JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

GLOSSARY OF TERMS

The following abbreviations and acronyms may be used in these financial statements to identify Jersey Central Power & Light Company and its current and former subsidiaries and affiliated companies:

ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating affiliated company
FE	FirstEnergy Corp., a public utility holding company
FENOC	Energy Harbor Nuclear Corp. (formerly known as FirstEnergy Nuclear Operating Company), a subsidiary of EH, which operates NG's nuclear generating facilities
FES	Energy Harbor LLC (formerly known as FirstEnergy Solutions Corp.), a subsidiary of EH, which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC, which is the parent of ATSI, KATCo, MAIT and TrAIL and has a joint venture in PATH
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
GPU	GPU, Inc., former parent of JCP&L, ME and PN, that merged with FE on November 7, 2001
GPUN	GPU Nuclear, Inc., a subsidiary of FE, which operates TMI-2
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating company
KATCo	Keystone Appalachian Transmission Company, a subsidiary of FET
MAIT	Mid-Atlantic Interstate Transmission, LLC, a subsidiary of FET, which owns and operates transmission facilities
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating affiliated company
MP	Monongahela Power Company, a West Virginia electric utility operating affiliated company
OE	Ohio Edison Company, an Ohio electric utility operating affiliated company
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PE	The Potomac Edison Company, a Maryland and West Virginia electric utility operating affiliated company
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating affiliated company
TE	The Toledo Edison Company, an Ohio electric utility operating affiliated company
TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Transmission Companies	ATSI, MAIT and TrAIL
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating affiliated company

The following abbreviations and acronyms may be used to identify frequently used terms in these financial statements:

2021 Credit Facilities	Collectively, the six separate senior unsecured five-year syndicated revolving credit facilities entered into by FE, FET, the Utilities, and the Transmission Companies, on October 18, 2021
ADIT	Accumulated Deferred Income Taxes
AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
AMI	Advance Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ASC	Accounting Standard Codification
ASU	Accounting Standards Update
BGS	Basic Generation Service
BRA	Base Residual Auction
COVID-19	Coronavirus disease
CSR	Conservative Support Rider

CTA	Consolidated Tax Adjustments
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and S.D. Ohio
EDC	Electric Distribution Company
EGS	Electric Generation Supplier
EH	Energy Harbor Corp
Exchange Act	Securities and Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FE Board	The Board of Directors of FirstEnergy Corp.
FE Revolving Facility	FE and the Utilities' former five-year syndicated revolving credit facility, as amended, and replaced by the 2021 Credit Facilities on October 18, 2021
FERC	Federal Energy Regulatory Commission
FET Revolving Facility	FET and certain of its subsidiaries' former five-year syndicated revolving credit facility, as amended, and replaced by the 2021 Credit Facilities on October 18, 2021
Fitch	Fitch Ratings Service
FPA	Federal Power Act
GAAP	Accounting Principles Generally Accepted in the United States of America
HB 6	Ohio House Bill 6
IRS	Internal Revenue Service
LOC	Letter of Credit
MW	Megawatt
N.D. Ohio	Northern District of Ohio
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NJ Rate Counsel	New Jersey Division of Rate Counsel
NJBPU	New Jersey Board of Public Utilities
NOL	Net Operating Loss
OAG	Ohio Attorney General
ODSA	Ohio Development Service Agency
OPEB	Other Post-Employment Benefits
PJM	PJM Interconnection, L.L.C.
PJM Tariff	PJM Open Access Transmission Tariff
PUCO	Public Utilities Commission of Ohio
RFC	ReliabilityFirst Corporation
ROE	Return on Equity
S.D. Ohio	Southern District of Ohio
SEC	United States Securities and Exchange Commission
SLC	Special Litigation Committee of the FE Board
TMI-2	Three Mile Island Unit 2

Report of Independent Auditors

To Management and the Board of Directors
Of Jersey Central Power & Light Company

Opinion

We have audited the accompanying consolidated financial statements of Jersey Central Power & Light Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, of common stockholder's equity, and of cash flows for the years then ended, 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended 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 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 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 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 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 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 11, 2022

JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In millions)	For the Years Ended December 31, 2021	2020
REVENUES	$ 1,816	$ 1,782
OPERATING EXPENSES:		
Purchased power	931	892
Other operating expenses	445	611
Provision for depreciation	185	167
Amortization (deferral) of regulatory assets, net	54	(175)
General taxes	19	19
Gain on sale of Yards Creek	(109)	—
Total operating expenses	1,525	1,514
OPERATING INCOME	291	268
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	63	54
Pension and OPEB mark-to-market adjustment	92	(79)
Interest expense	(103)	(94)
Capitalized financing costs	10	7
Total other income (expense)	62	(112)
INCOME BEFORE INCOME TAXES	353	156
INCOME TAXES	87	19
NET INCOME	$ 266	$ 137

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

JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 170	$ —
Restricted cash	—	6
Receivables-		
Customers	257	242
Less — Allowance for uncollectible customer receivables	20	20
	237	222
Affiliated companies	39	33
Other, net of allowance for uncollectible accounts of $6 in 2021	31	35
Notes receivable from associated companies	—	38
Prepaid taxes and other	26	26
	503	360
UTILITY PLANT:		
In service	7,685	7,393
Less — Accumulated provision for depreciation	2,212	2,148
	5,473	5,245
Construction work in progress	251	237
	5,724	5,482
UTILITY PLANT - HELD FOR SALE (Note 10)	—	45
INVESTMENTS AND OTHER NONCURRENT ASSETS:		
Goodwill	1,811	1,811
Investments	284	284
Other	94	98
	2,189	2,193
	$ 8,416	$ 8,080
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 1	$ 9
Short-term borrowings -		
Affiliated companies	72	—
Other	—	450
Accounts payable		
Affiliated companies	1	2
Other	146	161
Accrued compensation and benefits	43	53
Customer deposits	37	43
Accrued taxes	26	9
Accrued interest	27	23
Other	58	27
	411	777
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, $10 par value, authorized 16,000,000 shares - 13,628,447 shares outstanding	136	136
Other paid-in capital	2,727	2,722
Accumulated other comprehensive loss	(5)	(5)
Retained earnings	1,050	854
Total common stockholder's equity	3,908	3,707
Long-term debt and other long-term obligations	2,147	1,653
	6,055	5,360
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	874	796
Nuclear fuel disposal costs	209	209
Retirement benefits	155	276
Regulatory liabilities	187	125
Other	525	537
	1,950	1,943
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$ 8,416	$ 8,080

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

JERSEY CENTRAL POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(In millions, except share amounts)	Common Stock		Other Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholder's Equity
	Number of Shares	Carrying Value				
Balance, January 1, 2020	13,628,447	$ 136	$ 2,716	$ (5)	$ 717	$ 3,564
Net income					137	137
Stock-based compensation			5			5
Consolidated tax benefit allocation			1			1
Balance, December 31, 2020	13,628,447	$ 136	$ 2,722	$ (5)	$ 854	$ 3,707
Net income					266	266
Stock-based compensation			5			5
Common stock dividend payments					(70)	(70)
Balance, December 31, 2021	13,628,447	$ 136	$ 2,727	$ (5)	$ 1,050	$ 3,908

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

JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	For the Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 266	$ 137
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	235	(15)
Asset removal costs charged to income	—	36
Deferred income taxes and investment tax credits, net	61	31
Gain on sale of Yards Creek	(109)	—
Nuclear decommissioning trust income	—	2
Spent nuclear fuel disposal trust income	11	15
Retirement benefits, net of payments	(57)	(44)
Pension and OPEB mark-to-market adjustment	(92)	79
Changes in current assets and liabilities-		
Receivables	(17)	18
Prepaid taxes and other current assets	—	1
Accounts payable	(16)	(21)
Accrued taxes	17	6
Accrued interest	4	1
Accrued compensation and benefits	(10)	9
Customer deposits	(6)	(6)
Other current liabilities	—	1
Collateral, net	36	—
Other	19	(4)
Net cash provided from operating activities	342	246
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	500	—
Short-term borrowings-		
Affiliated companies, net	72	—
Other, net	—	450
Redemptions and repayments-		
Long-term debt	(9)	(16)
Short-term borrowings-		
Affiliated companies, net	—	(114)
Other, net	(450)	—
Common stock dividend payments	(70)	—
Other	(9)	(2)
Net cash provided from financing activities	34	318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(357)	(466)
Proceeds from sale of Yards Creek	155	—
Loans to affiliated companies, net	38	(38)
Sales of investment securities held in trusts	48	80
Purchases of investment securities held in trusts	(59)	(97)
Asset removal costs	(33)	(45)
Other	(4)	—
Net cash used for investing activities	(212)	(566)
Net change in cash, cash equivalents, and restricted cash	164	(2)
Cash, cash equivalents, and restricted cash at beginning of period	6	8
Cash, cash equivalents, and restricted cash at end of period	$ 170	$ 6
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) during the year-		
Interest (net of amounts capitalized)	$ 94	$ 86
Income taxes, net of refunds	$ 3	$ (21)

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

JERSEY CENTRAL POWER & LIGHT 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.

