FirstEnergy

Unlocking the Value of the Regulated Businesses

Charles E. Jones, President and CEO



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Forward-Looking Statements

This presentation includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms “anticipate,” “potential,” “expect,” "forecast," "target," "will," "intend," “believe,” "project," “estimate," "plan" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following: the ability to experience growth in the Regulated Distribution and Regulated Transmission segments and the effectiveness of our strategy to transition to a fully regulated business profile; the accomplishment of our regulatory and operational goals in connection with our transmission and distribution investment plans, including, but not limited to, our planned transition to forward-looking formula rates; changes in assumptions regarding economic conditions within our territories, assessment of the reliability of our transmission system, or the availability of capital or other resources supporting identified transmission investment opportunities; the ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet; success of legislative and regulatory solutions for generation assets that recognize their environmental or energy security benefits, including the Notice of Proposed Rulemaking released by the Secretary of Energy and action by the Federal Energy Regulatory Commission (FERC); the risks and uncertainties associated with the lack of viable alternative strategies regarding the Competitive Energy Services (CES) segment, thereby causing FirstEnergy Solutions Corp. (FES), and likely FirstEnergy Nuclear Operating Company (FENOC), to restructure its substantial debt and other financial obligations with its creditors or seek protection under United States bankruptcy laws and the losses, liabilities and claims arising from such bankruptcy proceeding, including any obligations at FirstEnergy Corp.; the risks and uncertainties at the CES segment, including FES, and its subsidiaries, and FENOC, related to wholesale energy and capacity markets and the viability and/or success of strategic business alternatives, such as pending and potential CES generating unit asset sales, the potential conversion of the remaining generation fleet from competitive operations to a regulated or regulated-like construct or the potential need to deactivate additional generating units, which could result in further substantial write-downs and impairments of assets; the substantial uncertainty as to FES’ ability to continue as a going concern and substantial risk that it may be necessary for FES, and likely FENOC, to seek protection under United States bankruptcy laws; the risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments, such as long-term fuel and transportation agreements; the uncertainties associated with the deactivation of older regulated and competitive units, including the impact on vendor commitments, such as long-term fuel and transportation agreements, and as it relates to the reliability of the transmission grid, the timing thereof; the impact of other future changes to the operational status or availability of our generating units and any capacity performance charges associated with unit unavailability; changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil prices, and their availability and impact on margins; costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices; replacement power costs being higher than anticipated or not fully hedged; our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins; the uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including New Source Review litigation, or potential regulatory initiatives or rulemakings (including that such initiatives or rulemakings could result in our decision to deactivate or idle certain generating units); changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates; economic or weather conditions affecting future sales, margins and operations such as a polar vortex or other significant weather events, and all associated regulatory events or actions; changes in national and regional economic conditions affecting us, our subsidiaries and/or our major industrial and commercial customers, and other counterparties with which we do business, including fuel suppliers; the impact of labor disruptions by our unionized workforce; the risks associated with cyber-attacks and other disruptions to our information technology system that may compromise our generation, transmission and/or distribution services and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our networks; the impact of the regulatory process and resulting outcomes on the matters at the federal level and in the various states in which we do business including, but not limited to, matters related to rates; the impact of the federal regulatory process on FERC-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM Interconnection, L.L.C. (PJM) markets and FERC-jurisdictional wholesale transactions; FERC regulation of cost-of-service rates; and FERC’s compliance and enforcement activity, including compliance and enforcement activity related to North American Electric Reliability Corporation’s mandatory reliability standards; the uncertainties of various cost recovery and cost allocation issues resulting from American Transmission Systems, Incorporated's realignment into PJM; the ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates; other legislative and regulatory changes, including the new federal administration's required review and potential revision of environmental requirements, including, but not limited to, the effects of the United States Environmental Protection Agency’s Clean Power Plan, Coal Combustion Residuals regulations, Cross-State Air Pollution Rule and Mercury and Air Toxics Standards programs, including our estimated costs of compliance, Clean Water Act (CWA) waste water effluent limitations for power plants, and CWA 316(b) water intake regulation; adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to, the revocation or non-renewal of necessary licenses, approvals or operating permits by the Nuclear Regulatory Commission or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant); issues arising from the indications of cracking in the shield building at Davis-Besse; changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our Nuclear Decommissioning Trusts, pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated; the impact of changes to significant accounting policies; the impact of any changes in tax laws or regulations or adverse tax audit results or rulings; the ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries; further actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries’ access to financing, increase the costs thereof, increase requirements to post additional collateral to support, or accelerate payments under outstanding commodity positions, letters of credit and other financial guarantees, and the impact of these events on the financial condition and liquidity of FirstEnergy Corp. and/or its subsidiaries, specifically FES and its subsidiaries; issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business; and the risks and other factors discussed from time to time in our United States Securities and Exchange Commission (SEC) filings, and other similar factors. Dividends declared from time to time on FirstEnergy Corp.'s common stock during any period may in the aggregate vary from prior periods due to circumstances considered by FirstEnergy Corp.'s Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. These forward-looking statements are also qualified by, and should be read in conjunction with the other cautionary statements and risks that are included in our filings with the SEC, including but not limited to the most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. The foregoing review of factors also should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. We expressly disclaim any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.

