

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

GLOSSARY OF TERMS

The following abbreviations and acronyms may be used in this report to identify FirstEnergy Pennsylvania Electric Company and its affiliated companies:

ATSI	American Transmission Systems, Incorporated, a wholly owned transmission subsidiary of FET
CEI	The Cleveland Electric Illuminating Company, a wholly owned Ohio electric power company subsidiary of FE
FE	FirstEnergy Corp., a public electric power holding company
FE PA	FirstEnergy Pennsylvania Electric Company, a wholly owned Pennsylvania electric power company subsidiary of FirstEnergy Pennsylvania Holding Company LLC, a wholly owned subsidiary of FE
FE PA Holding Company	FirstEnergy Pennsylvania Holding Company LLC, a wholly owned subsidiary of FE
FESC	FirstEnergy Service Company, which provides legal, financial, and other corporate support services
FET	FirstEnergy Transmission, LLC a consolidated VIE of FE, and the parent company of ATSI, MAIT and TrAIL, and having a joint venture in PATH and Valley Link
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
JCP&L	Jersey Central Power & Light Company, a wholly owned New Jersey electric power company subsidiary of FE
KATCo	Keystone Appalachian Transmission Company, a wholly owned transmission subsidiary of FE
MAIT	Mid-Atlantic Interstate Transmission, LLC, a wholly owned transmission subsidiary of FET
ME	Metropolitan Edison Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
MP	Monongahela Power Company, a wholly owned West Virginia electric power company subsidiary of FE
OE	Ohio Edison Company, a wholly owned Ohio electric power company subsidiary of FE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PE	The Potomac Edison Company, a wholly owned Maryland and West Virginia electric power company subsidiary of FE
Penn	Pennsylvania Power Company, a former wholly owned Pennsylvania electric power company subsidiary of OE, which merged with and into FE PA on January 1, 2024
Pennsylvania Companies	ME, PN, Penn and WP, each of which merged with and into FE PA on January 1, 2024
PN	Pennsylvania Electric Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
TE	The Toledo Edison Company, a wholly owned Ohio electric power company subsidiary of FE
TrAIL	Trans-Allegheny Interstate Line Company, a wholly owned transmission subsidiary of FET
Transmission Companies	ATSI, MAIT, TrAIL and KATCo
Valley Link	Valley Link Transmission Company, LLC, a holding company formed by FET, DominionHV and Transource on November 24, 2024
WP	West Penn Power Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024

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

AEP	American Electric Power Company, Inc.
AFUDC	Allowance for Funds Used During Construction
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CCR	Coal Combustion Residual
CODM	Chief Operating Decision Maker
COVID-19	Coronavirus disease
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DominionHV	Dominion High Voltage Mid-Atlantic, Inc., an affiliate of VEPCO
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and the U.S. Attorney's Office for the S.D. Ohio
DSP	Default Service Plan

EGS	Electric Generation Supplier
EH	Energy Harbor Corp.
EPA	U.S. Environmental Protection Agency
ERO	Electric Reliability Organization
Exchange Act	Securities and Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings Service
FMB	First Mortgage Bond
FPA	Federal Power Act
GAAP	Generally Accepted Accounting Principles in the United States
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IRS	Internal Revenue Service
LOC	Letter of Credit
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
MWh	Megawatt-hour
NERC	North American Electric Reliability Corporation
NYPSC	New York State Public Service Commission
OBBA	One Big Beautiful Bill Act of 2025, as signed into law on July 4, 2025
ODSA	Ohio Development Service Agency
OPEB	Other Postemployment Benefits
PA Consolidation	Consolidation of the Pennsylvania Companies on January 1, 2024
PEER	FirstEnergy's Program for Enhanced Employee Retirement, as announced in 2023
PJM	PJM Interconnection, LLC, an RTO serving the PJM Region
PJM Region	The territory that PJM coordinates the movement of electricity through, including all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
PP&E	Property, Plant and Equipment
PPUC	Pennsylvania Public Utility Commission
RFC	ReliabilityFirst Corporation
RTO	Regional Transmission Organization
S.D. Ohio	Federal District Court, Southern District of Ohio
Securities Act	Securities Act of 1933, as amended
Sixth Circuit	U.S. Court of Appeals for the Sixth Circuit
SOFR	Secured Overnight Financing Rate
S&P	Standard & Poor's Ratings Service
TCJA	Tax Cuts and Jobs Act adopted December 22, 2017
Transource	Transource Energy, LLC, a subsidiary of AEP
U.S.	United States
VIE	Variable Interest Entity
VEPCO	Virginia Electric and Power Company, a subsidiary of Dominion Energy, Inc.

Report of Independent Auditors

To Management and the Board of Directors of FirstEnergy Pennsylvania Electric Company

Opinion

We have audited the accompanying consolidated financial statements of FirstEnergy Pennsylvania Electric Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income and comprehensive income, of common stockholder's equity and of cash flows for each of the three years in the period ended December 31, 2025, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 16, 2026

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(In millions)</i>	For the Years Ended December 31,		
	2025	2024	2023
REVENUES:			
Revenues - non-affiliates	\$ 4,070	\$ 3,631	\$ 3,464
Revenues - affiliates	21	22	19
Gross receipts tax collections	250	222	211
Total revenues	4,341	3,875	3,694
OPERATING EXPENSES:			
Purchased power	1,952	1,762	1,732
Other operating expenses ⁽¹⁾	1,052	915	866
Provision for depreciation	319	323	306
Deferral of regulatory assets, net	(36)	(37)	(110)
General taxes	278	250	240
Total operating expenses	3,565	3,213	3,034
OPERATING INCOME	776	662	660
OTHER INCOME (EXPENSE):			
Interest income - affiliates	17	51	2
Miscellaneous income, net	54	46	61
Pension and OPEB mark-to-market adjustment	64	15	(35)
Interest expense - non-affiliates	(189)	(207)	(195)
Interest expense - affiliates	(23)	(25)	(6)
Capitalized financing costs	15	12	11
Total other expense	(62)	(108)	(162)
INCOME BEFORE INCOME TAXES	714	554	498
INCOME TAXES	156	104	108
NET INCOME	\$ 558	\$ 450	\$ 390
OTHER COMPREHENSIVE LOSS:			
Pension and OPEB prior service costs	(1)	(1)	(6)
Other comprehensive loss	(1)	(1)	(6)
Income tax benefits on other comprehensive loss	—	—	(2)
Other comprehensive loss, net of tax	(1)	(1)	(4)
COMPREHENSIVE INCOME	\$ 557	\$ 449	\$ 386

⁽¹⁾ Includes affiliated operating expenses of \$132 million, \$90 million and \$170 million in 2025, 2024 and 2023, respectively.

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

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(In millions, except share amounts)</i>	December 31, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS:		
Receivables -		
Customers	\$ 751	\$ 629
Less — Allowance for uncollectible customer receivables	30	28
	<u>721</u>	<u>601</u>
Affiliated companies	42	217
Other, net of allowance for uncollectible accounts of \$1 in 2024	63	59
Notes receivable from affiliated companies	—	5
Prepaid taxes and other	29	15
	<u>855</u>	<u>897</u>
PROPERTY, PLANT AND EQUIPMENT:		
In service	11,969	11,167
Less — Accumulated provision for depreciation	3,318	3,171
	<u>8,651</u>	<u>7,996</u>
Construction work in progress	311	294
	<u>8,962</u>	<u>8,290</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	962	962
Regulatory assets	109	34
Investments	14	13
Prepaid pension and OPEB costs	142	61
Other	148	118
	<u>1,375</u>	<u>1,188</u>
TOTAL ASSETS	<u>\$ 11,192</u>	<u>\$ 10,375</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 300	\$ —
Short-term borrowings - affiliated companies	328	—
Accounts payable -		
Affiliated companies	14	58
Other	340	279
Accrued taxes	52	18
Accrued interest	44	44
Customer deposits	131	119
Other	102	101
	<u>1,311</u>	<u>619</u>
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	3,434	3,730
Accumulated deferred income taxes, net	1,703	1,536
Retirement benefits	9	9
Other	308	302
	<u>5,454</u>	<u>5,577</u>
TOTAL LIABILITIES	<u>6,765</u>	<u>6,196</u>
COMMON STOCKHOLDER'S EQUITY:		
Common stock and other paid-in capital, \$25 subscription price, 1,000 shares authorized, 1,000 shares outstanding	2,633	2,627
Accumulated other comprehensive loss	(8)	(7)
Retained earnings	1,802	1,559
TOTAL COMMON STOCKHOLDER'S EQUITY	<u>4,427</u>	<u>4,179</u>
COMMITMENTS, GUARANTEES AND CONTINGENCIES (NOTE 11.)		
TOTAL LIABILITIES AND COMMON STOCKHOLDER'S EQUITY	<u>\$ 11,192</u>	<u>\$ 10,375</u>