JCP&L is a wholly owned, electric utility subsidiary of FE. JCP&L conducts business in New Jersey by providing regulated electric transmission and distribution services in northern, western and east central New Jersey. JCP&L procures electric supply to serve its BGS customers through a statewide auction process approved by the NJBPU. JCP&L is subject to regulation by the NJBPU and FERC.

JCP&L follows GAAP and complies with the regulations, orders, policies and practices prescribed by the NJBPU and FERC. 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.

JCP&L performs qualitative analyses based on control and economics to determine whether a variable interest classifies JCP&L as the primary beneficiary (a controlling financial interest) of a VIE. An enterprise has a controlling financial interest if it has both power and economic control, such that an entity has (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and (ii) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. JCP&L consolidates a VIE when it is determined that it is the primary beneficiary.

JCP&L has evaluated events and transactions for potential recognition or disclosure through March 11, 2022, the date these financial statements were issued.

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

COVID-19

FirstEnergy is continuously evaluating the COVID-19 global pandemic and taking steps to mitigate known risks. FirstEnergy is actively monitoring the continued impact COVID-19 is having on its customers' receivable balances, which include increasing arrears balances since the pandemic began. FirstEnergy has incurred, and it is expected to incur for the foreseeable future, COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that FirstEnergy is incurring to protect its employees, contractors and customers, and to support social distancing requirements. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, COVID-19 test kits, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible. The full impact on FirstEnergy's business from the pandemic, including the governmental and regulatory responses, is unknown at this time and difficult to predict. FirstEnergy provides a critical and essential service to its customers and the health and safety of its employees and customers is its first priority. FirstEnergy is continuously monitoring its supply chain and is working closely with essential vendors to understand the continued impact of COVID-19 to its business and does not currently expect service disruptions or any material impact on its capital investment spending plan.

Currently, FirstEnergy is effectively managing operations during the pandemic in order to continue to provide critical service to customers, however, the situation remains fluid and future impacts to FirstEnergy that are presently unknown or unanticipated may occur. Furthermore, the likelihood of an impact to FirstEnergy, and the severity of any impact that does occur, could increase the longer the global pandemic persists.

ACCOUNTING FOR THE EFFECTS OF REGULATION

JCP&L is subject to regulation that sets the prices (rates) that JCP&L 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.

JCP&L 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, JCP&L 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, JCP&L will write off that regulatory asset as a charge against earnings. JCP&L 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 non-current section on JCP&L's Consolidated Balance Sheets. See Note 10, "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2021 and December 31, 2020, and the changes during the year ended December 31, 2021:

Net Regulatory Assets (Liabilities) by Source	As of December 31, 2021	As of December 31, 2020	Change
		(In millions)	
Asset removal costs	$ (69)	$ (132)	$ 63
Customer payables for future income taxes	(475)	(493)	18
Spent nuclear fuel disposal costs	(101)	(101)	—
Deferred transmission costs	(14)	5	(19)
Storm-related costs	339	460	(121)
Uncollectible and COVID-19 related costs	26	25	1
New Jersey societal benefit costs	109	112	(3)
Vegetation management	12	15	(3)
Other	(14)	(16)	2
Net Regulatory Liabilities included on the Consolidated Balance Sheets	$ (187)	$ (125)	$ (62)

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

Asset removal costs - Primarily represents the rates charged to customers that include a provision for the cost of future activities to remove assets, including obligations for which an asset retirement obligation has been recognized, that are expected to be incurred at the time of retirement.

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 property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to tax rate changes such as the Tax Act. 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.

Spent nuclear fuel disposal costs - Reflects amounts collected from customers and the investment income, losses and changes in fair value of the trusts for spent nuclear fuel disposal costs related to the former nuclear generating facilities, Oyster Creek and TMI-1.

Deferred transmission costs - Principally represents differences between revenues earned based on actual costs and the amounts billed for JCP&L's formula transmission rate. Amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

Storm-related costs - Relates to the recovery of storm costs, of which $19 million and $51 million are currently being recovered through rates as of December 31, 2021, and 2020, respectively.

Uncollectible and COVID-19 related costs - Includes the deferral of prudently incurred incremental costs arising from COVID-19, including uncollectible expenses under new and existing riders prior to the pandemic.

New Jersey societal benefit costs - Primarily relates to regulatory assets associated with manufactured gas plant remediation, universal service and lifeline funds, and consumer education in New Jersey.

Vegetation management - Relates to regulatory assets in New Jersey associated with the recovery of distribution vegetation management costs incurred through 2020, which are being amortized through 2026.

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2021 and 2020, of which approximately $23 million and $55 million, respectively, are currently being recovered through rates over varying periods, through 2068, depending on the nature of the deferral and the jurisdiction:

Regulatory Assets by Source Not Earning a Current Return	December 31, 2021	December 31, 2020	Change
	(In millions)		
Storm-related costs	$ 339	$ 456	$ (117)
Deferred transmission costs	2	5	(3)
COVID-19 related costs	17	12	5
Regulatory transition costs	12	16	(4)
Vegetation management	12	15	(3)
Other	10	9	1
Regulatory Assets Not Earning a Current Return	$ 392	$ 513	$ (121)

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. JCP&L tests goodwill for impairment annually as of July 31 and considers more frequent testing if indicators of potential impairment arise. In evaluating goodwill for impairment, JCP&L assesses qualitative factors to determine whether it is more likely than not (that is, likelihood of more than 50 percent) that its fair value is less than its carrying value (including goodwill). If JCP&L concludes that it is not more likely than not that its fair value is less than its carrying value, then no further testing is required. However, if JCP&L concludes that it is more likely than not that its fair value is less than its carrying value or bypasses the qualitative assessment, then the two-step 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 as a result of testing in 2021 and 2020. In 2021 and 2020, JCP&L performed a qualitative assessment, assessing economic, industry and market considerations in addition to JCP&L's overall performance. Key factors used in the assessment included: growth rates, interest rates, expected capital investments, utility sector market performance, regulatory and legal developments, and other market considerations. It was determined that the fair value was, more likely than not, greater than its carrying value 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. JCP&L recognizes liabilities for planned major maintenance projects as they are incurred.

JCP&L 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 2.4% and 2.2% of average depreciable property in 2021 and 2020, respectively.

For the years ended December 31, 2021, and 2020, capitalized financing costs on JCP&L's Consolidated Statements of Income include $7 million and $1 million, respectively, of allowance for equity funds used during construction and $3 million and $6 million, respectively, of capitalized interest.

JCP&L evaluates long-lived assets classified as held and used 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.

RECEIVABLES

JCP&L's principal business is providing electric service to customers in New Jersey. JCP&L's retail customers are metered on a cycle basis. Electric revenues are recorded based on energy delivered through the end of the calendar month. 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, JCP&L accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Unbilled customer receivables were

$115 million and $91 million as of December 31, 2021 and 2020, respectively. Receivables from customers include distribution and retail electric sales to residential, commercial and industrial customers.

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 accounts should be further adjusted in accordance with the accounting guidance for credit losses. 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 the Utilities are able to utilize to ensure payment. FirstEnergy reviews its allowance for uncollectible customer receivables utilizing a quantitative and qualitative assessment, which includes consideration of the outbreak of COVID-19 and the impact on customer receivable balances outstanding and write-offs since the pandemic began.

During 2020, FirstEnergy analyzed the likelihood of loss based on increases in customer accounts in arrears since the pandemic began in mid-March 2020 as well as what collection methods at the time were suspended, and historically been utilized to ensure payment. Based on this assessment, and consideration of other qualitative factors described above, JCP&L recognized incremental uncollectible expense of $16 million in the year 2020, all of which was deferred for future recovery.