Non-GAAP Financial Matters

This presentation contains references to non-GAAP financial measures including Operating earnings (losses). In addition, Basic Earnings (Loss) Per Share - Operating, calculated on a segment basis, is also a non-GAAP financial measure. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Operating earnings (losses) are not calculated in accordance with GAAP because they exclude the impact of "special items". Special items represent charges incurred or benefits realized that management believes are not indicative of, or may obscure trends useful in evaluating the company's ongoing core activities and results of operations or otherwise warrant separate classification. Special items are not necessarily non-recurring. Basic Earnings (Loss) Per Share - Operating for each segment is calculated by dividing segment Operating earnings (losses), which exclude special items as discussed above, by the basic weighted average shares outstanding for the period. Management uses non-GAAP financial measures such as Operating earnings (losses) to evaluate the company's performance and manage its operations and frequently references these non-GAAP financial measures in its decision-making, using them to facilitate historical and ongoing performance comparisons. Additionally, management uses Basic Earnings (Loss) Per Share - Operating by segment to further evaluate the company's performance by segment and references this non-GAAP financial measure in its decision-making. Management believes that the non-GAAP financial measures of Operating earnings (losses) and Basic Earnings (Loss) Per Share - Operating by segment provide consistent and comparable measures of performance of its businesses on an ongoing basis. Management also believes that such measures are useful to shareholders and other interested parties to understand performance trends and evaluate the company against its peer group by presenting period-over-period operating results without the effect of certain charges or benefits that may not be consistent or comparable across periods or across the company's peer group. All of these non-GAAP financial measures are intended to complement, and are not considered as alternatives to, the most directly comparable GAAP financial measures. Also, the non-GAAP financial measures may not be comparable to similarly titled measures used by other entities.

Pursuant to the requirements of Regulation G, FirstEnergy has provided quantitative reconciliations within this presentation of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Refer to appendix slide 24.

Agenda

- FirstEnergy Overview
- Transition to a Regulated Utility
- Regulated Businesses
  - Transmission
  - Distribution
- Competitive Energy Services
- Closing Remarks / Q&A

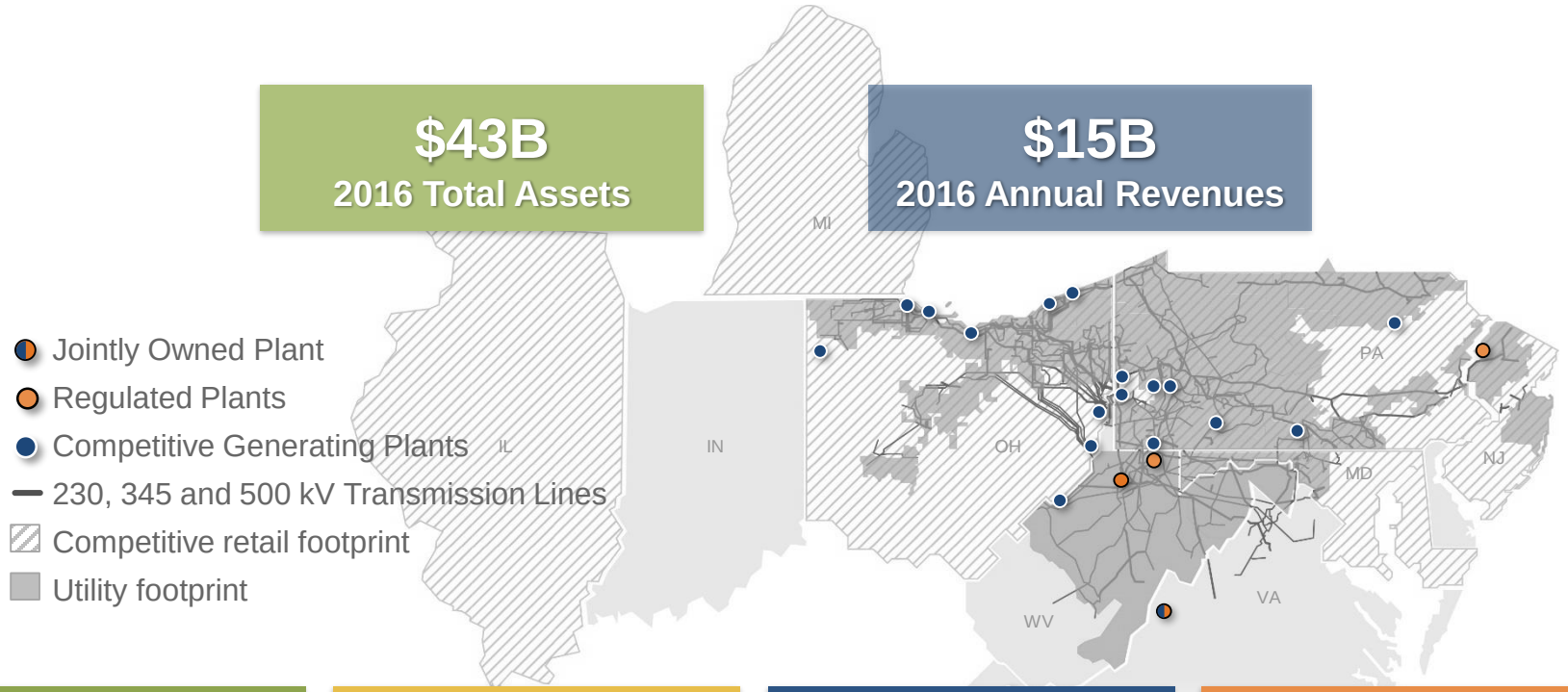
FirstEnergy Overview

OUR MISSION

We are a forward-thinking electric utility powered by a diverse team of employees committed to making customers' lives brighter, the environment better and our communities stronger.

$43B
2016 Total Assets

$15B
2016 Annual Revenues



~6 Million
Total Customers

13 Regulated
Utility Companies

~24,500+ Miles
Transmission Lines

~17,000 MW
Total Generation

FirstEnergy's Transition to a Regulated Model



	Diversified utility and merchant power holding company	Commodity-exposed, merchant power business is no longer viewed as core	Diversified utility holding company with stable, predictable cash flows
Capacity Competitive | Regulated	**22,810 MW** 87% | 13%	**16,952 MW** 78% | 22%	**Regulated only**
CES % of Total Operating Earnings	**37%**	**23%**	–
CapEx ($M) CES Distribution Transmission	 $757 $1,127 $194	 $550 $1,281 $1,001	– ~$1,300 per year through 2019 $800-$1,200 per year through 2021
Rate Base ($M) Distribution (Dx) and Transmission (Tx)	Dx: $11,015 Tx: $1,720	Dx: $12,540 Tx: $4,710	Expected Rate Base CAGR of ~4% for Dx from 2016-2019 and ~9% for Tx from 2016-2021
Rating Agency Business Risk Profile	Higher Risk Integrated Profile	→	Low Risk Fully Regulated Profile

Energizing the Future

2014 – 2017F



PROJECT FOCUSED

Since EtF launched in 2014, we have **completed more than 9,000 projects** to repair or replace breakers, transformers, relays, transmission lines and other transmission components.