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

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

<i>(In millions, except share amounts)</i>	Common Stock		Other Paid-In Capital	AOCI	Retained Earnings	Total Stockholder's Equity
	Number of Shares	Carrying Value				
Balance, January 1, 2023	1,000	\$ —	\$ 2,614	\$ (2)	\$ 1,269	\$ 3,881
Net income					390	390
Other comprehensive loss				(4)		(4)
Stock-based compensation ⁽¹⁾			6			6
Cash dividends declared on common stock					(265)	(265)
Balance, December 31, 2023	1,000	\$ —	2,620	\$ (6)	\$ 1,394	\$ 4,008
Net income					450	450
Other comprehensive loss				(1)		(1)
Stock-based compensation ⁽¹⁾			7			7
Cash dividends declared on common stock					(285)	(285)
Balance, December 31, 2024	1,000	\$ —	\$ 2,627	\$ (7)	\$ 1,559	\$ 4,179
Net income					558	558
Other comprehensive loss				(1)		(1)
Stock-based compensation ⁽¹⁾			6			6
Cash dividends declared on common stock					(315)	(315)
Balance, December 31, 2025	1,000	\$ —	\$ 2,633	\$ (8)	\$ 1,802	\$ 4,427

⁽¹⁾ In the form of FE common equity granted to certain FE PA employees primarily related to the 401(k) Savings Plan.

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

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In millions)</i>	For the Years Ended December 31,		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 558	\$ 450	\$ 390
Adjustments to reconcile net income to net cash from operating activities-			
Depreciation, amortization and impairments	283	286	198
Charges associated with change in ARO	—	19	—
Deferred income taxes and investment tax credits, net	128	10	65
Employee benefit costs, net	(33)	(29)	(38)
Pension and OPEB mark-to-market adjustment	(64)	(15)	35
Change in current assets and liabilities -			
Receivables	51	(19)	(46)
Prepaid taxes and other current assets	(14)	4	2
Accounts payable	(42)	55	(32)
Accrued taxes	34	(39)	8
Accrued interest	—	(4)	13
Customer deposits	12	9	9
Other current liabilities	(11)	14	4
Collateral, net	1	12	(42)
Employee benefit plan funding and related payments	(6)	(6)	(6)
Other	(9)	8	(36)
Net cash provided from operating activities	888	755	524
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital investments	(812)	(640)	(515)
Loans to affiliated companies, net	5	681	(157)
Asset removal costs	(95)	(61)	(49)
Other	2	1	(1)
Net cash used for investing activities	(900)	(19)	(722)
CASH FLOWS FROM FINANCING ACTIVITIES:			
New financing-			
Long-term debt	—	—	775
Short-term borrowings, net	328	—	—
Redemptions and repayments-			
Long-term debt	—	(450)	(300)
Common stock dividend payments	(315)	(285)	(265)
Other	(1)	(1)	(12)
Net cash provided from (used for) financing activities	12	(736)	198
Net change in cash, cash equivalents, and restricted cash	—	—	—
Cash, cash equivalents, and restricted cash at beginning of period	—	—	—
Cash, cash equivalents, and restricted cash at end of period	\$ —	\$ —	\$ —
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year:			
Interest (net of amounts capitalized)	\$ 198	\$ 227	\$ 176
Income taxes, net of refunds	\$ 60	\$ 65	\$ 41
Significant non-cash transactions:			
Accrued capital investments	\$ 84	\$ 34	\$ 24

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

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

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

FE PA is incorporated in Pennsylvania and is a wholly owned subsidiary of FE PA Holding Company, which is a wholly owned subsidiary of FE. FE PA owns property and does business as an electric public utility in Pennsylvania and New York, providing distribution services to approximately 2.1 million customers in Pennsylvania and approximately 4,000 customers in Waverly, New York. FE PA has 1,916 employees and serves an area that has a population of approximately 4.5 million. FE PA complies with the regulations, orders, policies and practices prescribed by FERC, the PPUC and the NYPSC.

On January 1, 2024, FirstEnergy consolidated the Pennsylvania Companies into FE PA, including then-OE subsidiary, Penn, making FE PA a new, single operating entity. In addition to merging each of the Pennsylvania Companies with and into FE PA, with FE PA surviving such mergers as the successor-in-interest to all assets and liabilities of the Pennsylvania Companies, (i) WP transferred certain of its Pennsylvania-based transmission assets to KATCo, and (ii) PN and ME contributed their respective Class B equity interests of MAIT to FE. FE PA operates under the rate districts of the former Pennsylvania Companies.

In accordance with GAAP, the accompanying financial statements have been retrospectively updated to reflect the formation of FE PA as of the earliest period presented, including the removal of transmission assets transferred to KATCo and the transfer of MAIT's Membership Interest B to FE that occurred in January 2024.

The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period.

FE PA has evaluated events and transactions for potential recognition or disclosure through March 16, 2026, the date the financial statements were issued.

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

Economic Conditions

While supply lead times have not fully returned to levels prior to the COVID-19 pandemic, FE PA continues to monitor the situation in light of demand increases across the industry, including due to data center usage, and the imposition of tariffs and retaliatory tariffs that have been, and may be, imposed by the U.S. government in response. FE PA continues to implement mitigation strategies to address supply constraints and does not expect any corresponding service disruptions or any material impact on its capital investment plan. However, the situation remains fluid, and a prolonged continuation or further increase in demand, or the continuation of uncertain or adverse macroeconomic conditions, including inflationary pressures and new or increased existing tariffs, could lead to an increase in supply chain disruptions that could, in turn, have an adverse effect on FE PA's results of operations, cash flow and financial condition.

The U.S. presidential administration has imposed widespread and substantial tariffs on imports, with additional tariffs to potentially be adopted in the future. The imposition of these or any other new or increased tariffs or resultant trade wars, and uncertainties associated with the same, could have an adverse effect on FE PA's results of operations, cash flow and financial condition.

ACCOUNTING FOR THE EFFECTS OF REGULATION

FE PA is subject to regulation that sets the prices (rates) that it is permitted to charge customers based on costs that the regulatory agencies determine are permitted to be recovered. At times, regulatory agencies permit the future recovery of costs that would be currently charged to expense by an unregulated company. The ratemaking process results in the recording of regulatory assets and liabilities based on anticipated future cash inflows and outflows.

FE PA reviews the probability of recovery of regulatory assets, and settlement of regulatory liabilities, at each balance sheet date and whenever new events occur. Factors that may affect probability include changes in the regulatory environment, issuance of a regulatory commission order, or passage of new legislation. Upon material changes to these factors, where applicable, FE PA will record new regulatory assets or liabilities and will assess whether it is probable that currently recorded regulatory assets and liabilities will be recovered or settled in future rates. If recovery of a regulatory asset is no longer probable, FE PA will write off that regulatory asset as a charge against earnings. FE PA considers the entire regulatory asset balance as the unit of account for the purposes of balance sheet classification rather than the next years recovery, and as such net regulatory assets and liabilities are presented in the noncurrent section on FE PA's Consolidated Balance Sheets. See Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2025 and December 31, 2024, and the changes during the year ended December 31, 2025:

Net Regulatory Assets (Liabilities) by Source	As of December 31,		Change
	2025	2024	
	<i>(In millions)</i>		
Customer payables for future income taxes	\$ (341)	\$ (372)	\$ 31
Asset removal costs	84	82	2
Deferred transmission costs	(14)	11	(25)
Deferred generation costs	(26)	(37)	11
Deferred distribution costs	13	(14)	27
Storm-related costs	356	337	19
Energy efficiency program costs	19	16	3
Other	18	11	7
Net Regulatory Assets included on the Consolidated Balance Sheets	<u>\$ 109</u>	<u>\$ 34</u>	<u>\$ 75</u>

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

Customer payables for future income taxes - Reflects amounts to be recovered or refunded through future rates to pay income taxes that become payable when rate revenue is provided to recover items such as AFUDC equity and depreciation of PP&E for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to federal and state tax rate changes such as the TCJA and Pennsylvania House Bill 1342. These amounts are being amortized over the period in which the related deferred tax assets reverse, which is generally over the expected life of the underlying asset.

Asset removal costs - Reflects amounts to be recovered or refunded through future rates to pay for the cost of activities to remove assets, including obligations for which an ARO has been recognized, that are expected to be incurred at the time of retirement.

Deferred transmission costs - Primarily relates to the recovery of non-market based costs or fees charged by various regulatory bodies including FERC and PJM, which can include PJM charges and credits for service including, but not limited to, procuring transmission services and transmission enhancement.

Deferred generation costs - Relates to the recovery or refund of costs to provide energy and capacity services to customers who take default services.

Deferred distribution costs - Primarily relates to the recovery of legacy meters that were replaced with smart meters.