During 2021, arrears levels continue to be elevated above 2019 pre-pandemic levels. Various regulatory actions have impacted the growth and recovery of past due balances including extensions on moratoriums, significant restrictions regarding disconnections, and extended installment plans. FirstEnergy has experienced a reduction in the amount of receivables that are past due by greater than 30 days since the end of 2020. While total customer arrears balances continue to decrease in 2021, balances that are over 120 days past due continue to be elevated. FirstEnergy considered other factors as part of its qualitative assessment, such as certain federal stimulus and state funding being made available to assist with past due utility bills. As a result of this qualitative analysis, JCP&L did not recognize any incremental uncollectible expense for the twelve months ended December 30, 2021. Additionally, as a result of the pandemic-related moratoriums and certain customer installment or extended payment plans offered, the allowance for uncollectible accounts on receivables in 2021 and 2020 are elevated due to the extension of when certain write-offs would have otherwise occurred.

Activity associated with customer receivables is as follows:

(In millions)	2021	2020
Customer Receivables		
Beginning of year balance	$ 20	$ 4
Charged to income [1]	4	22
Charged to other accounts [2]	3	4
Write-offs	(7)	(10)
End of year balance	$ 20	$ 20

[1] Customer receivable amounts charged to income include approximately $22 million deferred for future recovery for the year ended December 31, 2020, and $4 million for the year ended December 31, 2021.
[2] Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

Other receivables include PJM receivables resulting from transmission sales. JCP&L's uncollectible risk on PJM receivables is minimal due to the nature of PJM's settlement process whereby members of PJM legally agree to share the cost of defaults and as a result there is no allowance for doubtful accounts.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

ASU 2019-12, "*Simplifying the Accounting for Income Taxes"* (Issued in December 2019): ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance, including the elimination of certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. JCP&L adopted the guidance as of January 1, 2021, with no material impact to the financial statements.

Recently Issued Pronouncements - JCP&L has assessed new authoritative accounting guidance issued by the FASB that has not yet been adopted and none are currently expected to have a material impact to the financial statements.

2. REVENUE

JCP&L 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. JCP&L 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 JCP&L are not subject to the election and are included in revenue. JCP&L has elected the optional invoice practical expedient for most of its revenues and utilizes the optional short-term contract exemption for transmission revenues due to the annual establishment of revenue requirements, which eliminates the need to provide certain revenue disclosures regarding unsatisfied performance obligations.

JCP&L's principal business is providing electric service to customers in New Jersey. JCP&L'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 and prices in effect for each class of customer. In each accounting period, JCP&L 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 New Jersey that are regulated by the NJBPU.

JCP&L earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. JCP&L is obligated under the regulated construct to deliver power to customers reliably, as it is needed, which creates an implied monthly contract with the end-use customer. See Note 10, "Regulatory Matters," for additional information on rate recovery mechanisms. Distribution and electric revenues are recognized over time as electricity is distributed and delivered to the customer and the customers consume the electricity immediately as delivery occurs.

Retail generation sales relate to BGS in New Jersey. Certain of the Utilities have default service obligations 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. Supply plans vary by state and by service territory. Default service for JCP&L are provided through a competitive procurement process approved by each state's respective commission. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

Wholesale sales primarily consist of generation and capacity sales into the PJM market. JCP&L may also purchase power from PJM to supply power to its customers. Generally, these power sales from generation and purchases to serve load are netted hourly and reported gross as either revenues or purchased power on the statements of income based on whether the entity was a net seller or buyer each hour. Capacity revenues are recognized ratably over the PJM planning year at prices cleared in the annual BRA and incremental auctions. Capacity purchases and sales through PJM capacity auctions are reported within revenues on the Income Statement. Certain capacity income (bonuses) and charges (penalties) related to the availability of units that have cleared in the auctions are unknown and not recorded in revenue until, and unless, they occur.

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2021 and 2020, by type of service:

	For the Year Ended December 31,	
Revenues by Type of Service	**2021**	**2020**
	(In millions)	
Distribution services	$ 772	$ 750
Retail generation	838	800
Wholesale sales	17	23
Transmission	167	178
Other	19	28
Total revenues from contracts with customers	$ 1,813	$ 1,779
Other revenue unrelated to contracts with customers	3	3
Total revenues	$ 1,816	$ 1,782

Other revenue is primarily related to securitization revenues of $5 million and $15 million, and pole attachments of $9 million and $10 million for the years ended December 31, 2021, and 2020, respectively.

The following table represents a disaggregation of JCP&L's revenue from contracts with distribution service and retail generation customers for the years ended December 31, 2021, and 2020, by class:

	For the Years Ended December 31,	
Customer Class	**2021**	**2020**
	(In millions)	
Residential	$ 1,100	$ 1,040
Commercial	437	436
Industrial	58	57
Other	15	17
Total Revenues	$ 1,610	$ 1,550

JCP&L provides transmission infrastructure owned and operated by JCP&L to transmit electricity from generation sources to distribution facilities. JCP&L's revenues are derived from forward-looking formula rates. For the years ended December 31, 2021 and 2020, revenues include transmission revenue from contracts with customers of $167 million and $178 million, respectively.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides noncontributory qualified defined benefit pension plans that cover substantially all of its employees and non-qualified pension plans that cover certain employees, including employees of JCP&L. The 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 makes contributions to eligible employee retirement 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. 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. JCP&L 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. JCP&L also recognizes its allocated portion of obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

FirstEnergy’s pension and OPEB funding policy is based on actuarial computations using the projected unit credit method. On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021, which among other things, extended shortfall amortization periods and modification of the interest rate stabilization rules for single-employer plans thereby impacting funding requirements. As a result, FirstEnergy does not currently expect to have a required contribution to the pension plan based on various assumptions including annual expected rate of returns for assets of 7.50%. However, FirstEnergy may elect to contribute to the pension plan voluntarily.

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. The fair value of the plan assets represents the actual market value as of the measurement date.

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.

Rate of Return - FirstEnergy’s assumed rate of return on pension plan assets considers historical market returns and economic forecasts for the types of investments held by the pension trusts. In 2021, FirstEnergy’s qualified pension and OPEB plan assets experienced gains of $689 million or 7.9%, compared to gains of $1,225 million, or 14.7% in 2020 and assumed a 7.50% rate of return on plan assets in 2021 and 2020 which generated $688 million and $651 million of expected returns on plan assets, respectively. The expected return on pension and OPEB assets is based on input from investment consultants, including the trusts’ asset allocation targets and the historical performance of risk-based and fixed income securities. 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.

Mortality Rates - During 2021, the Society of Actuaries published new mortality tables that include more current data than the RP-2014 tables as well as During 2021, the Society of Actuaries published new mortality tables that include more current data than the RP-2014 tables as well as new improvement scales. An analysis of plan mortality data indicated the use of the Pri-2012 mortality table with projection scale MP-2021, actuarially adjusted to reflect increased mortality rates due to COVID-19 based on mortality experience reported by the Center for Disease and Control Prevention in 2020 and 2021, was most appropriate and such was utilized to determine the 2021 benefit cost and obligation as of December 31, 2021, for the FirstEnergy pension and OPEB plans. The impact of using the Pri-2012 mortality table with projection scale MP-2021 (adjusted by FirstEnergy's actuary for COVID-19 impacts) resulted in a decrease to the projected benefit obligation of approximately $32 million and $2 million for the pension and OPEB plans, respectively, and was included in the 2021 pension and OPEB mark-to-market adjustment.

Net Periodic Benefit Costs - 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) on the Statement of Income.

The annual pension and OPEB mark-to-market adjustments, (gains) or losses, for the years ended December 31, 2021 and 2020 were $(382) million and $477 million (including $423 million in the first quarter of 2020), respectively. Under the approved bankruptcy settlement agreement, upon emergence, FES and FENOC employees ceased earning years of service under the FirstEnergy pension and OPEB plans. The emergence on February 27, 2020, triggered a remeasurement of the affected pension and OPEB plans and as a result, FirstEnergy recognized a pension and OPEB mark-to-market adjustment in the first quarter of 2020 in addition to the annual remeasurement in December 2020. JCP&L's pension and OPEB mark-to-market adjustments, (gains) or losses, for the years ended December 31, 2021 and 2020, were $(92) million and $79 million, respectively.