EXPANDING WORKFORCE

By 2020, we expect to have **800 dedicated staff**, double the amount in 2014 with less reliance on contractors.



IMPROVING RELIABILITY

Investments since 2014 have produced favorable reliability trends: **35%** improvement in substation and **57%** improvement in line outages on qualifying projects as of YE 2016.



REGULATORY STRUCTURE

Formula rates at ATSI, TrAIL, MAIT and JCP&L Transmission provide **stable, predictable returns.**



FINANCIAL RESULTS

Transmission revenues and earnings per share are forecasted to increase by **60%** and **35%**, respectively, compared to 2014.

Customer-focused investments expected to continue to drive sustainable growth and long-term value

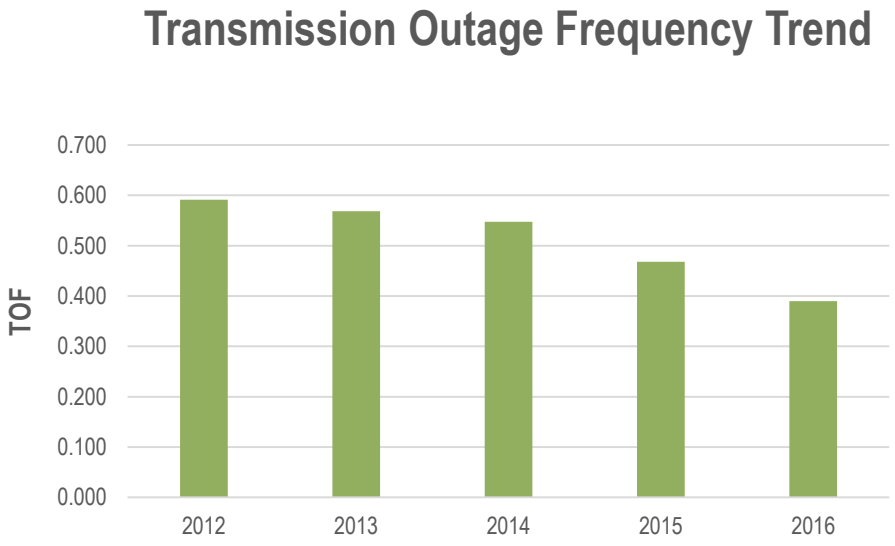
Energizing the Future

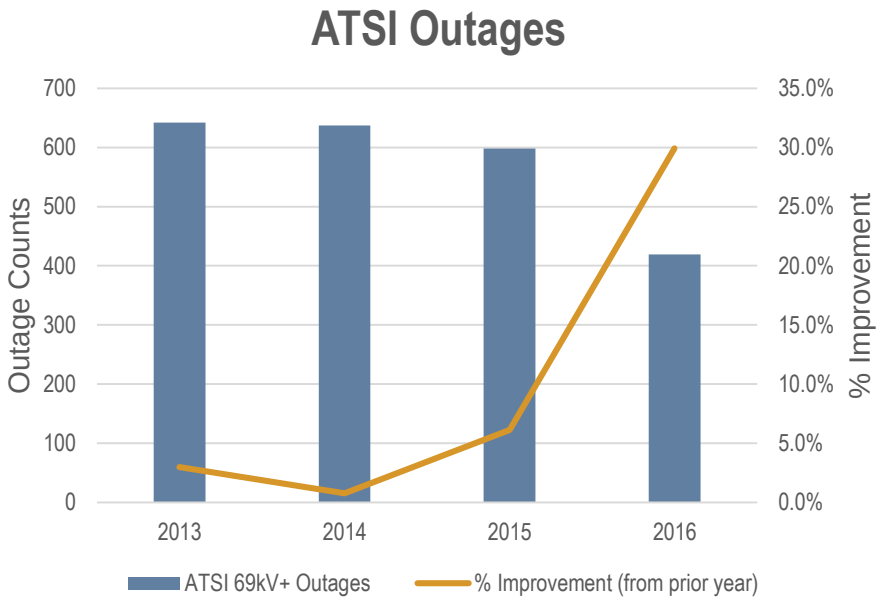
Proven Sustainable Growth Delivering Long-Term Value



Energizing the Future

Focused Investments for Customer Reliability Improvement



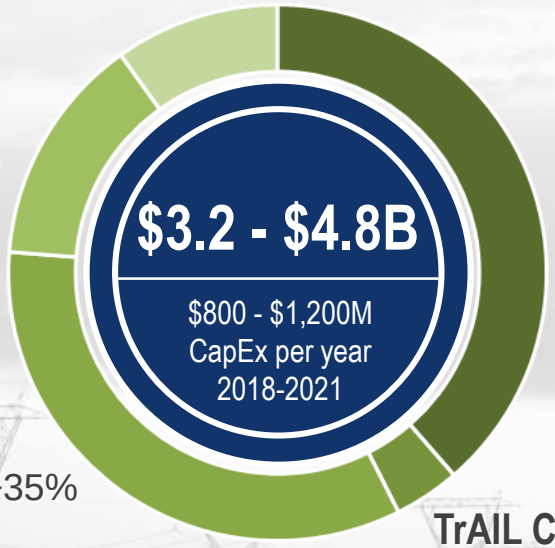


Realizing benefits by remaining focused on smaller-scale projects primarily in ATSI, and beginning to move East

- Upgrade the condition and health of the existing system: approximately 5% of substation equipment and transmission lines in ATSI
- Improve system performance and reliability
- Increase automation and communication within the system
- Enhance communication infrastructure and cyber/physical security