Storm-related costs - Relates to the recovery of storm costs, of which approximately \$234 million and \$253 million are currently being recovered through rates as of December 31, 2025, and 2024, respectively.

Energy efficiency program costs - Relates to the recovery or refund of costs associated with the FE PA's Energy Efficiency and Conservation programs.

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2025 and 2024, of which \$347 million and \$272 million, respectively, are currently being recovered through rates over varying periods, through 2029, depending on the nature of the deferral:

Regulatory Assets by Source Not Earning a Current Return	As of December 31,		Change
	2025	2024	
	<i>(In millions)</i>		
Storm-related costs	\$ 356	\$ 337	\$ 19
Energy efficiency program costs	23	19	4
Other	17	22	(5)
Regulatory Assets Not Earning a Current Return	<u>\$ 396</u>	<u>\$ 378</u>	<u>\$ 18</u>

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (Continued)**

GOODWILL

In a business combination, the excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed is recognized as goodwill. Goodwill is evaluated for impairment annually on July 31 and more frequently if indicators of impairment arise. In evaluating goodwill for impairment, qualitative factors are assessed to determine whether it is more likely than not (that is, likelihood of more than 50%) that the fair value of the reporting unit is less than its carrying value (including goodwill). If it is concluded that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, then no further testing is required. However, if management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying value or bypasses the qualitative assessment, then the quantitative goodwill impairment test is performed to identify a potential goodwill impairment and measure the amount of impairment to be recognized, if any.

No impairment of goodwill was indicated in 2025 or 2024. In 2025 and 2024, a qualitative assessment was performed, assessing economic, industry and market considerations in addition to FE PA's overall financial performance. Key factors used in the assessment included: growth rates, interest rates, expected investments, utility sector market performance, regulatory and legal developments, and other market considerations. It was determined that the fair values of the reporting unit were, more likely than not, greater than their carrying values and a quantitative analysis was not necessary.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment reflects original cost (net of any impairments recognized), including payroll and related costs such as taxes, employee benefits, administrative and general costs, and financing costs incurred to place the assets in service. The costs of normal maintenance, repairs and minor replacements are expensed as incurred. Liabilities for planned major maintenance projects are recognized as they are incurred.

PP&E balances as of December 31, 2025 and 2024, were as follows:

	<u>In Service</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>	<u>CWIP</u>	<u>Total</u>	<u>Useful Service Life</u>
	<i>(In millions)</i>					<i>(years)</i>
December 31, 2025	\$ 11,969	\$ 3,318	\$ 8,651	\$ 311	\$ 8,962	5 - 80
December 31, 2024	\$ 11,167	\$ 3,171	\$ 7,996	\$ 294	\$ 8,290	5 - 80

FE PA provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. Depreciation expense was approximately 2.6%, 2.7% and 2.7% of average depreciable property in 2025, 2024 and 2023, respectively.

For the years ended December 31, 2025, 2024 and 2023, capitalized financing costs on FE PA's Consolidated Statements of Income and Comprehensive Income include \$5 million, \$8 million and \$2 million, respectively, of allowance for equity funds used during construction and \$10 million, \$4 million and \$9 million, respectively, of capitalized interest.

Long-lived assets classified as held and used are evaluated for impairment when events or changes in circumstances indicate that the carrying value of the long-lived assets may not be recoverable. First, the estimated undiscounted future cash flows attributable to the assets is compared with the carrying value of the assets. If the carrying value is greater than the undiscounted future cash flows, an impairment charge is recognized equal to the amount the carrying value of the assets exceeds its estimated fair value.

SEGMENT INFORMATION

FE PA has one operating segment, which is the entire entity. FE PA's Consolidated Statements of Income and Comprehensive Income are consistent with the internal financial reports used by FE PA's President, its CODM. FE PA's CODM uses net income to regularly assess performance and considers actual versus budget variances to make operating decisions and allocate resources. FE PA considers Other operating expenses, Provision for depreciation, General taxes, Interest expense and Income taxes to be significant expenses.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements - ASU 2023-09, "Income taxes (Topic 280): Improvements to Income Tax Disclosures" (Issued in December 2023): ASU 2023-09 enhances disclosures primarily related to existing rate reconciliation and income taxes paid information to help investors better assess how a company's operations and related tax risks and tax planning and operational opportunities affect the tax rate and prospects for future cash flows. Disclosure requirements include a tabular reconciliation using both percentages and amounts, separated out into specific categories with certain reconciling items at or above 5% of the statutory tax as well as by nature and/or jurisdiction. In addition, entities will be required to disclose income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes are paid to such jurisdiction. ASU 2023-09 was adopted as of December

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31, 2025, see Note 4., "Taxes," of the Notes to Consolidated Financial Statements for the applicable disclosures, which are provided for all periods presented.

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

ASU 2024-03, "*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*" (Issued in November 2024 and subsequently updated within ASU 2025-01): ASU 2024-03 requires disaggregated disclosure of income statement expenses for public business entities. The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 is effective for the year ended December 31, 2027, with early adoption permitted. The guidance is permitted to be applied prospectively, and comparative disclosures are not required for reporting periods beginning before the effective date. Entities can elect to apply the new standard retrospectively to any or all prior periods presented in the financial statements.

ASU 2025-06, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*" (Issued in September 2025): ASU 2025-06 amends the existing standard that refers to various stages of a software development project to align better with current software development methods, such as agile programming. Under the new standard, entities will start capitalizing eligible costs when (1) management has authorized and committed to funding the software project, and (2) it is probable that the project will be completed and the software will be used to perform the function intended. In evaluating whether it is probable the project will be completed; an entity is required to consider whether there is significant uncertainty associated with the development activities of the software. ASU 2025-06 is effective beginning with the financials for the first quarter of 2028. The guidance is permitted to be applied using a prospective, retrospective or modified transition approach. Early adoption is permitted.

ASU 2025-10, "*Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*" (Issued in December 2025): ASU 2025-10 establishes authoritative guidance for the recognition, measurement, presentation, and disclosure of government grants received by business entities. ASU 2025-10 requires that a government grant be recognized when it is probable that the entity will comply with the conditions of the grant and that the grant will be received and permits two approaches for asset related grants: (1) the cost reduction method (reduce the carrying amount of the asset) and (2) deferred income method (recognize income over the useful life of the asset). Income-related grants are recognized systematically in income as the related costs are incurred. ASU 2025-10 is effective beginning with financials for the first quarter of 2029, with early adoption permitted. The guidance is permitted to be applied using a modified prospective, modified retrospective or full retrospective approach.

2. REVENUE

FE PA accounts for revenues from contracts with customers under ASC 606, "*Revenue from Contracts with Customers.*" Revenue from leases, financial instruments, other contractual rights or obligations and other revenues that are not from contracts with customers are outside the scope of the standard and accounted for under other existing GAAP. FE PA has elected to exclude sales taxes and other similar taxes collected on behalf of third parties from revenue as prescribed in the new standard. As a result, tax collections and remittances within the scope of this election are excluded from recognition in the income statement and instead recorded through the balance sheet. Gross receipts taxes that are assessed on FE PA are not subject to the election and are included in revenue. FE PA has elected the optional invoice practical expedient for most of its revenues, which eliminates the need to provide certain revenue disclosures regarding unsatisfied performance obligations.

FE PA's principal business is providing electric service to customers in Pennsylvania. FE PA's distribution customers are metered on a cycle basis. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts, customer shopping activity and prices in effect for each class of customer. In each accounting period, FE PA accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Customer payments are generally due within 30 days. Retail generation sales relate to generation sales in Pennsylvania that are regulated by the PPUC.

Retail generation sales relate to default service requirements in Pennsylvania to provide power to non-shopping customers who have elected to continue to receive service under regulated retail tariffs. The volume of these sales varies depending on the level of shopping that occurs. Default service for FE PA is provided through a competitive procurement process approved by the state commission. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

FE PA earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. FE PA is obligated under the regulated construct to deliver power to customers

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reliably, as it is needed, which creates an implied monthly contract with the end-use customer. See Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information on rate recovery mechanisms. Distribution revenues are recognized over time as electricity is distributed and delivered to the customer and the customers consume the electricity immediately as delivery occurs.

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2025 and 2024, by type of service:

Revenues by Type of Service	For the Years Ended December 31,		
	2025	2024	2023
	<i>(In millions)</i>		
Distribution services and retail generation			
Residential	\$ 3,215	\$ 2,871	\$ 2,711
Commercial	722	613	562
Industrial	290	278	315
Street lighting	36	34	30
Other ⁽¹⁾	39	40	40
Total revenues from contracts with customers	\$ 4,302	\$ 3,836	\$ 3,658
Other revenue unrelated to contracts with customers ⁽²⁾	39	39	36
Total revenues	\$ 4,341	\$ 3,875	\$ 3,694

⁽¹⁾ Includes pole attachment and wholesale revenue.