The following is a summary of the plan status:

	Pension		OPEB	
As of December 31,	**2021**	**2020**	**2021**	**2020**
	(In millions)			
FirstEnergy benefit obligation	$ 11,479	$ 11,935	$ 549	$ 676
FirstEnergy fair value of plan assets	9,020	8,968	548	502
FirstEnergy funded status	$ (2,459)	$ (2,967)	$ (1)	$ (174)
FirstEnergy accumulated benefit obligation	$ 10,927	$ 11,376	$ —	$ —
FirstEnergy net periodic costs (credits) [1]	$ (481)	$ 346	$ (167)	$ (46)
JCP&L's share of net periodic costs [1]	$ (49)	$ 20	$ (63)	$ 15
JCP&L's share of net liability [2]	$ 72	$ 125	$ 78	$ 148

[1] Includes pension and OPEB mark-to-market adjustment.
[2] Excludes $265 million and $274 million as of December 31, 2021, and 2020, respectively, of affiliated non-current liabilities related to pension and OPEB mark-to-market costs allocated to JCP&L.

	Pension		OPEB	
	2021	2020	2021	2020
Assumptions Used to Determine Benefit Obligations (as of December 31)				
Discount rate	3.02 %	2.67 %	2.84 %	2.45 %
Rate of compensation increase	4.10 %	4.10 %	N/A	N/A
Cash balance weighted average interest crediting rate	2.57 %	2.57 %	N/A	N/A
Assumed Health Care Cost Trend Rates (as of December 31)				
Health care cost trend rate assumed (pre/post-Medicare)	N/A	N/A	5.75%-5.25%	6.0-5.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	N/A	N/A	2028	2028
Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31 [1]				
Service cost weighted-average discount rate [2]	3.10 %	3.60%/3.24%	3.03 %	3.63%/3.29%
Interest cost weighted-average discount rate [3]	2.58 %	3.27%/2.90%	1.66 %	2.71%/2.30%
Expected long-term return on plan assets	7.50 %	7.50 %	7.50 %	7.50 %
Rate of compensation increase	4.10 %	4.10 %	N/A	N/A

[1] Excludes impact of pension and OPEB mark-to-market adjustment.
[2] Weighted-average discount rates in effect from January 1, 2020, through February 26, 2020, were 3.60% and 3.63% for pension and OPEB service cost, respectively. Discount rates were 3.24% and 3.29% for pension and OPEB service cost, respectively, for the period February 27, 2020, through December 31, 2020.
[3 Weighted-average discount rates in effect from January 1, 2020, through February 26, 2020, were 3.27% and 2.71% for pension and OPEB interest cost, respectively. Discount rates were 2.90% and 2.30% for pension and OPEB interest cost, respectively, for the period February 27, 2020, through December 31, 2020.

4. TAXES

JCP&L 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.

JCP&L is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. Net tax benefits attributable to FE, excluding any tax benefits derived from certain interest expense, are generally reallocated to the subsidiaries of FE that have taxable income. That allocation is accounted for as a capital contribution to the company receiving the tax benefit.

	For the Years Ended December 31,	
INCOME TAXES:	2021	2020
	(In millions)	
Currently payable (receivable)-		
Federal	$ 26	$ (11)
State	—	(1)
	26	(12)
Deferred, net-		
Federal	28	19
State	33	12
	61	31
Total income taxes	$ 87	$ 19

JCP&L'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, 2021 and 2020:

	For the Years Ended December 31,	
(In millions)	**2021**	**2020**
Book income before income taxes	$ 353	$ 156
Federal income tax expense at statutory rate	74	33
Increases (reductions) in taxes resulting from-		
State income taxes, net of federal tax benefit	24	11
Excess deferred tax amortization due to the Tax Act	(14)	(16)
TMI-2 reversal of tax regulatory liability	—	(9)
Other, net	3	—
Total income taxes	$ 87	$ 19
Effective income tax rate	24.6 %	12.2 %

JCP&L's effective tax rate on pre-tax income in 2021 and 2020 was 24.6% and 12.2%, respectively. The change in the effective tax rate was primarily due to the absence of a $9 million benefit related to reversals of tax regulatory liabilities resulting from the transfer of TMI-2 in 2020.

Accumulated deferred income taxes as of December 31, 2021, and 2020 are as follows:

	As of December 31,	
(In millions)	**2021**	**2020**
Property basis differences	$ 1,028	$ 969
Regulatory asset/liability	184	208
Pension and OPEB	(116)	(154)
Spent nuclear fuel	(56)	(56)
Loss and credit carryforwards	(161)	(162)
Deferred compensation	(8)	(9)
Other	3	—
Net deferred income tax liabilities	$ 874	$ 796

JCP&L has recorded as deferred income tax assets the effect of NOLs and 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, 2021, JCP&L's loss carryforwards consisted primarily of approximately $495 million ($104 million, net of tax) of federal NOL loss carryforwards that begin to expire in 2032 and approximately $786 million ($56 million, net of tax) of state NOL carryforwards that are expected to be utilized based on current estimates and assumptions prior to expiration, which will begin in 2032.

JCP&L 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, 2021, and 2020, JCP&L's total unrecognized income tax benefits were approximately $25 million and $24 million, respectively, all of which would impact the effective tax rate if ultimately recognized in future years. As of December 31, 2021, it is reasonably possible that $24 million of JCP&L’s unrecognized tax benefits may be resolved during 2022.

JCP&L recognizes interest expense or income and penalties related to uncertain tax positions in income taxes. That amount is computed by applying the applicable statutory interest rate to the difference between the tax positions recognized and the amount previously taken or expected to be taken on the tax return. JCP&L's recognition of net interest associated with unrecognized tax benefits in 2021 and 2020 was approximately $1 million in each year. For the years ended December 31, 2021 and 2020, the cumulative net interest payable recorded by JCP&L was $8 million and $7 million, respectively.

For federal income tax purposes, JCP&L files as a member of the FE consolidated group. IRS review of the FE consolidated group’s federal income tax returns are complete through the 2020 tax year with no pending adjustments. JCP&L also has tax returns under review by state taxing authorities at the audit or appeals level for the tax years 2009-2020.

General Taxes

Details of general taxes for the years ended December 31, 2021, and 2020 are shown below:

(In millions)	2021	2020
Real and personal property	$ 6	$ 5
Social security and unemployment	13	14
Total general taxes	$ 19	$ 19

5. LEASES

JCP&L primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancelable and noncancelable leases.

JCP&L 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 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 JCP&L'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. JCP&L has elected a policy to not separate lease components from non-lease components for all asset classes.

Finance leases for assets used in regulated operations are recognized in JCP&L's Statement of Income such that amortization of the right-of-use asset and interest on lease liabilities equals the expense allowed for ratemaking purposes. All operating lease expenses are recognized in Other operating expense. The components of lease expense were as follows:

	For the Years Ended December 31,	
(In millions)	2021	2020
Operating lease costs [1]	$ 14	$ 13
Finance lease costs:		
Amortization of right-of-use assets	1	1
Interest on lease liabilities	1	1
Total finance lease cost	2	2
Total lease cost	$ 16	$ 15

[1] Includes $5 million and $3 million of short-term lease costs for the years ended December 31, 2021 and 2020, respectively.

Supplemental balance sheet information related to leases was as follows:

		As of December 31,	
(In millions)	**Financial Statement Line Item**	**2021**	**2020**
Assets			
Operating lease assets [1]	Deferred charges and other assets	$ 49	$ 55
Finance lease assets [2]	Property, plant and equipment	9	10
Total leased assets		$ 58	$ 65
Liabilities			
Current:			
Operating	Other current liabilities	$ 7	$ 12
Finance	Currently payable long-term debt	1	1
Noncurrent:			
Operating	Other noncurrent liabilities	55	61
Finance	Long-term debt and other long-term obligations	8	8
Total leased liabilities		$ 71	$ 82

[1] Operating lease assets are recorded net of accumulated amortization of $15 million and $14 million as of December 31, 2021 and 2020, respectively.
[2] Finance lease assets are recorded net of accumulated amortization of $2 million and $1 million as of December 31, 2021 and 2021, respectively.

Lease terms and discount rates were as follows:

	As of December 31, 2021	As of December 31, 2020
Weighted-average remaining lease terms (years)		
Operating leases	7.86	8.06
Finance leases	6.19	11.64
Weighted-average discount rate [1]		
Operating leases	5.47 %	5.37 %
Finance leases	16.24 %	16.26 %

[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.