Strong Platform for Future Transmission Growth

Capital Plan 2018F-2021F



WPP, MP, PE
$375M | ~10%

JCP&L Tx
$510M | ~13%

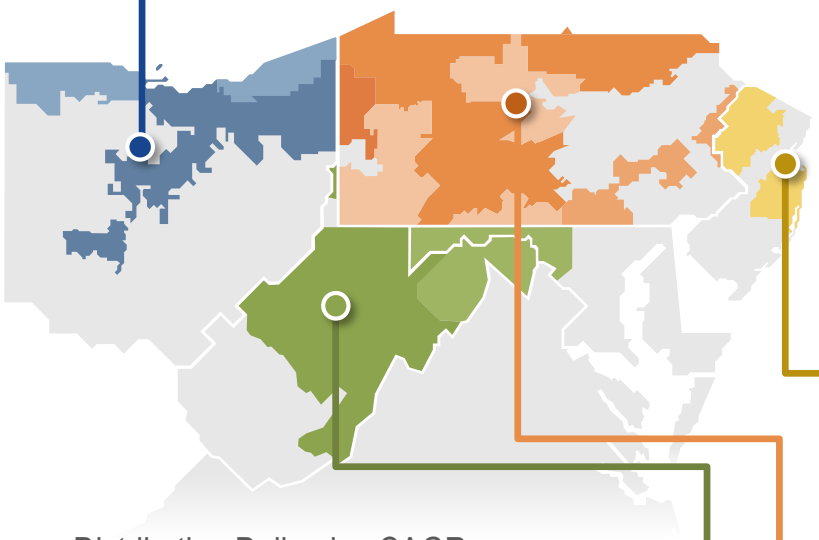
ATSI
$1,160M - $1,960M | ~39%

MAIT
$1,040M - $1,840M | ~35%

TrAIL Co.
$115M | ~3%

$20B+ FUTURE OPPORTUNITIES
beyond 2021…

Large Utility Footprint Providing Regulatory Diversity



Ohio

- Distribution Capital Recovery: annual cap increases of:
  - $30M June 1, 2016, to May 31, 2019
  - $20M June 1, 2019, to May 31, 2022
  - $15M June 1, 2022, to May 31, 2024
- Ohio Distribution Modernization Rider (DMR) of $204M annually 2017-2019, with potential 2-yr extension (filed by February, 2019)
- Base rate freeze ends June, 2024

New Jersey

- January 1, 2017, base rate increase: $80M

Pennsylvania

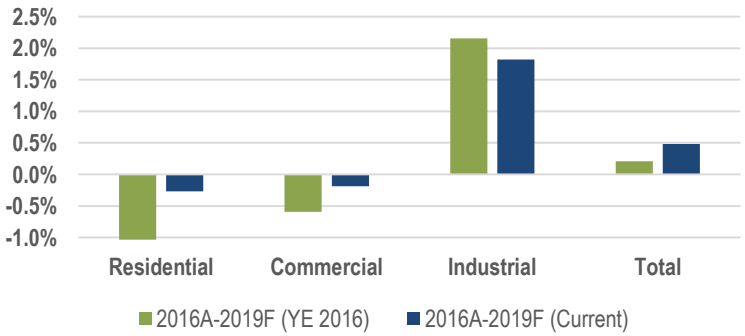
- January 27, 2017, base rate increase: $291M
- Earliest date for base rate filing: January, 2019
- Distribution System Improvement Charge Rider: Set to zero with latest rate increase.

West Virginia / Maryland

- WV Vegetation Management Surcharge: Recovers costs associated with right-of-way tree trimming process