⁽²⁾ Includes affiliated lease revenues from ATSI, MAIT and KATCo as well as late payment charges.

RECEIVABLES

Receivables from customers include retail electric sales and distribution deliveries to residential, commercial and industrial customers.

Billed and unbilled customer receivables as of December 31, 2025 and 2024, are included below:

Customer Receivables	December 31, 2025	December 31, 2024
	<i>(In millions)</i>	
Billed	\$ 437	\$ 376
Unbilled	314	253
	751	629
Less: Uncollectible Reserve	30	28
Total Customer Receivables	\$ 721	\$ 601

The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible customer receivables should be further adjusted in accordance with the accounting guidance for credit losses.

The allowance for uncollectible customer receivables is reviewed utilizing a quantitative and qualitative assessment. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, amount of receivable balances that are past-due, payment options and programs available to customers, and the methods that are able to be utilized to ensure payment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Activity in the allowance for uncollectible accounts on Customer receivables for the years ended December 31, 2025, 2024 and 2023 are as follows:

<i>(In millions)</i>	2025	2024	2023
Customer Receivables:			
Beginning of year balance	\$ 28	\$ 32	\$ 63
Charged to income	47	39	11
Charged to other accounts ⁽¹⁾	16	18	12
Write-offs	(61)	(61)	(54)
End of year balance	<u>\$ 30</u>	<u>\$ 28</u>	<u>\$ 32</u>

⁽¹⁾ Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

Activity in the allowance for uncollectible accounts on Other receivables for the years ended December 31, 2025, 2024 and 2023 are as follows:

<i>(In millions)</i>	2025	2024	2023
Other Receivables:			
Beginning of year balance	\$ 1	\$ 2	\$ 2
Charged to income	—	—	2
Charged to other accounts ⁽¹⁾	—	—	(1)
Write-offs	(1)	(1)	(1)
End of year balance	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 2</u>

⁽¹⁾ Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides qualified benefit plans (the FirstEnergy Master Pension Plan and the FirstEnergy Welfare Plan) that cover substantially all employees and non-qualified defined benefit plans that cover certain employees, including employees of FE PA. FirstEnergy's pension and OPEB plans are neither multiemployer nor multiple-employer plans.

The pension plans provide defined benefits based on years of service and compensation levels. Under the cash-balance portion of the pension plan (for employees hired on or after January 1, 2014), FirstEnergy credits amounts to eligible employee notional cash-balance accounts based on a pay credit and an interest credit.

In addition, FirstEnergy provides a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance to a closed group of retired employees. Health care benefits, which include certain employee contributions, deductibles and co-payments, are also available upon retirement to certain employees, their dependents and, under certain circumstances, their survivors. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

FE PA recognizes its allocated portion of the expected cost of providing pension and OPEB to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. FE PA also recognizes its allocated portion of obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

FE PA's net periodic benefit costs (credits) for pension and OPEB were as follows:

For the Years Ended December 31,	Pension			OPEB		
	2025	2024	2023	2025	2024	2023
	<i>(In millions)</i>					
FE PA's share of net periodic benefit credits ⁽¹⁾	\$ (59)	\$ (17)	\$ (26)	\$ (16)	\$ (17)	\$ (13)
Allocated net periodic benefit costs from affiliates ⁽²⁾	\$ 4	\$ 10	\$ 64	\$ 4	\$ 2	\$ 3

⁽¹⁾ Includes amounts capitalized. Includes FE PA's pension and OPEB mark-to-market adjustment gain of \$54 million, \$13 million and \$15 million for the years ended December 31, 2025, 2024 and 2023, respectively.

⁽²⁾ Includes amounts capitalized. Included in these net periodic benefit costs/(credits) from its affiliates are \$10 million, \$2 million and \$(50) million of mark-to-market adjustment gain (loss), for the years ended December 31, 2025, 2024 and 2023, respectively.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary of Plan Status	Pension		OPEB	
	2025	2024	2025	2024
As of December 31, (In millions)				
FE PA's share of FirstEnergy funded status ⁽¹⁾	\$ 95	\$ 35	\$ 43	\$ 23

⁽¹⁾ Excludes \$19 million and \$4 million as of December 31, 2025 and 2024, respectively, of affiliated noncurrent assets related to pension and OPEB mark-to-market costs allocated to FE PA.

Pension and OPEB costs are affected by employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plans and earnings on plan assets. Pension and OPEB costs may also be affected by changes in key assumptions, including anticipated rates of return on plan assets, the discount rates and health care trend rates used in determining the projected benefit obligations for pension and OPEB costs. FirstEnergy uses a December 31 measurement date for its pension and OPEB plans or whenever a plan is determined to qualify for a remeasurement. The fair value of the plan assets represents the actual market value as of the measurement date.

Net Periodic Benefit Costs (Credits) - In addition to service costs, interest on obligations, expected return on plan assets, and prior service costs, FirstEnergy recognizes in net periodic benefit costs a pension and OPEB mark-to-market adjustment for the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. Service costs, net of capitalization, are reported within Other operating expenses. Non-service costs, other than the pension and OPEB mark-to-market adjustment, which is separately shown, are reported within Miscellaneous income, net, within Other Income (Expense).

Discount Rate - In selecting an assumed discount rate, FirstEnergy considers currently available rates of return on high-quality fixed income investments expected to be available during the period to maturity of the pension and OPEB obligations. The assumed rates of return on plan assets consider historical market returns and economic forecasts for the types of investments held by FirstEnergy's pension trusts. The long-term rate of return is developed considering the portfolio's asset allocation strategy. FirstEnergy utilizes a spot rate approach in the estimation of the components of benefit cost by applying specific spot rates along the full yield curve to the relevant projected cash flows. The discount rate for pension obligations was 5.59% and 5.72% as of December 31, 2025 and 2024, respectively. The discount rate for OPEB obligations was 5.37% and 5.60% as of December 31, 2025 and 2024, respectively.

Expected Return on Plan Assets - The expected return on pension and OPEB assets is based on input from investment consultants, including the trusts' asset allocation targets, the historical performance of risk-based and fixed income securities and other factors. The gains or losses generated as a result of the difference between expected and actual returns on plan assets is recognized as a pension and OPEB mark-to-market adjustment in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. The expected return on pension plan assets was 8.50% and 8.00% for 2025 and 2024, respectively. The expected return on OPEB assets was 7.00% in 2025 and 2024.

4. TAXES

FE PA records income taxes in accordance with the liability method of accounting. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for tax purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. Deferred income tax liabilities related to temporary tax and accounting basis differences and tax credit carryforward items are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. Deferred tax assets are recognized based on income tax rates expected to be in effect when they are settled.

FE PA's consolidated financial statements include its allocated amount of current and deferred tax expense for all years presented. For federal income tax purposes, FE PA files as a member of the FirstEnergy consolidated group. FE PA is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities.

On July 4, 2025, President Trump signed into law the OBBBA, which, among other things, makes permanent certain corporate tax incentives that were set to expire in the TCJA, and terminates tax credits for most wind and solar projects placed in service after 2027. Because many of the provisions of the TCJA will be continued under the OBBBA, and as FE PA is not materially impacted by tax incentives associated with wind and solar projects, FE PA does not expect to be materially impacted by the OBBBA.

While FirstEnergy continues to believe, more likely than not, it will be subject to corporate AMT, additional IRS guidance issued on February 18, 2026, provides certain tax repair deductions in calculating corporate AMT, which may reduce or otherwise significantly change FirstEnergy's AMT estimates or its conclusions as to whether it is an AMT payer. FE PA is party to an intercompany income tax allocation agreement with FirstEnergy and, accordingly, may be allocated a share of any corporate AMT paid by the FirstEnergy consolidated tax group. FirstEnergy continues to evaluate this most recent AMT guidance, as well as prior guidance issued by the U.S. Treasury and/or IRS. Any adverse developments concerning corporate AMT liability, including guidance from the U.S. Treasury and/or the IRS or unfavorable regulatory treatment by FERC and/or applicable state regulatory authorities, could negatively impact FE PA's cash flows, results of operations and financial condition.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides the composite of income taxes for the years ended 2025, 2024 and 2023:

INCOME TAXES:	For the Years Ended December 31,		
	2025	2024	2023
	<i>(In millions)</i>		
Currently payable -			
Federal	\$ 23	\$ 74	\$ 35
State	5	20	8
	<u>28</u>	<u>94</u>	<u>43</u>
Deferred, net -			
Federal	116	7	55
State	12	3	10
	<u>\$ 128</u>	<u>\$ 10</u>	<u>\$ 65</u>
Total income taxes	<u>\$ 156</u>	<u>\$ 104</u>	<u>\$ 108</u>

FE PA's tax rates are affected by permanent items, such as AFUDC equity and other flow-through items, as well as discrete items that may occur in any given period but are not consistent from period to period. The following table provides a reconciliation of federal income tax expense at the federal statutory rate to the total income taxes for the years ended December 31, 2025, 2024 and 2023:

<i>(In millions)</i>	For the Years Ended December 31,					
	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Income before income taxes	\$ 714		\$ 554		\$ 498	
Federal statutory income tax	\$ 150	21.0 %	\$ 116	21.0 %	\$ 104	21.0 %
Federal:						
Tax credits	(1)	(0.1)%	—	— %	—	— %
Nontaxable and Nondeductible -						
AFUDC equity income	(1)	(0.1)%	(2)	(0.4)%	(1)	(0.2)%
Other -						
Excess deferred tax amortization	(7)	(1.0)%	(12)	(2.2)%	(10)	(2.0)%
Remeasurement of excess deferred income taxes	—	— %	(21)	(3.8)%	—	— %
Federal and state related flow-through	(32)	(4.5)%	(18)	(3.2)%	(19)	(3.8)%
Other	1	0.1 %	4	0.7 %	3	0.6 %
State income taxes, net of federal effect ⁽¹⁾	46	6.4 %	37	6.7 %	31	6.2 %
Total income taxes ⁽²⁾	<u>\$ 156</u>	<u>21.8 %</u>	<u>\$ 104</u>	<u>18.8 %</u>	<u>\$ 108</u>	<u>21.7 %</u>

⁽¹⁾ Pennsylvania makes up the majority of FE PA's respective domestic state income taxes, net of federal effect.

⁽²⁾ There were no amounts for the years ended December 31, 2025, 2024 or 2023 for FE PA related to changes in valuation allowances, cross-border tax laws, changes in laws or rates, foreign tax effects, or changes in unrecognized tax benefits.

Accumulated deferred income taxes as of December 31, 2025 and 2024 are as follows:

<i>(In millions)</i>	As of December 31,	
	2025	2024
Property basis differences	\$ 1,615	\$ 1,471
Regulatory asset/liability	97	91
Pension and OPEB	66	41
Tax credit carryforwards	(5)	—
Other	(70)	(67)
Accumulated deferred income tax liabilities, net	<u>\$ 1,703</u>	<u>\$ 1,536</u>

FE PA has recorded as deferred income tax assets the effect of tax credits that will more likely than not be realized through future operations and through the reversal of existing temporary differences. As of December 31, 2025, FE PA's tax credit carryforwards consisted of AMT credits of approximately \$5 million, which have no expiration.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FE PA accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attribute are utilized for financial statement recognition and measurement of tax positions taken, or expected to be taken, on a company's tax return. As of December 31, 2025 and 2024, FE PA's total unrecognized income tax benefits were immaterial.

FE PA recognizes interest expense or income and penalties related to uncertain tax positions by applying the applicable statutory interest rate to the difference between the tax position recognized and the amount previously taken or expected to be taken on the income tax return. FE PA includes interest expense or income and penalties in the provision for income taxes. During 2025, FE PA recognized an immaterial amount of interest associated with its unrecognized tax benefits, and its cumulative net interest payable balance as of December 31, 2025 was also not material.

FE PA is party to the FirstEnergy consolidated group for federal income taxes, and as a result, is included in FirstEnergy's consolidated federal income tax returns, which for years 2022 and forward remain open to potential IRS examination. FE PA's state income tax returns remain open to potential examinations from 2022 and forward.

Income taxes paid, net of refunds, for the years ended December 31, 2025, 2024 and 2023, are as follows:

<i>(In millions)</i>	For the Years Ended December 31,		
	2025	2024	2023
Federal payments -			
Internal Revenue Service ⁽¹⁾	\$ 43	\$ 48	\$ 36
Total Federal	43	48	36
State payments -			
Pennsylvania	17	17	5
Total State	17	17	5
Total Income Taxes Paid (net of Refunds)	\$ 60	\$ 65	\$ 41

⁽¹⁾ FE PA is party to the FirstEnergy consolidated group for federal income taxes and a related intercompany income tax allocation agreement. As a result, federal income tax payments and refunds are made to, or received from, FirstEnergy affiliates.

General Taxes

Details of general taxes for the years ended 2025, 2024 and 2023 are shown below:

<i>(In millions)</i>	2025	2024	2023
Gross receipts	\$ 250	\$ 223	\$ 211
Real and personal property	5	4	8
Social security and unemployment	23	23	21
Total general taxes	\$ 278	\$ 250	\$ 240

5. LEASES

FE PA primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancelable and noncancelable leases.

MAIT has a ground lease with FE PA under an operating lease agreement. FE PA reserves the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair MAIT's ability to satisfy its service obligations. Additional uses of such land for MAIT's facilities requires prior written approval from the applicable operating company. MAIT purchases directly any new property acquired for transmission use. MAIT makes variable quarterly lease payments for the ground lease through January 1, 2043, unless terminated prior to maturity, or extended by MAIT for up to two additional successive periods of 25 years each and one successive term of 24 years. Revenue associated with this agreement was approximately \$3 million and \$4 million in 2025 and 2024, respectively.

KATCo has a ground lease with FE PA under an operating lease agreement. FE PA reserves the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair KATCo's ability to satisfy its service obligations. Additional uses of such land for KATCo's facilities require prior written approval from the applicable operating company. KATCo purchases directly any new property acquired for transmission use. KATCo makes variable quarterly lease payments through January 1, 2049, unless terminated prior to maturity, or extended

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by KATCo for up to two additional successive periods of 25 years each and one successive term of 24 years. KATCo's lease payment for the ground lease was approximately \$3 million and \$2 million in 2025 and 2024, respectively. KATCo does not have an operating lease liability or asset associated with this agreement as the lease payments are variable.

ATSI has a ground lease with FE PA under an operating lease agreement. Land use is rented to ATSI under the terms and conditions of a ground lease. FE PA reserves the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair ATSI's ability to satisfy its service obligations. Additional uses of such land for ATSI's facilities requires prior written approval from the applicable operating companies. ATSI purchases directly any new property acquired for transmission use. ATSI makes fixed quarterly lease payments for the ground lease to FE PA through December 31, 2049, unless terminated prior to maturity, or extended by ATSI for up to 10 additional successive periods of 50 years each. Revenue associated with this agreement was approximately \$1 million for both 2025 and 2024.

FE PA accounts for leases under, "Leases (Topic 842)". Leases with an initial term of 12 months or less are recognized as lease expense on a straight-line basis over the lease term and are not recorded on the balance sheet. Most leases include one or more, options to renew, with renewal terms that can extend the lease term from 1 to 40 years, and certain leases include options to terminate. The exercise of lease renewal options is at FE PA's sole discretion. Renewal options are included within the lease liability if they are reasonably certain based on various factors relative to the contract. Certain leases also include options to purchase the leased property. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. FE PA has elected a policy to not separate lease components from non-lease components for all asset classes.

For vehicles leased under certain master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, FE PA is committed to pay the difference in the actual fair value and the residual value guarantee. FE PA does not believe it is probable that it will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Finance leases for assets used in regulated operations are recognized in FE PA's Consolidated Statements of Income and Comprehensive Income such that amortization of the right-of-use asset and interest on lease liabilities equals the expense recorded for ratemaking purposes. All operating lease expenses are recognized in "Other operating expenses". The components of lease expense were as follows:

<i>(In millions)</i>	For the Years Ended December 31,		
	2025	2024	2023
Operating lease costs ⁽¹⁾	\$ 30	\$ 26	\$ 23
Finance lease costs:			
Amortization of right-of-use assets	—	—	2
Total finance lease cost	—	—	2
Total lease cost	\$ 30	\$ 26	\$ 25

⁽¹⁾ Includes short-term lease costs of \$7 million for the years ended December 31, 2025 and 2024, and \$5 million for the year ended December 31, 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	Financial Statement Line Item	As of December 31,	
		2025	2024
Assets			
Operating lease assets ⁽¹⁾	Investments and other noncurrent assets	\$ 89	\$ 76
Finance lease assets ⁽²⁾	Property, plant and equipment	1	2
Total leased assets		\$ 90	\$ 78
Liabilities			
<i>Current:</i>			
Operating	Other current liabilities	\$ 22	\$ 18
Finance	Currently payable long-term debt	—	—
<i>Noncurrent:</i>			
Operating	Other noncurrent liabilities	77	70
Finance	Long-term debt and other long-term obligations	—	—
Total leased liabilities		\$ 99	\$ 88

⁽¹⁾ Operating lease assets are recorded net of accumulated amortization of \$73 million and \$58 million as of December 31, 2025 and 2024, respectively.

⁽²⁾ Finance lease assets are recorded net of accumulated amortization of an immaterial amount as of December 31, 2025 and 2024.