Supplemental cash flow information related to leases was as follows:

	For the Years Ended,	
(In millions)	**12/31/2021**	**12/31/2020**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 8	$ 9
Operating cash flows from finance leases	1	1
Finance cash flows from finance leases	1	1
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 7	$ 8
Finance leases	—	—

Maturities of lease liabilities as of December 31, 2021, were as follows:

(In millions)	Operating Leases	Finance Leases	Total
2022	$ 12	$ 2	$ 14
2023	12	2	14
2024	10	2	12
2025	9	2	11
2026	9	2	11
Thereafter	29	3	32
Total lease payments [(1)]	81	13	94
Less imputed interest	19	4	23
Total net present value	$ 62	$ 9	$ 71

[(1)] Operating lease payments are offset by sublease receipts related to a reservoir of $8 million over 11 years.

As of December 31, 2021, additional operating leases agreements, primarily for vehicles, that have not yet commenced are $1 million. These leases are expected to commence within the next 18 months with lease terms of 2 to 10 years.

6. FAIR VALUE MEASUREMENTS

RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

Authoritative accounting guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy and a description of the valuation techniques are as follows:

Level 1 - Quoted prices for identical instruments in active market

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

Models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and current market and contractual prices for the underlying instruments, as well as other relevant economic measures.

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

FirstEnergy produces a long-term power and capacity price forecast annually with periodic updates as market conditions change. When underlying prices are not observable, prices from the long-term price forecast, which has been reviewed and approved by FirstEnergy's Risk Policy Committee, are used to measure fair value.

JCP&L primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, JCP&L maximizes the use of observable inputs and minimizes the use of unobservable inputs. There were no changes in valuation methodologies used as of December 31, 2021, from those used as of December 31, 2020. The determination of the fair value measurements takes into consideration various factors, including but not limited to, nonperformance risk, counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of these forms of risk was not significant to the fair value measurements.

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the years ended December 31, 2021, and 2020. The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy.

Recurring Fair Value Measurements	December 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets				*(In millions)*				
U.S. state debt securities	$ —	$ 273	$ —	$ 273	$ —	$ 276	$ —	$ 276
Other[1]	—	10	—	$ 10	—	7	—	7
Total assets	—	283	—	283	—	283	—	283
Net assets[2]	$ —	$ 283	$ —	$ 283	$ —	$ 283	$ —	$ 283

(1) Primarily consists of short-term cash investments.
(2) Excludes $1 million as of December 31, 2021 and 2020, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets at cost, which approximates their fair market value. Investments other than cash and cash equivalents include AFS debt securities and other investments. JCP&L has no debt securities held for trading purposes.

Generally, unrealized gains and losses on equity securities are recognized in income whereas unrealized gains and losses on AFS debt securities are recognized in AOCI. However, the NDTs of JCP&L are subject to regulatory accounting with all gains and losses on equity and AFS debt securities offset against regulatory assets. On October 15, 2019, JCP&L, ME, PN and GPUN executed an asset purchase and sale agreement with TMI-2 Solutions, LLC, a subsidiary of EnergySolutions, LLC, concerning the transfer and dismantlement of TMI-2. With the receipt of all required regulatory approvals, the transaction was consummated, including the transfer of external trusts for the decommissioning and environmental remediation of TMI-2, on December 18, 2020.

Nuclear Decommissioning and Nuclear Fuel Disposal Trusts

JCP&L holds debt securities within the nuclear fuel disposal trust, which are classified as AFS securities, recognized at fair market value.

The following table summarizes the amortized cost basis, unrealized gains, unrealized losses and fair values of investments held in nuclear fuel disposal trusts as of December 31, 2021, and December 31, 2020.

	December 31, 2021				December 31, 2020			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
				(In millions)				
Debt securities	$ 280	$ 2	$ (9)	$ 273	$ 275	$ 7	$ (6)	$ 276

Proceeds from the sale of investments in AFS securities, realized gains and losses on those sales and interest and dividend income for the years ended December 31, 2021, and 2020 were as follows:

	Sale Proceeds	Realized Gains	Realized Losses	Interest and Dividend Income
		(In millions)		
2021	$ 48	$ —	$ (3)	$ 11
2020	$ 80	$ 4	$ (5)	$ 17

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, JCP&L believes that their 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:

	December 31, 2021		December 31, 2020	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 2,150	$ 2,409	$ 1,659	$ 1,931

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of JCP&L. JCP&L classified short-term borrowings, long-term debt and other long-term obligations as Level 2 in the fair value hierarchy as of December 31, 2021 and December 31, 2020.

7. CAPITALIZATION

COMMON STOCK

In addition to paying dividends from retained earnings, JCP&L has authorization from the FERC to pay cash dividends to FirstEnergy from paid-in capital accounts, as long as its FERC-defined equity-to-total-capitalization ratio remains above 35%.

PREFERRED STOCK

JCP&L is authorized to issue 15,600,000 shares of preferred stock, no par value, as of December 31, 2021. As of December 31, 2021, and 2020, there were no preferred shares outstanding.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The following table presents outstanding long-term debt and finance lease obligations for JCP&L as of December 31, 2021 and 2020:

	As of December 31, 2021		As of December 31,	
(Dollar amounts in millions)	Maturity Date	Interest Rate	2021	2020
Secured notes - fixed rate			$ —	$ 9
Unsecured notes - fixed rate	2024 - 2037	2.75% - 6.40%	2,150	1,650
Finance lease obligations			9	9
Unamortized debt premiums/discounts			(2)	—
Unamortized debt issuance costs			(9)	(6)
Currently payable long-term debt			(1)	(9)
Total long-term debt and other long-term obligations			$ 2,147	$ 1,653

For the year ended December 31, 2021, the following long-term debt was issued:

Company	Issuance Date	Interest Rate	Maturity	Amount	Issuance Type	Use of Proceeds
JCP&L	6/10/2021	2.75%	2032	$500 million	Unsecured Notes	Repay $450 million of short-term debt under the former FE Revolving Facilities, storm recovery and restorations costs and expenses to fund JCP&L's ongoing capital expenditures, working capital requirements and other general corporate purposes.

The following table presents scheduled debt repayments for outstanding long-term debt, excluding finance leases and unamortized debt discounts and premiums, for the next five years as of December 31, 2021.

Year	JCP&L
	(In millions)
2022	$ —
2023	—
2024	500
2025	—
2026	650

Debt Covenant Default Provisions

JCP&L has various debt covenants under certain financing arrangements, including its revolving credit facility. 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 JCP&L to comply with the covenants contained in any of its financing arrangements could result in an event of default, which may have an adverse effect on JCP&L's financial condition.

Additionally, there are cross-default provisions in certain financing arrangements of FE and its subsidiaries, including JCP&L. 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 JCP&L would cross-default FE financing arrangements containing these provisions, defaults by FE would generally not cross-default applicable JCP&L financing arrangements.

As of December 31, 2021, JCP&L was in compliance with all debt covenant default provisions.

8. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

JCP&L had $72 million and $450 million of outstanding short-term borrowings as of December 31, 2021 and 2020, respectively.

Revolving Credit Facility

On November 23, 2020, JCP&L, ME, Penn, TE, and WP, borrowed $950 million in the aggregate under the former FE Revolving Facility, $350 million at JCP&L. The outstanding principal balance was $1.2 billion, with $1.3 billion of remaining availability under the former FE Revolving Facility. Borrowings were increased under the former Revolving Facility as a proactive measure to increase the respective cash position and preserve financial flexibility. These borrowings were repaid in full during 2021.

On October 18, 2021, FE, FET, the Utilities, and the Transmission Companies entered into the 2021 Credit Facilities, which were six separate senior unsecured five-year syndicated revolving credit facilities with JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd. and PNC Bank, National Association that replaced the FE Revolving Facility and the FET Revolving Facility, and provide for aggregate commitments of $4.5 billion. The 2021 Credit Facilities are available until October 18, 2026, as follows:

- FE and FET, $1.0 billion revolving credit facility;
- Ohio Companies, $800 million revolving credit facility;
- Pennsylvania Companies, $950 million revolving credit facility;
- JCP&L, $500 million revolving credit facility;
- MP and PE, $400 million revolving credit facility; and
- Transmission Companies, $850 million revolving credit facility.