Distribution Deliveries CAGR

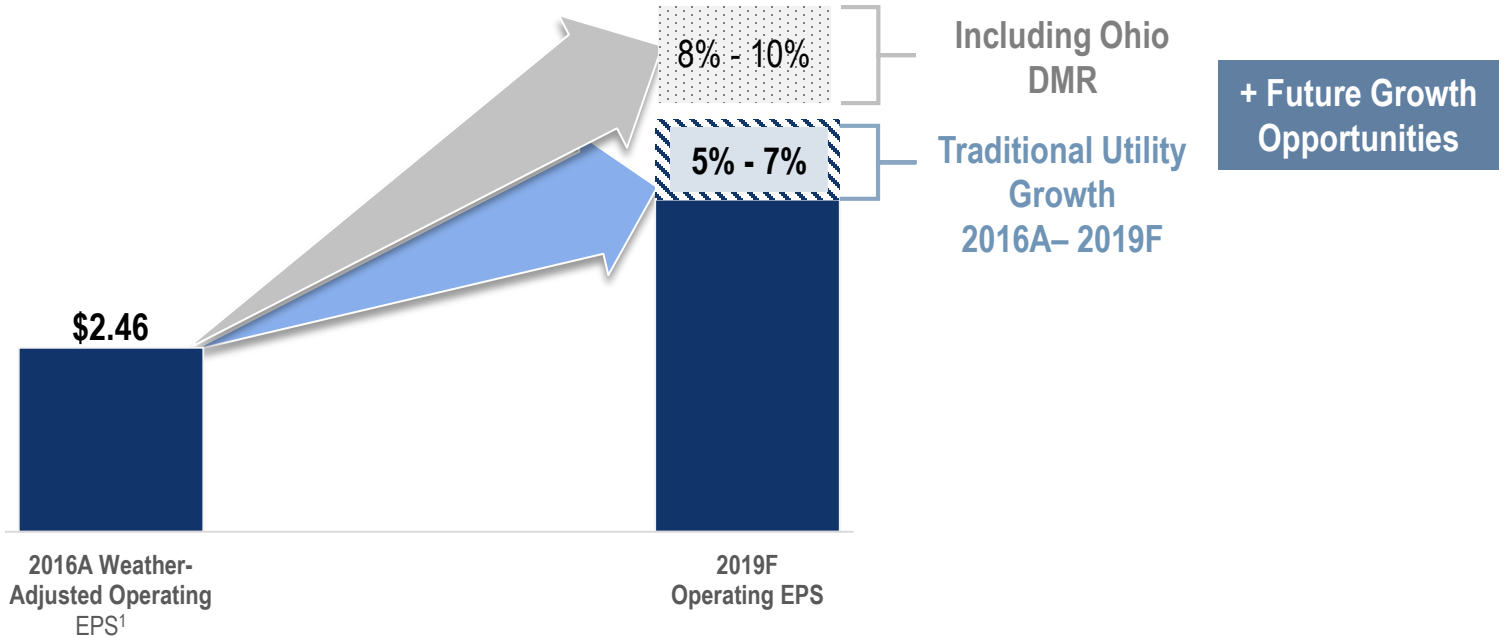
Weather Adjusted



Distribution deliveries forecasted to improve 0.3%

Regulated Operating Earnings Growth

The Scale of our Regulated Footprint Positions FirstEnergy for Sustained Growth



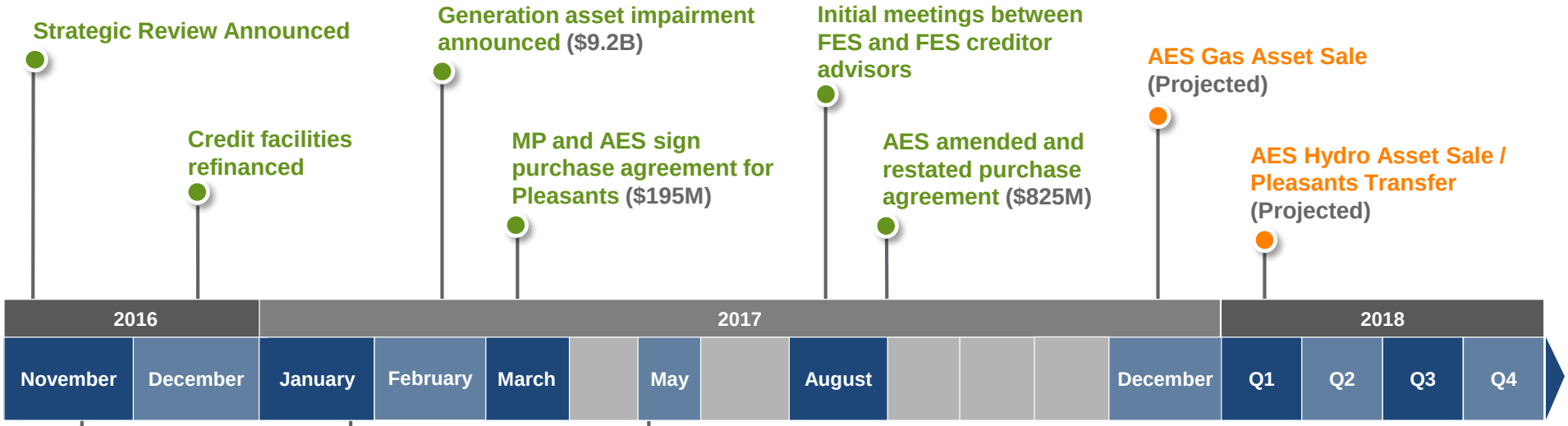
Targeting 5% - 7% Compound Annual Growth Rate

Incremental 3% with Ohio DMR

[1] CAGR calculated using a 2016 operating earnings (non-GAAP) for Regulated Distribution and Regulated Transmission segments of $2.46 per share which includes ($0.13) from the impact of weather. See slide 24 in the Appendix for reconciliation between GAAP and Operating (non-GAAP) earnings.

Competitive Energy Services

Progress Toward Becoming a Regulated Company



Parallel actions which may impact the value of Commodity Exposed Generation

Federal Government

- ***August 2017:*** **U.S. DOE releases "Staff Report on Electricity Markets and Reliability"**
- ***September 2017:*** **Sec. Perry issues Notice of Proposed Rulemaking (NOPR) on Grid Resiliency Pricing Rule**
- ***December 2017:*** **FERC directed to either take final action or issue proposed rule as interim final rule in response to NOPR**

Ohio Legislature

- ***October 2017: Ohio Clean Energy Jobs*** **Bill introduced in the House**

Unlocking the Full Value of FirstEnergy for Investors

Transmission

- 3 operating companies; FERC-regulated formula returns
- Expected Rate Base CAGR of ~9%, 2016A-2021F
- $20B+ capital project runway beyond 2021

Distribution

- 10 operating companies across 6 states
- ~6M customers
- Expected Rate Base CAGR of ~4%, 2016A-2019F

Balance Sheet

- Committed to investment-grade credit ratings at all regulated entities and FE Corp.
- $4.9B of available liquidity as of 9/30/17
- Expect at least $1.5B of equity through 2019