Lease terms and discount rates were as follows:

	As of December 31, 2025	As of December 31, 2024
<i>Weighted-average remaining lease terms (years)</i>		
Operating leases	5.5	5.7
Finance leases	17.0	18.0
<i>Weighted-average discount rate⁽¹⁾</i>		
Operating leases	5.18 %	5.10 %
Finance leases ⁽²⁾	N/A	N/A

⁽¹⁾ When an implicit rate is not readily determinable, an incremental borrowing rate is utilized, determining the present value of lease payments. The rate is determined based on expected term and information available at the commencement date.

⁽²⁾ The only active lease as of December 31, 2025 is prepaid, and therefore the prepayment is amortized with no discounting applicable.

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	For the Years Ended December 31,		
	2025	2024	2023
<i>Cash paid for amounts included in the measurement of lease liabilities</i>			
Operating cash flows from operating leases	\$ 25	\$ 21	\$ 20
Operating cash flows from finance leases	—	—	—
Finance cash flows from finance leases	—	—	2
<i>Right-of-use assets obtained in exchange for lease obligations:</i>			
Operating leases	\$ 31	\$ 19	\$ 5
Finance leases	—	—	—

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Maturities of lease liabilities as of December 31, 2025, were as follows:

<i>(In millions)</i>	Operating Leases
2026	\$ 26
2027	23
2028	21
2029	15
2030	10
Thereafter	20
<i>Total lease payments⁽¹⁾</i>	115
Less imputed interest	16
<i>Total net present value</i>	\$ 99

⁽¹⁾ Operating lease payments for certain leases are offset by sublease receipts of \$2 million over 7 years.

As of December 31, 2025, leases agreements for vehicles and fiber lines that have not yet commenced are \$5 million, which are expected to commence from 2026-2045 with lease terms of 5 to 20 years.

6. FAIR VALUE MEASUREMENTS

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.

LONG-TERM DEBT

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

<i>(In millions)</i>	December 31, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 3,750	\$ 3,514	\$ 3,750	\$ 3,419

The fair value of long-term debt reflects 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 FE PA. FE PA classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2025 and 2024.

7. CAPITALIZATION

COMMON STOCK

FE PA is authorized to issue 1,000 shares of Common Stock, \$25 subscription price, as of December 31, 2025. As of December 31, 2025, there were 1,000 common shares outstanding.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Under the FE PA consolidation, FE PA assumed the obligations of its predecessors under their respective indentures and debt securities, and these debt securities became FE PA's senior obligations. The debt securities include certain first mortgage bonds originally issued by WP and Penn. Such first mortgage bonds are secured by a lien on the assets that FE PA acquired from WP and Penn, and certain improvements and additions thereto, in accordance with the terms of the applicable indenture. The lien of each first mortgage indenture does not extend to the property acquired from PN or ME nor to the assets pledged under the other first mortgage indenture.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents outstanding long-term debt obligations for FE PA as of December 31, 2025 and 2024:

	As of December 31, 2025		As of December 31,	
	Maturity Date	Interest Rate	2025	2024
	<i>(In millions)</i>			
FMBs	2032 - 2059	3.79% - 5.29%	\$ 1,425	\$ 1,425
Unsecured notes - fixed rate	2026 - 2038	3.25% - 6.15%	2,325	2,325
Total unsecured notes			3,750	3,750
Unamortized debt premiums/discounts			(1)	(2)
Unamortized debt issuance costs			(15)	(18)
Currently payable long-term debt			(300)	—
Total long-term debt and other long-term obligations			<u>\$ 3,434</u>	<u>\$ 3,730</u>

FE PA had no issuances or redemptions during the twelve months ended December 31, 2025.

As of December 31, 2025, FE PA's net deficit in working capital (current assets less current liabilities) was primarily due to the current portion of long-term debt, short-term borrowings, accounts payables, and other accrued expenses. FE PA believes its cash from operations and available liquidity will be sufficient to meet its current working capital needs.

The following table presents scheduled debt repayments for outstanding long-term debt, excluding unamortized debt discounts and premiums, for the next five years as of December 31, 2025.

<i>(In millions)</i>	2026	2027	2028	2029	2030
Scheduled debt repayments	\$300	\$—	\$725	\$800	\$—

Debt Covenant Default Provisions

FE PA has various debt covenants under certain financing arrangements, including the credit facility and term loans. The most restrictive of the debt covenants relate to the nonpayment of interest and/or principal on such debt and the maintenance of certain financial ratios. The failure by FE PA to comply with the covenants contained in its financing arrangements could result in an event of default, which may have an adverse effect on FE PA's financial condition.

Additionally, there are cross-default provisions in certain financing arrangements of FE and its subsidiaries, including FE PA. These provisions generally trigger a default in the applicable financing arrangement of an entity if it or any of its significant subsidiaries default under another financing arrangement in excess of a certain principal amount, typically \$100 million. Although such defaults by FE PA would cross-default FE financing arrangements containing these provisions, defaults by FE would generally not cross-default applicable FE PA financing arrangements.

As of December 31, 2025, FE PA was in compliance with all debt covenant default provisions.

8. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

FE PA had \$328 million of outstanding affiliated short-term borrowings as of December 31, 2025. FE PA did not have any outstanding short-term borrowings as of December 31, 2024.

The annual weighted average interest rate on short-term borrowings through the year ended December 31, 2025 was 5.75%. FE PA did not have any borrowings in 2024.

Short-Term Borrowings / Credit Facility

On October 27, 2025, FE PA entered into amendments to its \$950 million credit facility to, among other things, (i) remove the 10 basis point credit spread adjustment from the interest rate calculation; (ii) permit a one-week interest period for any Term Benchmark Advance (as defined under the credit facility) based upon daily simple SOFR; and (iii) extend the maturity date of the credit facility from October 18, 2028 to October 18, 2029.

Borrowings under the credit facility may be used for working capital and other general corporate purposes. Generally, borrowings under the credit facility mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. The credit facility contains financial covenants requiring FE PA to maintain a consolidated debt-to-total-capitalization ratio (as defined under the credit facility) of no more than 65% measured at the end of each fiscal quarter.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (Continued)

Certain amounts are available for the issuance of LOCs (subject to borrowings drawn under the credit facility) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under the credit facility. As of December 31, 2025, FE PA had \$19 million in outstanding LOCs, \$1 million of which are issued under the credit facility.

Under the credit facility, FE PA could borrow up to \$950 million, \$949 million of which was available to FE PA as of December 31, 2025. This short-term debt limitation is subject to the regulatory short-term debt authorization of \$1.25 billion, which also includes amounts that may be borrowed under the regulated companies' money pool.

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

As of December 31, 2025, FE PA had a debt-to-total-capitalization ratio of 48.0% which was in compliance with the applicable covenants under the credit facility.

FirstEnergy Regulated Companies' Money Pool

As a regulated money pool participant, FE PA has the ability to borrow from regulated affiliates and FE to meet its short-term working capital requirements. FESC administers these money pools and tracks surplus funds of FE and the respective regulated and unregulated subsidiaries, as the case may be, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. The average interest rates for borrowings for the year ended December 31, 2025 and 2024 were 4.51% and 5.74% per annum, respectively.

9. ASSET RETIREMENT OBLIGATIONS

FE PA has recognized retirement obligations, primarily conditional retirement obligations for asbestos remediation and closure of CCR sites. FE PA uses an expected cash flow approach to measure the fair value of its AROs.

FE PA recognizes an ARO for its legal obligation to perform asset retirement activities associated with its long-lived assets. The ARO liability represents an estimate of the fair value of FE PA's current obligation such that the ARO is accreted monthly to reflect the time value of money.

A fair value measurement inherently involves uncertainty in the amount and timing of settlement of the liability. FE PA uses an expected cash flow approach to measure the fair value of the remediation AROs, taking into account the expected timing of settlement of the ARO based on the expected economic useful life of associated asset and/or regulatory requirements. The fair value of an ARO is recognized in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying value of the long-lived asset and are depreciated over the life of the related asset. For instances where asset retirement costs relate to assets that have no future cash flows, the costs are recorded as an operating expense.

Conditional retirement obligations associated with tangible long-lived assets are recognized at fair value in the period in which they are incurred if a reasonable estimate can be made, even though there may be uncertainty about timing or method of settlement. When settlement is conditional on a future event occurring, it is reflected in the measurement of the liability, not the timing of the liability recognition.

The following table summarizes the changes to FE PA's ARO balances during 2025 and 2024:

ARO Reconciliation	(In millions)
Balance, January 1, 2024	\$ 11
Changes in timing and amount of estimated cash flows	7
Liabilities incurred	12
Accretion	1
Balance, December 31, 2024	31
Liabilities settled	(1)
Accretion	2
Balance, December 31, 2025	\$ 32

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As further discussed below in Note 11., “Commitments, Guarantees, and Contingencies - Regulation of Waste Disposal,” on May 8, 2024, the EPA finalized changes to the CCR rule addressing certain legacy CCR disposal sites which were not included in previous CCR rules. As a result, during 2024, FE PA performed a preliminary assessment of former CCR disposal sites and calculated an initial estimate applying historical experience in remediating comparable sites. As a result, FE PA recorded a \$19 million increase to its ARO in 2024, all of which is included in “Other operating expenses” on the Consolidated Statements of Income and Comprehensive Income and was not capitalized as an asset retirement cost since the associated electric generation facilities are closed.