Under the 2021 Credit Facilities, an aggregate amount of $4.5 billion is available to be borrowed, repaid and reborrowed, subject to each borrower's respective sublimit under the respective facilities. These new credit facilities provide substantially liquidity to support the Regulated Distribution and Regulated Transmission businesses, and each of the operating companies within the businesses.

Borrowings under the 2021 Credit Facilities may be used for working capital and other general corporate purposes. Generally, borrowings under each of the credit facilities are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. Each of the 2021 Credit Facilities contain financial covenants requiring each borrower, with the exception of FE, to maintain a consolidated debt-to-total-capitalization ratio (as defined under each of the 2021 Credit Facility) of no more than 65%, measured at the end of each fiscal quarter.

Under the 2021 Credit Facilities, JCP&L may borrow up to its regulatory and other short-term debt limitations of $500 million, all of which was available to JCP&L as of December 31, 2021. This limitation includes amounts that may be borrowed under the regulated companies' money pool.

The 2021 Credit Facilities do not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in “pricing grids,” whereby the cost of funds borrowed under the 2021 Credit Facilities are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under each of the 2021 Credit Facilities 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, 2021, JCP&L was in compliance with the applicable debt-to-total-capitalization ratio covenants under their respective 2021 Credit Facility.

FirstEnergy Money Pool

FE's utility and transmission operating subsidiary companies, including JCP&L, also have the ability to borrow from each other and the holding company to meet their short-term working capital requirements. FESC administers this money pool and tracks surplus funds of FE and the respective regulated subsidiaries, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreement 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 the regulated pool and is based on the average cost of funds available through the pool. The average interest rate for borrowings in 2021 was 1.01% per annum.

9. ASSET RETIREMENT OBLIGATIONS

JCP&L has recognized retirement obligations, primarily conditional retirement obligations for asbestos remediation. JCP&L uses an expected cash flow approach to measure the fair value of its AROs.

JCP&L 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 JCP&L'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. JCP&L uses an expected cash flow approach to measure the fair value of the remediation AROs, considering 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.

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 JCP&L's ARO balances during 2021 and 2020:

ARO Reconciliation	***(In millions)***
Balance, January 1, 2020	$ 181
Accretion	9
Settlements [1]	(184)
Balance, December 31, 2020	6
Accretion	—
Balance, December 31, 2021	$ 6

[1] Includes $184 million related to the closing of the asset purchase and sale agreement with TMI-2 Solutions, LLC, a subsidiary of Energy*Solutions*, LLC, concerning the transfer and dismantlement of TMI-2.

10. REGULATORY MATTERS

STATE REGULATION

JCP&L's retail rates, conditions of service, issuance of securities and other matters are subject to regulation in New Jersey by the NJBPU. The key terms of JCP&L's current distribution rate orders in effect since January 2017, include an allowed debt/equity ratio of 55%/45% and an allowed ROE of 9.6%. On October 28, 2020, the NJBPU approved JCP&L's distribution rate case settlement with an allowed ROE of 9.6% and a 48.6% debt / 51.4% equity capital structure. Rates went into effect for customers on November 1, 2021, but beginning January 1, 2021, JCP&L offset the impact to customers' bills by amortizing an $86 million regulatory liability.

NEW JERSEY

JCP&L operates under NJBPU approved rates that were effective for customers as of November 1, 2021. JCP&L provides BGS for retail customers who do not choose a third-party EGS and for customers of third-party EGSs that fail to provide the contracted service. All New Jersey EDCs participate in this competitive BGS procurement process and recover BGS costs directly from customers as a charge separate from base rates.

In December 2017, the NJBPU issued proposed rules to modify its current CTA policy in base rate cases to: (i) calculate savings using a five-year look back from the beginning of the test year; (ii) allocate savings with 75% retained by the company and 25% allocated to customers; and (iii) exclude transmission assets of electric distribution companies in the savings calculation. On

January 17, 2019, the NJBPU approved the proposed CTA rules with no changes. On May 17, 2019, the NJ Rate Counsel filed an appeal with the Appellate Division of the Superior Court of New Jersey and on June 7, 2021, the Superior Court issued an order reversing the NJBPU's CTA rules and remanded the case back to the NJBPU. Specifically, the Court's ruling requires 100% of the CTA savings to be credited to customers in lieu of the NJBPU's current policy requiring 25%. On December 6, 2021, the NJBPU issued proposed amended rules modifying its current CTA policy in base rate cases consistent with the Superior Court's June 7, 2021 order. Once the proposed rules are final, they will be applied on a prospective basis in a future base rate case, however, it is not expected to have a material adverse effect on FirstEnergy's results or financial condition.

On February 18, 2020, JCP&L submitted a filing with the NJBPU requesting a distribution base rate increase. On October 28, 2020, the NJBPU approved a stipulated settlement between JCP&L and various parties, providing for, among other things, a $94 million annual base distribution revenues increase for JCP&L based on an ROE of 9.6%, which became effective for customers on November 1, 2021. Between January 1, 2021 and October 31, 2021, JCP&L amortized an existing regulatory liability totaling approximately $86 million to offset the base rate increase that otherwise would have occurred in this period. The parties also agreed that the actual net gain from the sale of JCP&L's interest in the Yards Creek pumped-storage hydro generation facility in New Jersey (210 MWs), as further discussed below, be applied to reduce JCP&L's existing regulatory asset for previously deferred storm costs. Lastly, the parties agreed that approximately $95 million of Reliability Plus capital investment for projects through December 31, 2020, is included in rate base effective December 31, 2020. Included in the NJBPU approved-settlement in JCP&L's distribution rate case on October 28, 2020, was that JCP&L will be subject to a management audit. The management audit began at the end of May 2021 and is currently ongoing.

On April 6, 2020, JCP&L signed an asset purchase agreement with Yards Creek Energy, LLC, a subsidiary of LS Power to sell its 50% interest in the Yards Creek pumped-storage hydro generation facility. Subject to terms and conditions of the agreement, the base purchase price is $155 million. As of December 31, 2020, assets held for sale on JCP&L's Consolidated Balance Sheets associated with the transaction consist of property, plant and equipment of $45 million. On July 31, 2020, FERC approved the transfer of JCP&L's interest in the hydroelectric operating license. On October 8, 2020, FERC issued an order authorizing the transfer of JCP&L's ownership interest in the hydroelectric facilities. On October 28, 2020, the NJBPU approved the sale of Yards Creek. With the receipt of all required regulatory approvals, the transaction was consummated on March 5, 2021 and resulted in a $109 million gain. As further discussed above, the gain from the transaction was applied against and reduced JCP&L's existing regulatory asset for previously deferred storm costs and, as a result, was offset by expense in the "Amortization of regulatory assets, net", line on the Consolidated Statements of Income, resulting in no earnings impact to FirstEnergy or JCP&L.

On August 27, 2020, JCP&L filed an AMI Program with the NJBPU, which proposed the deployment of approximately 1.2 million advanced meters over a three-year period beginning on January 1, 2023, at a total cost of approximately $418 million, including the pre-deployment phase. The then proposed 3-year deployment was part of the 20-year AMI Program that was projected to cost approximately $732 million and proposed a cost recovery mechanism through a separate AMI tariff rider. On September 14, 2021, JCP&L submitted a supplemental filing, which reflected increases in the AMI Program's costs. Under the revised AMI Program, during the first six years of the AMI Program from 2022 through 2027, JCP&L estimates costs of $494 million, consisting of capital expenditures of approximately $390 million, incremental operations and maintenance expenses of approximately $73 million and cost of removal of $31 million. On February 8, 2022, JCP&L filed with the NJBPU a stipulation entered into with the NJBPU staff, NJ Rate Counsel and others, that would affirm the terms of the revised AMI Program. As agreed to in the stipulation, the revised AMI Program-related capital costs, the legacy meter stranded costs, and the operations and maintenance expense will be deferred and placed in regulatory assets, with such amounts sought to be recovered in the JCP&L's subsequent base rate cases. On February 23, 2022, the NJBPU issued an Order approving the stipulation of settlement.

