixed-rate, long-term debt issues, protecting against the risk of changes in the fair value of fixed-rate debt instruments due to lower interest rates. As of September 30, 2010, no fixed-for-floating interest rate swap agreements were outstanding.

Total unamortized gains included in long-term debt associated with prior fixed-for-floating interest rate swap agreements totaled \$129 million (\$84 million net of tax) as of September 30, 2010. Based on current estimates, approximately \$22 million will be amortized to interest expense during the next twelve months. Reclassifications from long-term debt into interest expense totaled \$5 million and \$7 million for the three and nine months ended September 30, 2010.

*Commodity Derivatives*

FirstEnergy uses both physically and financially settled derivatives to manage its exposure to volatility in commodity prices. Commodity derivatives are used for risk management purposes to hedge exposures when it makes economic sense to do so, including circumstances where the hedging relationship does not qualify for hedge accounting.

The following tables summarize the fair value of commodity derivatives in FirstEnergy's Consolidated Balance Sheets:

**Cash Flow Hedges**

	<b>Derivative Assets</b>		<b>Derivative Liabilities</b>	
	<b>Fair Value</b>		<b>Fair Value</b>	
	<b>September</b>	<b>December</b>	<b>September</b>	<b>December</b>
	<b>30,</b>	<b>31,</b>	<b>30,</b>	<b>31,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In millions)</i>		<i>(In millions)</i>	
Electricity Forwards			Electricity Forwards	
Current Assets	\$ 77	\$ 3	Current Liabilities	\$ 87 \$ 7
NonCurrent Assets	73	11	NonCurrent Liabilities	70 12
Natural Gas Futures			Natural Gas Futures	
Current Assets			Current Liabilities	1 9
NonCurrent Assets			NonCurrent Liabilities	
Other			Other	
Current Assets			Current Liabilities	2
NonCurrent Assets			NonCurrent Liabilities	
	\$ 150	\$ 14	\$ 158	\$ 30

**Economic Hedges**

	<b>Derivative Assets</b>		<b>Derivative Liabilities</b>	
	<b>Fair Value</b>		<b>Fair Value</b>	
	<b>September</b>	<b>December</b>	<b>September</b>	<b>December</b>
	<b>30,</b>	<b>31,</b>	<b>30,</b>	<b>31,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>(In millions)</i>		<i>(In millions)</i>	
NUG Contracts			NUG	
Power Purchase			Contracts	

Contract Asset	\$	116	\$	200	Power Purchase Contract Liability	\$	756	\$	643
Other					Other				
Current Assets		17			Current Liabilities		138		106
NonCurrent Assets		15		19	NonCurrent Liabilities		34		97
		148		219			928		846
Total Commodity Derivatives	\$	298	\$	233	Total Commodity Derivatives	\$	1,086	\$	876

Electricity forwards are used to balance expected sales with expected generation and purchased power. Natural gas futures are entered into based on expected consumption of natural gas, primarily used in FirstEnergy's peaking units. Heating oil futures are entered into based on expected consumption of oil and the financial risk in FirstEnergy's coal transportation contracts. Derivative instruments are not used in quantities greater than forecasted needs. The following table summarizes the volume of FirstEnergy's outstanding derivative transactions as of September 30, 2010:

	<b>Purchases</b>	<b>Sales</b>	<b>Net</b>	<b>Units</b>
	<i>(In thousands)</i>			
Electricity Forwards	28,456	(32,604)	(4,148)	MWH
Heating Oil Futures	840		840	Gallons
Natural Gas Futures	500	(500)		mmBtu

**Table of Contents**

The effect of derivative instruments on the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2010 and 2009, are summarized in the following tables:

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30,				Total
	Electricity Forwards	Natural Gas Futures	Heating Oil Futures		
	<i>(In millions)</i>				
<b>2010</b>					
Gain (Loss) Recognized in AOCL (Effective Portion)	\$ (2)	\$	\$	\$	(2)
Effective Gain (Loss) Reclassified to: <sup>(1)</sup>					
Purchased Power Expense	(1)				(1)
Fuel Expense		(3)	(1)		(4)
<b>2009</b>					
Gain (Loss) Recognized in AOCL (					