The ARO increase related to certain legacy CCR disposal sites represents the discounted cash flows for estimated closure costs based upon the potential closure requirements as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors include the method and time frame of closure at the individual sites, which will be determined based on the groundwater monitoring and, if applicable, EPA approval of closure plans. In determining the estimated closure costs for each site, FE PA has assumed the anticipated applicable closure method, however, alternative closure methods may be required, resulting in greater or lesser cost. As a result, the ARO liability may be adjusted as additional information is gained through the evaluation and closure process, including further inspection of the sites, results of groundwater monitoring and changes in interpretation of the CCR regulations which may change management assumptions, and could result in a material change to the ARO liability balance and FE PA's results of operations.

10. REGULATORY MATTERS

STATE REGULATION

FE PA's retail rates, conditions of service, issuance of securities and other matters were subject to regulation in Pennsylvania by the PPUC and in New York by the NYPSC.

PENNSYLVANIA

FE PA has five rate districts in Pennsylvania – four that correspond to the territories previously serviced by ME, PN, Penn, and WP and one rate district that corresponds to WP's service provided to The Pennsylvania State University. The rate districts created by the PA Consolidation will not reach full rate unity until the earlier of 2033 or the conclusion of three base rate cases filed after January 1, 2025. FE PA operates under rates approved by the PPUC, effective as of January 1, 2025. FE PA operates under a DSP through the May 31, 2027 delivery period, which provides for the competitive procurement of generation supply for customers who do not choose an alternative EGS or for customers of alternative EGSs that fail to provide the contracted service.

Pursuant to Pennsylvania Act 129 of 2008 and PPUC orders, the Pennsylvania Companies implemented energy efficiency and peak demand reduction programs with demand reduction targets, relative to 2007-2008 peak demands, at 2.9% MW for ME, 3.3% MW for PN, 2.0% MW for Penn, and 2.5% MW for WP; and energy consumption reduction targets, as a percentage of the Pennsylvania Companies' historic 2009 to 2010 reference load at 3.1% MWh for ME, 3.0% MWh for PN, 2.7% MWh for Penn, and 2.4% MWh for WP. The fourth phase of FE PA's energy efficiency and peak demand reduction program, which runs for the five-year period beginning June 1, 2021 through May 31, 2026, was approved by the PPUC on June 18, 2020, providing cost recovery of approximately \$390 million to be recovered through Energy Efficiency and Conservation Phase IV Riders for each FE PA rate district.

On November 26, 2025, FE PA submitted a petition for approval of its Phase V Energy Efficiency and Conservation Plan, which includes energy efficiency and peak demand reduction programs with demand reduction targets, relative to 2007-2008 peak demands, at 2.01% MW, and energy consumption reduction targets, as a percentage of FE PA's historic 2009 to 2010 reference load, at 2.00% MWh. The proposed plan includes cost recovery of approximately \$390 million to be recovered through its Phase V Energy Efficiency and Conservation Charge Rider and runs for a five-year period beginning June 1, 2026, through May 31, 2031. Prior to the hearing, which was held on January 29, 2026, the parties reached a full settlement in principle and a Joint Petition for Complete Settlement was filed with the PPUC on February 19, 2026. The PPUC is expected to issue its decision regarding this plan by the end of the first quarter of 2026.

On February 3, 2026, FE PA filed a proposed DSP for provision of generation for the June 1, 2027 through May 31, 2031 delivery period, to be sourced through competitive procurements for customers who do not receive service from an alternative EGS. Under the 2027-2031 DSP, supply would be provided through a mix of 12, 24, and in the case of residential customers, 60-month energy contracts, as well as spot market purchases for industrial customers. A final order is expected from the PPUC in the fourth quarter of 2026.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, regulatory accounting and reporting under the Uniform System of Accounts, and other matters. With respect to its wholesale services and rates, FE PA is subject to regulation by FERC. FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. FE PA has the necessary authorization from FERC to sell wholesale power, if any, in

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although major wholesale purchases remain subject to review and regulation by the PPUC. FE PA is required to renew its respective authorizations every three years, and on December 16, 2025, it filed applications for the next renewal period.

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

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

FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations that FirstEnergy has accepted. The audit report included a finding and related recommendation on FirstEnergy's methodology for allocation of certain corporate support costs to regulatory capital accounts under certain FERC regulations and reporting. Effective in the first quarter of 2022 and in response to the finding, FirstEnergy implemented a new methodology for the allocation of these corporate support costs to regulatory capital accounts for its regulated distribution and transmission companies on a prospective basis. On December 23, 2025, FERC staff notified FirstEnergy that the audit is concluded.

11. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

FE PA has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include stand-by LOCs and surety bonds. FE PA enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments FE PA could be required to make under these guarantees as of December 31, 2025 was \$48 million, as summarized below:

Guarantees and Other Assurances	Maximum Exposure
	<i>(In millions)</i>
Surety Bonds	\$ 29
LOCs	19
Total Guarantees and Other Assurances	\$ 48

Collateral and Contingent-Related Features

In the normal course of business, FE PA may enter into physical or financially settled contracts for the sale and purchase of electric capacity and energy. Certain agreements contain provisions that require FE PA to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon FE PA's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. FE PA has posted \$19 million of collateral in the form of LOCs as of December 31, 2025. FE PA is holding \$18 million of net cash collateral as of December 31, 2025 from certain generation suppliers, and such amount is included in "Other current liabilities" on FE PA's Consolidated Balance Sheets.

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These credit-risk-related contingent features stipulate that if FE PA were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. The following table discloses the potential additional credit rating contingent contractual collateral obligations as of December 31, 2025:

Potential Collateral Obligations	As of December 31, 2025	
	(In millions)	
Contractual obligations for additional collateral		
Upon downgrade	\$	—
Surety bonds (collateralized amount) ⁽¹⁾		26
Total Exposure from Contractual Obligations	\$	26

⁽¹⁾ Surety bonds are not tied to a credit rating, and their impact assumes maximum contractual obligations, which is ordinarily 100% of the face amount of the surety bond, except with respect to \$8 million as of December 31, 2025 of surety bond obligations for which the collateral obligation is capped at 60% of the face amount, and typical obligations require 30 days to cure.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FE PA with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While FE PA's environmental policies and procedures are designed to achieve compliance with applicable environmental laws and regulations, such laws and regulations are subject to periodic review and potential revision by the implementing agencies. FE PA cannot predict the timing or ultimate outcome of any of these reviews or how any future actions taken as a result thereof may materially impact its business, results of operations, cash flows and financial condition. In general, environmental requirements applicable to the electric power sector are becoming increasingly prescriptive and stringent, and the EPA finalized a number of rules in 2024 that could impact FE PA. However, the Trump administration has issued certain executive orders and stated its intention to rescind, revise or replace some existing environmental regulations and the ultimate impact of recently finalized rules, several of which are in litigation, and any replacement rules are uncertain.

On March 12, 2025, the EPA announced its intent to reevaluate or reconsider numerous environmental regulations, many of which apply to FE PA. The specific timing or outcome of this initiative remains unknown, but regular required rulemaking processes and procedures still apply, and litigation is also anticipated to occur. The disclosures herein do not attempt to discern potential impacts of these deregulatory actions until and unless formal rulemaking or other regulatory actions are announced and the potential impacts to operations can be discerned.

Prior to November 1999, FE PA owned and operated electric generation facilities in Pennsylvania. In response to federal and state deregulation initiatives, it separated its electric generation business from its transmission and distribution businesses by transferring all of its generation assets to an affiliate. However, FE PA retained responsibility for certain liabilities and obligations arising under environmental laws up to the date of transfer. As more fully discussed below, as an historic owner and operator of electric generation facilities, FE PA has been subject to claims alleging violations of environmental law and could have exposure for fines and penalties. FE PA is the successor-in-interest to all assets and liabilities of the Pennsylvania Companies.

Regulation of Waste Disposal

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

In April 2015, the EPA finalized regulations for the disposal of CCRs (non-hazardous), establishing national standards for landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to assure the safe disposal of CCRs from electric generation facilities. On September 13, 2017, the EPA announced that it would reconsider certain provisions of the final regulations. On July 29, 2020, the EPA published a final rule again revising the date that certain CCR impoundments must cease accepting waste and initiate closure to April 11, 2021. The final rule allowed for an extension of the closure deadline based on meeting identified site-specific criteria.