Targeting 5 – 7% CAGR through 2019, incremental 3% with OH DMR

Building a Stronger Balance Sheet

FIRSTENERGY

Appendix

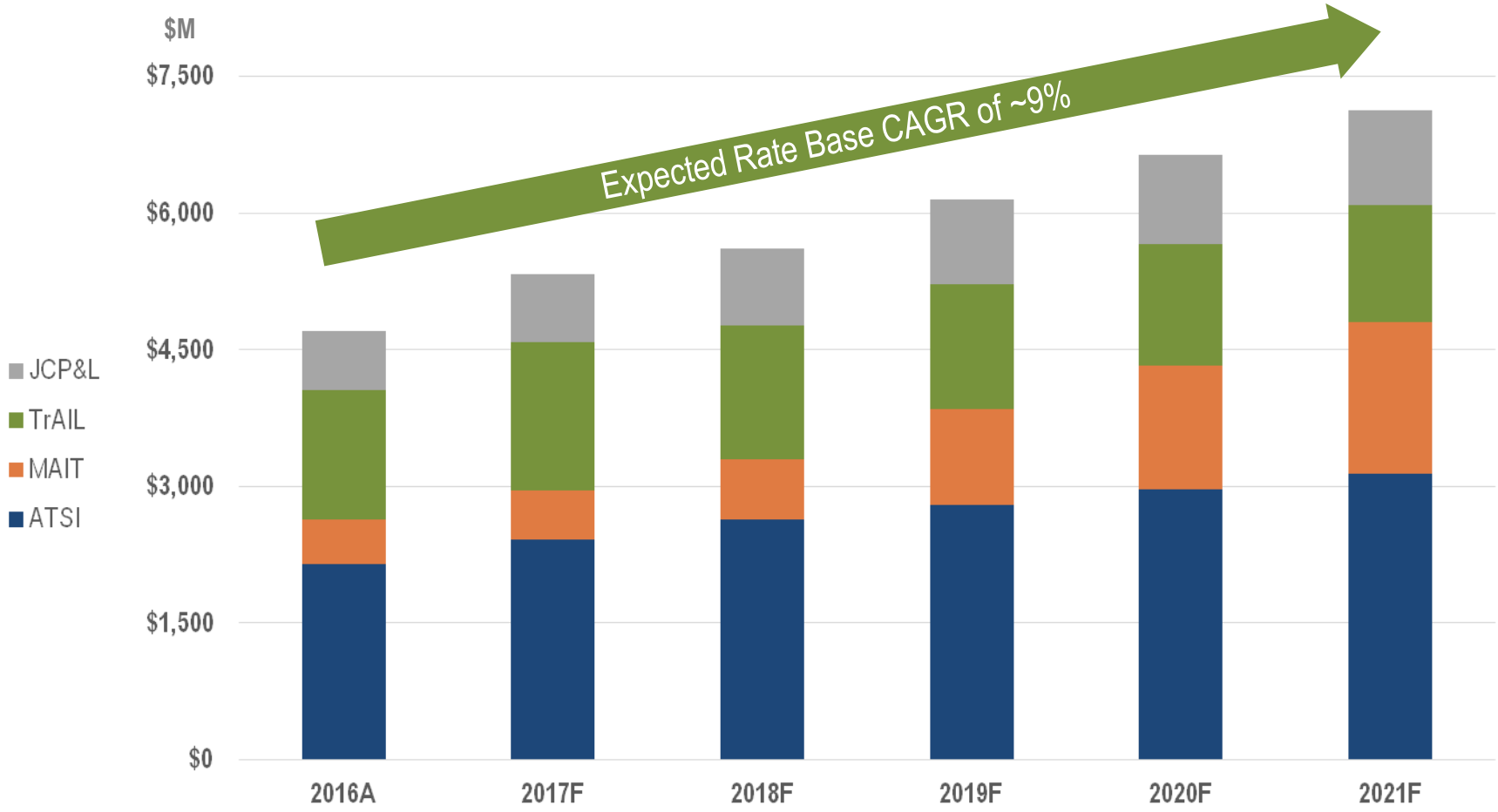
Regulated Transmission Capital Plan (2016A - 2021F)

$ Millions	2016A	2017F	2018F	2019F	2020F	2021F
WPP, MP, PE	$53	$90	$90	$95	$95	$95
ME, PN	55	-	-	-	-	-
ATSI	487	420	270 - 470	290 - 490	300 - 500	300 - 500
TrAIL Co.	217	60	35	30	25	25
MAIT	-	260	280 - 480	260 - 460	250 - 450	250 - 450
JCP&L	189	170	125	125	130	130
Regulated Transmission – Total	**$1,001**	**$1,000**	**$800 - $1,200**	**$800 - $1,200**	**$800 - $1,200**	**$800 - $1,200**

Energizing the Future Plan Phase 1	**$2B**	
Energizing the Future Plan Phase 2		**$3.2B - $4.8B**

Regulated Transmission Rate Base Growth

Formula Rate Transmission Companies



2017F – 2021F assumes capital expenditures of ~$900M per year

Weather-Adjusted Distribution Deliveries

Total Deliveries

M MWH	2016A	2017F	2018F	2019F	2016A-2019F CAGR %
Total	**146.5**	**147.4**	**148.5**	**148.6**	**0.5%**
OH	52.6	52.4	52.7	52.6	-
PA	51.5	52.2	52.1	51.9	0.3%
WV	15.0	15.3	16.2	16.7	3.8%
NJ	20.5	20.6	20.3	20.1	-0.6%
MD	6.9	7.0	7.1	7.1	1.2%

Residential

M MWH	2016A	2017F	2018F	2019F	2016A-2019F CAGR %
Sub-Total	**53.2**	**53.3**	**53.3**	**52.8**	**-0.3%**
OH	17.0	16.9	17.0	16.8	-0.4%
PA	18.3	18.4	18.2	17.9	-0.7%
WV	5.5	5.4	5.6	5.6	1.0%
NJ	9.3	9.4	9.3	9.2	-0.2%
MD	3.2	3.2	3.3	3.2	0.3%

Commercial

M MWH	2016A	2017F	2018F	2019F	2016A-2019F CAGR %
Sub-Total	**43.1**	**42.9**	**43.0**	**42.9**	**-0.2%**
OH	15.4	15.1	15.3	15.3	-0.1%
PA	13.0	12.9	12.8	12.8	-0.5%
WV	3.7	3.7	3.8	3.8	1.0%
NJ	9.0	9.0	9.0	8.9	-0.6%
MD	2.1	2.1	2.1	2.1	0.7%

Industrial

M MWH	2016A	2017F	2018F	2019F	2016A-2019F CAGR %
Sub-Total	**50.1**	**51.1**	**52.2**	**52.9**	**1.8%**
OH	20.3	20.3	20.4	20.5	0.4%
PA	20.2	20.9	21.1	21.2	1.6%
WV	5.8	6.1	6.8	7.3	7.8%
NJ	2.2	2.2	2.1	2.0	-2.1%
MD	1.6	1.7	1.8	1.8	3.4%

Guidance Sensitivities

Estimated Impact of Annual Retail Sales Volumes	
+ / - 1% Change in Residential Deliveries	~$0.03/share
+ / - 1% Change in Commercial Deliveries	~$0.01/share
+ / - 1% Change in Industrial Deliveries	~$0.005/share