On May 8, 2024, the EPA issued the legacy CCR rule, which finalized changes to the CCR regulations addressing inactive surface impoundments at inactive electric utilities, known as legacy CCR surface impoundments. The rule extends 2015 CCR rule requirements for groundwater monitoring and protection, operational and reporting procedures as well as closure requirements to impoundments and landfills that were not originally included for coverage by the 2015 CCR rule. Furthermore, the EPA's interpretations of the EPA CCR regulations continue to evolve through enforcement and other regulatory actions. FE PA is currently assessing the potential impacts of the final rule, including a review of additional sites to which the new rule might be applicable. On February 13, 2025, the U.S. Department of Justice filed a motion on behalf of the EPA in the D.C. Circuit, seeking to hold the litigation, which was filed on August 8, 2024, by the Utility Solid Waste Act Group with FE as a member, in

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abeyance for a period of 120 days while the new leadership at the EPA evaluates the rule and determines how it wishes to proceed, which the D.C. Circuit granted. On March 12, 2025, the EPA announced a series of planned deregulatory actions, including reconsideration of the final legacy CCR rule. FirstEnergy continues to monitor the EPA's actions related to CCR regulations; however, the ultimate impact is unknown at this time and is subject to the outcome of the litigation and any future state regulatory actions. Depending on the outcome of appeals and the EPA's rule, compliance with the final legacy CCR rule could require remedial actions, including removal of coal ash. See Note 9., "Asset Retirement Obligations," of the Notes to Consolidated Financial Statements for a description of the \$19 million increase to its ARO that FE PA recorded during 2024 as a result of its analysis.

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In March 2023, a jury found Mr. Householder and his co-defendant, Matthew Borges, guilty and in June 2023, the two were sentenced to prison for 20 and five years, respectively. Messrs. Householder and Borges have appealed their sentences; the Sixth Circuit recently rejected their appeal upholding their convictions. Also, on July 21, 2020, and in connection with the U.S. Attorney's Office's investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the Southern District of Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. On January 17, 2025, the U.S. Attorney's Office announced that a federal grand jury charged two former FirstEnergy senior officers with one count of participating in a Racketeer Influenced and Corrupt Organizations Act conspiracy. The allegations in the indictment are largely based on the conduct described in the DPA.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves this matter as to FE. Under the DPA, FE agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA required that FirstEnergy, among other obligations: (i) continue to cooperate with the U.S. Attorney's Office in all matters relating to the conduct described in the DPA and other conduct under investigation by the U.S. government; (ii) pay a criminal monetary penalty totaling \$230 million within sixty days, consisting of (x) \$115 million paid by FE to the U.S. Treasury and (y) \$115 million paid by FE to the ODSA to fund certain assistance programs, as determined by the ODSA, for the benefit of low-income Ohio electric utility customers; (iii) publish a list of all payments made in 2021 to either 501(c)(4) entities or to entities known by FirstEnergy to be operating for the benefit of a public official, either directly or indirectly, and update the same on a quarterly basis during the term of the DPA; (iv) issue a public statement, as dictated in the DPA, regarding FE's use of 501(c)(4) entities; and (v) continue to implement and review its compliance and ethics program, internal controls, policies and procedures designed, implemented and enforced to prevent and detect violations of U.S. laws throughout its operations, and to take certain related remedial measures. The \$230 million payment will neither be recovered in rates or charged to FirstEnergy customers, nor will FirstEnergy seek any tax deduction related to such payment. The entire amount of the monetary penalty was recognized as an expense in the second quarter of 2021 and paid in the third quarter of 2021. As of July 22, 2024, FirstEnergy had successfully completed the obligations required within the three-year term of the DPA. Under the DPA, FirstEnergy has an obligation to continue: (i) publishing quarterly a list of all payments to 501(c)(4) entities and all payments to entities known by FirstEnergy operating for the benefit of a public official, either directly or indirectly; (ii) not making any statements that contradict the DPA; (iii) notifying the U.S. Attorney's Office of any changes in FirstEnergy's corporate form; and (iv) cooperating with the U.S. Attorney's Office until the conclusion of any related investigation, criminal prosecution, and civil proceeding brought by the U.S. Attorney's Office, including the aforementioned federal indictment against two former FirstEnergy senior officers. Within 30 days of those matters concluding, and FirstEnergy's successful completion of its remaining obligations, the U.S. Attorney's Office will dismiss the criminal information. On February 26, 2025, the U.S. Attorney's Office filed a status report confirming these commitments.

Legal Proceedings Relating to U.S. v. Larry Householder, et al.

Certain FE stockholders and FirstEnergy customers also filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The plaintiffs in each of the below cases seek, among other things, to recover an unspecified amount of damages (unless otherwise noted).

- *In re FirstEnergy Corp. Securities Litigation* (S.D. Ohio); on July 28, 2020, and August 21, 2020, purported stockholders of FE filed putative class action lawsuits alleging violations of the federal securities laws. Those actions have been consolidated and a lead plaintiff, the Los Angeles County Employees Retirement Association, has been appointed by the court. A consolidated complaint was filed on February 26, 2021. The consolidated complaint alleges, on behalf of a proposed class of persons who purchased FE securities between February 21, 2017 and July 21, 2020, that FE and certain current or former FE officers violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions concerning FE's business and results of operations. The consolidated complaint also alleges that FE, certain current or former FE officers and directors, and a group of underwriters violated Sections 11, 12(a)(2) and 15 of the Securities Act as a result of alleged misrepresentations or omissions in connection with offerings

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of senior notes by FE in February and June 2020. On March 30, 2023, the court granted plaintiffs' motion for class certification. On April 14, 2023, FE filed a petition in the Sixth Circuit seeking to appeal that order. On August 13, 2025, the Sixth Circuit vacated the S.D. Ohio's order granting class certification. On November 6, 2025, the S.D. Ohio held oral argument to further consider class certification in light of the Sixth Circuit's decision. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.

- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al. and Brighthouse Funds II – MFS Value Portfolio, et al. v. FirstEnergy Corp., et al.* (S.D. Ohio); on December 17, 2021 and February 21, 2022, purported stockholders of FE filed complaints against FE, certain current and former officers, and certain then-current and former officers of Energy Harbor Corp. The complaints allege that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seek the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur losses in connection with the resolution of these lawsuits. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.

The outcome of any of these lawsuits is uncertain and could have a material adverse effect on FE's or its subsidiaries' reputation, business, financial condition, results of operations, liquidity, and cash flows.

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FE PA's normal business operations pending against FE PA and its subsidiaries. The loss or range of loss in these matters is not expected to be material to FE PA or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements.

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

12. TRANSACTIONS WITH AFFILIATED COMPANIES

The affiliated company transactions for FE PA for the years ended December 31, 2025, 2024 and 2023 are as follows:

	For the Years Ended December 31,		
	2025	2024	2023
	(In millions)		
Revenues ⁽¹⁾	\$ 21	\$ 22	\$ 19
Expenses			
FESC support services ⁽²⁾	284	241	289
Other affiliate support services ⁽²⁾	(47)	(64)	(25)
Interest income	17	51	2
Interest expense	23	25	6

⁽¹⁾ Includes ground lease revenues from MAIT, KATCo and ATSI. See Note 5., "Leases," of the Notes to Consolidated Financial Statements for additional information.

⁽²⁾ Includes amounts capitalized of \$105 million, \$87 million and \$94 million for the years ended December 31, 2025, 2024 and 2023, respectively.

FE does not bill directly or allocate any of its costs to any subsidiary company. FESC provides corporate support and other services, including executive administration, accounting and finance, risk management, human resources, corporate affairs, communications, information technology, legal services and other similar services at cost, in accordance with its cost allocation manual, to affiliated FirstEnergy companies under FESC agreements. Allocated costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. Intercompany transactions are generally settled under commercial terms within thirty days. FE PA can also receive charges from and charge affiliates other than FESC at cost, including charging affiliated companies when FE PA employees work on projects for affiliates.

FE PA recognizes an allocation of the net periodic pension and OPEB costs/credits from its affiliates, including FESC. See Note 3., "Pension and Other Postemployment Benefits," of the Notes to Consolidated Financial Statements for additional information.

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the FirstEnergy regulated money pool, FE PA has the ability to borrow from its regulated affiliates and FE to meet its short-term working capital requirements. Affiliated company notes receivables and payables related to the money pool are reported as Notes receivable from affiliated companies or Short-term borrowings - affiliated companies on the Consolidated Balance Sheets. Affiliate accounts receivable and accounts payable balances relate to intercompany transactions that have not yet settled through the FirstEnergy money pool and are reflected net for each of FE PA's rate districts on the Consolidated Balance Sheets (see Note 8., "Short-Term Borrowings and Bank Lines of Credit," of the Notes to Consolidated Financial Statements).

FE PA is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. See Note 4., "Taxes," of the Notes to Consolidated Financial Statements for additional information.