Weather Impact on Residential/Commercial Sales Volumes	
+ / - 90 HDD vs. normal (Dec-Mar)	~$0.01/share
+ / - 30 CDD vs. normal (June-Sept)	~$0.01/share

Ohio Grid Modernization: Incremental Opportunity

In ESP IV, the Ohio companies agreed to empower customers through grid modernization initiatives, e.g., AMI, Distribution Automation Circuit Reconfiguration, and VOLT/VAR Control

Estimates Included in Business Plan	Length	Total Estimated Costs
AMI Deployment	5 to 8 years	Capital: $2.2B - $3.5B
DA/VVC	8 to 15 years	O&M: $1.5B - $1.9B
		Total: $3.7B - $5.4B[1]

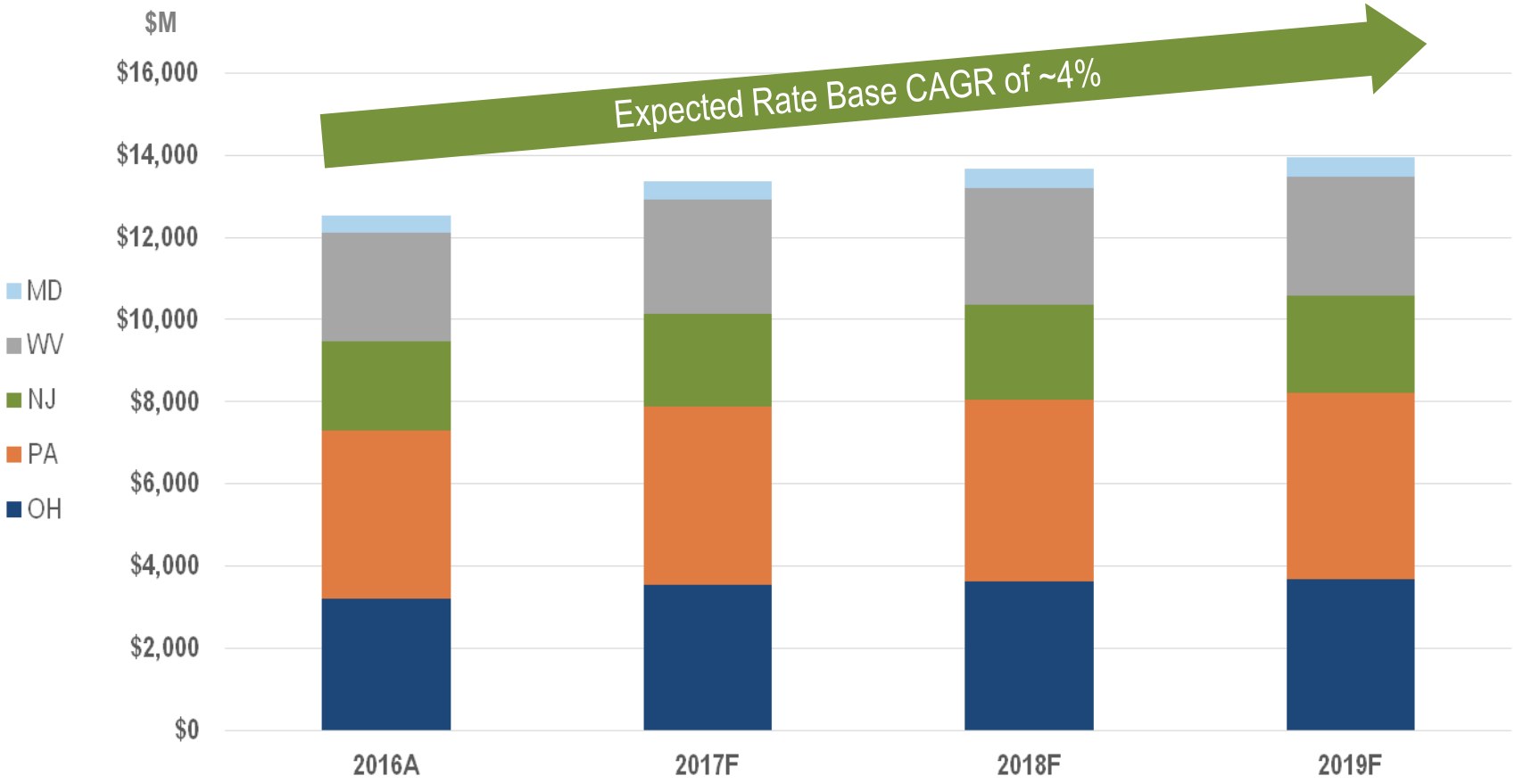
- Business plan filed with PUCO in February 2016 and includes three scenarios that provide the opportunity for significant investments over time:
  - Full AMI deployment
  - Different levels of DA/VVC deployment
  - Net benefits to customers
- Business plan is subject to PUCO review and approval

[1] Not included in current plan

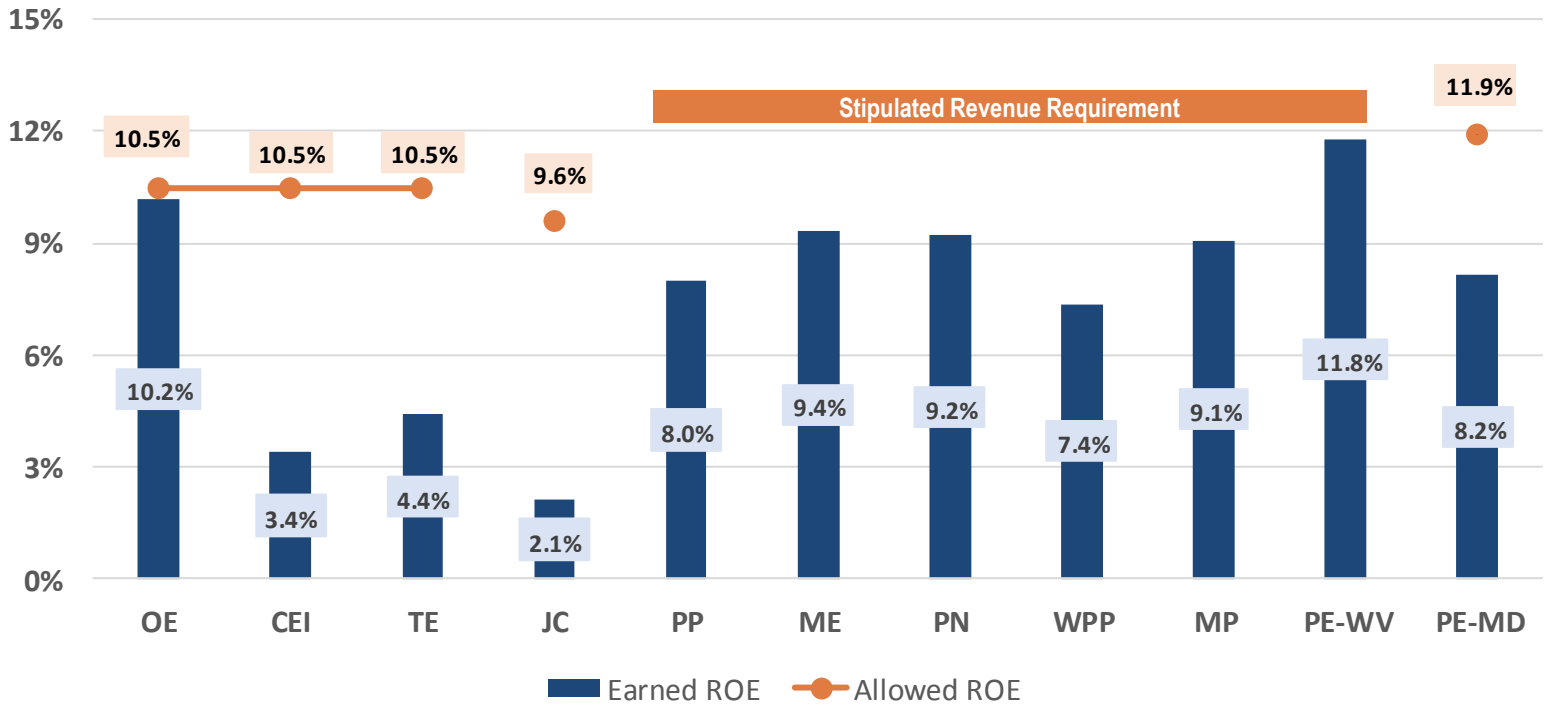
Regulated Distribution Capital Plan (2016A - 2017F)

$ Millions		Stated Rate		Formula Rate		Total	
		2016A	2017F	2016A	2017F	2016A	2017F
OH	CEI	$30	$30	$103	$95	$133	$125
	OE	30	30	126	115	156	145
	TE	10	10	34	35	44	45
	Sub-total	**70**	**70**	**263**	**245**	**333**	**315**
NJ	**JCP&L**	**191**	**180**	**0**	**0**	**191**	**180**
PA	ME	76	90	31	45	107	135
	PN	94	110	51	50	145	160
	PP	27	20	20	25	47	45
	WPP	106	105	43	70	149	175
	Sub-total	**303**	**325**	**145**	**190**	**448**	**515**
WV / MD	MP	144	150	72	60	216	210
	PE	83	90	10	15	93	105
	Sub-total	**227**	**240**	**82**	**75**	**309**	**315**
Total		**$791**	**$815**	**$490**	**$510**	**$1,281**	**$1,325**

Regulated Distribution Rate Base Growth



Earned vs. Allowed Distribution ROEs



OH: Significantly Excessive Earnings Test filed with 2016 ROE
NJ: Base rate case update filed with 6/30/2016 ROE
PA: PA PUC Bureau of the Technical Utility Services Report filed with 6/30/2017 ROE
WV: Quarterly reports filed with 2016 ROE
MD: Quarterly reports filed with 2016 ROE

2016A GAAP to Operating (Non-GAAP) Earnings[1] Reconciliation

(In millions, except per share amounts)

Year Ended December 31, 2016	Regulated Distribution	Regulated Transmission	Competitive Energy Services	Corporate / Other	FirstEnergy Corp. Consolidated
2016 Net Income (Loss) - GAAP	$ 651	$ 331	$ (6,919)	$ (240)	$ (6,177)
2016 Basic EPS (avg. shares outstanding 426M)	$ 1.53	$ 0.78	$ (16.23)	$ (0.57)	$ (14.49)
Excluding Special Items:					
Mark-to-market adjustments -					
Pension/OPEB actuarial assumptions	0.15	—	0.06	—	0.21
Other	—	—	0.01	—	0.01
Merger accounting - commodity contracts	—	—	0.05	—	0.05
Regulatory charges	0.13	—	—	—	0.13
Asset impairment/Plant exit costs	—	—	16.67	—	16.67
Debt redemption costs	—	—	0.01	0.01	0.02
Trust securities impairment	—	—	0.03	—	0.03
Total Special Items	$ 0.28	$ —	$ 16.83	$ 0.01	$ 17.12
Basic EPS - Operating (Non-GAAP)	$ 1.81	$ 0.78	$ 0.60	$ (0.56)	$ 2.63

[1] Operating earnings exclude special items as described in the reconciliation table above and is a non-GAAP financial measure.

Per share amounts for the special items and earnings drivers above and throughout these materials are based on the after-tax effect of each item divided by the weighted average basic shares outstanding for the period. The current and deferred income tax effect was calculated by applying the subsidiaries' statutory tax rate to the pre-tax amount with the exception of Asset impairment/Plant exit costs that included an impairment of goodwill, of which $433 million of the $800 million pre-tax impairment was non-deductible for tax purposes, and valuation allowances against state and local NOL carryforwards of $159 million. With the exception of these items included in Asset impairment/Plant exit costs, the income tax rates range from 35% to 41%.

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