On June 10, 2020, the NJBPU issued an order establishing a framework for the filing of utility-run energy efficiency and peak demand reduction programs in accordance with the New Jersey Clean Energy Act. Under the established framework, JCP&L will recover its program investments with a return over a ten-year amortization period and its operations and maintenance expenses on an annual basis, be eligible to receive lost revenues on energy savings that resulted from its programs and be eligible for incentives or subject to penalties based on its annual program performance, beginning in the fifth year of its program offerings. On September 25, 2020, JCP&L filed its energy efficiency and peak demand reduction program, which consists of 11 energy efficiency and peak demand reduction programs and subprograms to be run from July 1, 2021 through June 30, 2024. On April 23, 2021, JCP&L filed a Stipulation of Settlement with the NJBPU for approval of recovery of lost revenues resulting from the programs and a three-year plan including total program costs of $203 million, of which $158 million of investment is recovered over a ten-year amortization period with a return as well as operations and maintenance expenses and financing costs of $45 million recovered on an annual basis. On April 27, 2021, the NJBPU issued an Order approving the Stipulation of Settlement.

On July 2, 2020, the NJBPU issued an order allowing New Jersey utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic beginning March 9, 2020 and continuing until the New Jersey Governor issues an order stating that the COVID-19 pandemic is no longer in effect. New Jersey utilities can request recovery of such regulatory asset in a stand-alone COVID-19 regulatory asset filing or future base rate case. On October 28, 2020, the NJBPU issued an order expanding the scope of the proceeding to examine all pandemic issues, including recovery of the COVID-19 regulatory assets, by way of a generic proceeding. Through various executive orders issued by the New Jersey Governor, the moratorium period was extended to December 31, 2021. On December 21, 2021, the moratorium on residential disconnections for certain entities providing utility service was extended until March 15, 2022. The

moratorium on residential disconnections was not extended for investor-owned electric utilities such as JCP&L, but does require that investor-owned electric public utilities offer qualifying residential customers deferred payment arrangements meeting certain minimum criteria prior to disconnecting service.

Credit rating actions taken by Standard & Poor's Ratings Services and Fitch on October 28, 2020 triggered a requirement from various NJBPU orders that JCP&L file a mitigation plan, which was filed on November 5, 2020, to demonstrate that JCP&L has sufficient liquidity to meet its BGS obligations. On December 11, 2020, the NJBPU held a public hearing on the mitigation plan. Written comments on JCP&L's mitigation plan were submitted on January 8, 2021.

Pursuant to an NJBPU order requiring all New Jersey electric distribution companies to file electric vehicle programs, JCP&L filed its program on March 1, 2021. JCP&L's proposed electric vehicle program consisted of six sub-programs, including a consumer education and outreach initiative that would begin on January 1, 2022, and continue over a four-year period. The total proposed budget for the electric vehicle program is approximately $50 million, of which $16 million is capital expenditures and $34 million is for operations and maintenance expenses. JCP&L is proposing to recover the electric vehicle program costs via a non-bypassable rate clause applicable to all distribution customer rate classes, which became effective on January 1, 2022. On May 26, 2021, a procedural schedule was set to include evidentiary hearings the week of October 18, 2021. On July 16, 2021, the procedural schedule was extended by thirty days as requested by JCP&L to continue settlement discussions. On August 19, 2021, the presiding commissioner issued an order modifying the procedural schedule by extending the procedural schedule by ninety days as requested by JCP&L to continue settlement discussions. On November 12, 2021, JCP&L filed a letter with the presiding commissioner requesting a suspension of the procedural schedule in order to allow the parties to continue settlement discussion. On November 23, 2021, the presiding commissioner entered an order suspending the procedural schedule. JCP&L expects an order from the NJBPU by the end of the first quarter of 2022.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters, including construction and operation of hydroelectric projects. With respect to its wholesale services and rates, JCP&L is subject to regulation by FERC. FERC regulations require JCP&L to provide open access transmission service at FERC-approved rates, terms and conditions. JCP&L's transmission facilities are subject to functional control by PJM and transmission service using their transmission facilities is provided by PJM under the PJM Tariff. As filed in docket ER20-227, effective on January 1, 2020, which has been accepted by FERC, subject to refund, pending further hearing and settlement procedures, the key terms of JCP&L's rate orders in effect for transmission customer billings include an actual (13 month average) capital structure and an allowed 10.8% ROE. The settlement agreement that was filed on February 2, 2021, seeking approval by FERC sets JCP&L's Allowed ROE at 10.2%.

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. JCP&L has been authorized by FERC to sell wholesale power in 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 NJBPU.

Federally-enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on JCP&L. NERC is the Electric Reliability Organization 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 FirstEnergy operates, including those of JCP&L, are located within RFC. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies, including JCP&L, in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy, including JCP&L, 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, FirstEnergy, including JCP&L, occasionally learns of isolated facts or circumstances that could be interpreted as excursions from the reliability standards. If and when such occurrences are found, FirstEnergy, including JCP&L, 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 FirstEnergy's, including JCP&L's, part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, and obligations to upgrade or build electric facilities, that could have a material adverse effect on JCP&L'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. One of the audit report findings and related recommendations state that FirstEnergy may have used an inappropriate methodology for allocation of certain costs to regulatory capital accounts under certain FERC regulations and reporting. Based on the finding and related recommendations, FirstEnergy is currently performing an analysis of these costs and how it impacted certain wholesale transmission customer rates. FirstEnergy is unable to predict or estimate the final outcome of this analysis and audit, however, it could result in refunds, with interest, to certain wholesale transmission customers and/or write-offs of previously capitalized costs if they are determined to be nonrecoverable.

FERC Actions on Tax Act

On March 15, 2018, FERC initiated proceedings on the question of how to address possible changes to ADIT and bonus depreciation as a result of the Tax Act. Such possible changes could impact FERC-jurisdictional rates, including transmission rates. On November 21, 2019, FERC issued a final rule (Order No. 864). Order No. 864 requires utilities with transmission formula rates to update their formula rate templates to include mechanisms to: (i) deduct any excess ADIT from or add any deficient ADIT to their rate base; (ii) raise or lower their income tax allowances by any amortized excess or deficient ADIT; and (iii) incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT. JCP&L addressed these requirements as part of its transmission formula rate case settlement, which was resolved by a settlement approved by FERC on April 15, 2021.

Transmission ROE Methodology

On May 20, 2021, in a case not involving JCP&L, FERC issued Opinion No. 575 in which it reiterated the nationwide ROE methodology set forth in 2020 in Opinion Nos. 569-A and 569-B. Under this methodology, FERC employs three financial models – discounted cash flow, capital-asset pricing, and risk premium – to calculate a composite zone of reasonableness. As it has done in other recent ROE cases, FERC rejected the use of the expected earnings methodology in calculating the authorized ROE. A request for clarification or, alternatively, rehearing of Opinion No. 575 was filed on June 21, 2021, and on September 9, 2021, FERC issued an order clarifying aspects of its prior opinion, but affirming the result. On July 15, 2021, FERC issued another order, addressing ROE for a generation company in New England, which applied a standard consistent with Opinion Nos. 569-A and 569-B. FERC's Opinion Nos. 569-A and 569-B, upon which Opinion No. 575 is based, have been appealed to the D.C. Circuit. FirstEnergy is not participating in the appeal. Any changes to FERC's transmission rate ROE and incentive policies for transmission rates would be applied on a prospective basis.

On March 20, 2020, FERC initiated a rulemaking proceeding on the transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act. FirstEnergy submitted comments through Edison Electric Institute and as part of a consortium of PJM Transmission Owners. In a supplemental rulemaking proceeding that was initiated on April 15, 2021, FERC requested comments on, among other things, whether to require utilities that have been members of an RTO for three years or more and that have been collecting an "RTO membership" ROE incentive adder to file tariff updates that would terminate collection of the incentive adder. Initial comments on the proposed rule were filed on June 25, 2021, and reply comments were filed on July 26, 2021. The rulemaking remains pending before FERC. FirstEnergy is a member of PJM and its transmission subsidiaries, including JCP&L, could be affected by the supplemental proposed rule. FirstEnergy participated in comments that were submitted by a group of PJM transmission owners and by various industry trade groups. If there were to be any changes to JCP&L's transmission incentive ROE, such changes will be applied on a prospective basis.

JCP&L Transmission Formula Rate

On October 30, 2019, JCP&L filed tariff amendments with FERC to convert JCP&L's existing stated transmission rate to a forward-looking formula transmission rate. JCP&L requested that the tariff amendments become effective January 1, 2020. On December 19, 2019, FERC issued its initial order in the case, allowing JCP&L to transition to a forward-looking formula rate as of January 1, 2020 as requested, subject to refund, pending further hearing and settlement proceedings. JCP&L and the parties to the FERC proceeding subsequently were able to reach settlement, and on February 2, 2021, JCP&L filed an offer of settlement with FERC. On April 15, 2021, FERC approved the settlement agreement as filed, with no changes, effective January 1, 2021.

11. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate JCP&L with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While JCP&L'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. JCP&L 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.

Regulation of Waste Disposal

FirstEnergy or its subsidiaries, including JCP&L, have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on the Balance Sheets as of December 31, 2021, based on estimates of the total costs of cleanup, FirstEnergy's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately $76 million have been accrued by JCP&L through December 31, 2021, of which, approximately $70 million are for environmental remediation of former manufactured gas plants and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable Societal Benefits Charge. FE or its subsidiaries, including JCP&L, could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

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. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020.

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. Under the DPA, FE has agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA requires 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, which shall consist of (x) $115 million paid by FE to the United States 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 the 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 expense in the second quarter of 2021, and paid in the third quarter of 2021. Under the terms of the DPA, the criminal information will be dismissed after FirstEnergy fully complies with its obligations under the DPA.

Legal Proceedings Relating to United States v. Larry Householder, et al.

On August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers. On April 28, 2021, the SEC issued an additional subpoena to FE. While no contingency has been reflected in its consolidated financial statements, FE believes that it is probable that it will incur a loss in connection with the resolution of the SEC investigation. Given the ongoing nature and complexity of the review, inquiries and investigations, FE cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the SEC investigation.

In addition to the subpoenas referenced above under "—United States v. Larry Householder, et. al." and the SEC investigation, certain FE stockholders and FirstEnergy customers 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). Unless otherwise indicated, no contingency has been reflected in FirstEnergy's consolidated financial statements with respect to these lawsuits as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

- *In re FirstEnergy Corp. Securities Litigation* (Federal District Court, 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 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 of 1933 as a result of alleged misrepresentations or omissions in connection with offerings of senior notes by FE in February and June 2020. 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.* (Federal District Court, S.D. Ohio) on December 17, 2021, purported stockholders of FE filed a complaint against FE, certain current and former officers, and certain current and former officers of EH. The complaint alleges 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 seeks the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. 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.
- *State of Ohio ex rel. Dave Yost, Ohio Attorney General v. FirstEnergy Corp., et al. and City of Cincinnati and City of Columbus v. FirstEnergy Corp.* (Common Pleas Court, Franklin County, OH, all actions have been consolidated); on September 23, 2020 and October 27, 2020, the OAG and the cities of Cincinnati and Columbus, respectively, filed complaints against several parties including FE (the OAG also named FES as a defendant), each alleging civil violations of the Ohio Corrupt Activity Act in connection with the passage of HB 6. On January 13, 2021, the OAG filed a motion for a temporary restraining order and preliminary injunction against FirstEnergy seeking to enjoin FirstEnergy from collecting the Ohio Companies' decoupling rider. On January 31, 2021, FE reached a partial settlement with the OAG and the cities of Cincinnati and Columbus with respect to the temporary restraining order and preliminary injunction request and related issues. In connection with the partial settlement, the Ohio Companies filed an application on February 1, 2021, with the PUCO to set their respective decoupling riders (CSR) to zero. On February 2, 2021, the PUCO approved the application of the Ohio Companies setting the rider to zero and no additional customer bills will include new decoupling rider charges after February 8, 2021. The cases are stayed pending final resolution of the United States v. Larry Householder, et al. criminal proceeding described above, although on August 13, 2021, new defendants were added to the complaint, including two former officers of FirstEnergy. On November 9, 2021, the OAG filed a motion to lift the agreed-upon stay, which FE opposed on November 19, 2021; the motion remains pending. On December 2, 2021, the cities and FE entered a stipulated dismissal with prejudice of the cities' suit.
- *Smith v. FirstEnergy Corp. et al., Buldas v. FirstEnergy Corp. et al., and Hudock and Cameo Countertops, Inc. v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio, all actions have been consolidated); on July 27, 2020, July 31, 2020, and August 5, 2020, respectively, purported customers of FE filed putative class action lawsuits against FE and FESC, as well as certain current and former FE officers, alleging civil Racketeer Influenced and Corrupt Organizations Act violations and related state law claims. The court denied FE's motions to dismiss and stay discovery on February 10 and 11, 2021, respectively, and the defendants submitted answers to the complaint on March 10, 2021. The plaintiffs moved to certify the case as a class action on June 28, 2021, and moved for leave to amend the complaint to add FES as a defendant on September 27, 2021. The court granted the motion to amend on November 10, 2021. On November 9, 2021, the court issued an order granting Plaintiffs' motion for class certification, but vacated that order on November 19, 2021, to allow defendants to take the named plaintiffs' depositions and to file an opposition to the motion, which they filed on December 14, 2021. On November 19, 2021, FE and FESC moved for judgment on the pleadings. One of the individual defendants moved to dismiss the amended complaint on November 24, 2021. On December 28, 2021, the parties jointly moved the court to stay consideration of the pending motions for class certification, to dismiss, and for judgment on the pleadings for 45 days. The court granted the motion on December 29, 2021, and the cases are currently stayed. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to these lawsuits and the *Emmons* lawsuit below; no impact to JCP&L is anticipated.
- *Emmons v. FirstEnergy Corp. et al.* (Common Pleas Court, Cuyahoga County, OH); on August 4, 2020, a purported customer of FirstEnergy filed a putative class action lawsuit against FE, FESC, the Ohio Companies, along with FES, alleging several causes of action, including negligence and/or gross negligence, breach of contract, unjust enrichment, and unfair or deceptive consumer acts or practices. On October 1, 2020, plaintiffs filed a First Amended Complaint, adding as a plaintiff a purported customer of FirstEnergy and alleging a civil violation of the Ohio Corrupt Activity Act and civil conspiracy against FE, FESC and FES. On May 4, 2021, the court granted the defendants' motion to dismiss plaintiffs' breach of contract claims and denied the remainder of the motions to dismiss. The defendants submitted answers to the complaint on June 1, 2021. Discovery is proceeding. On December 30, 2021, the plaintiff filed a Second Amended Complaint removing one of the named plaintiffs and updating the class definition. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to this lawsuit and the lawsuits above consolidated with *Smith* in the S.D. Ohio alleging, among other things, civil violations of the Racketeer Influenced and Corrupt Organizations Act; no impact to JCP&L is anticipated.

On February 9, 2022, FE, acting through the SLC, agreed to a settlement term sheet to resolve the following shareholder derivative lawsuits relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder that were filed in the S.D. Ohio, the N.D. Ohio, and the Ohio Court of Common Pleas, Summit County:

- *Gendrich v. Anderson, et al. and Sloan v. Anderson, et al.* (Common Pleas Court, Summit County, OH, all actions have been consolidated); on July 26, 2020 and July 31, 2020, respectively, purported stockholders of FE filed shareholder derivative action lawsuits against certain FE directors and officers, alleging, among other things, breaches of fiduciary duty.
- *Miller v. Anderson, et al.* (Federal District Court, N.D. Ohio); *Bloom, et al. v. Anderson, et al.; Employees Retirement System of the City of St. Louis v. Jones, et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Anderson et al.; Massachusetts Laborers Pension Fund v. Anderson et al.; The City of Philadelphia Board of Pensions and Retirement v. Anderson et al.; Atherton v. Dowling et al.; Behar v. Anderson, et al.* (Federal District Court, S.D. Ohio, all actions have been consolidated); beginning on August 7, 2020, purported stockholders of FE filed shareholder derivative actions alleging the FE Board and officers breached their fiduciary duties and committed violations of Section 14(a) of the Exchange Act.

The proposed settlement, which is subject to court approval, will fully resolve the shareholder derivative lawsuits above and stipulates a series of corporate governance enhancements, that is expected to result in the following:

- Six members of the FE Board, Messrs. Michael J. Anderson, Donald T. Misheff, Thomas N. Mitchell, Christopher D. Pappas and Luis A. Reyes, and Ms. Julia L. Johnson will not stand for re-election at FE's 2022 annual shareholder meeting;
- A special FE Board committee of at least three recently appointed independent directors will be formed to initiate a review process of the current senior executive team, to begin within 30 days of the 2022 annual shareholder meeting;
- The FE Board will oversee FE's lobbying and political activities, including periodically reviewing and approving political and lobbying action plans prepared by management;
- The FE Board will form another committee of recently appointed independent directors to oversee the implementation and third-party audits of the FE Board-approved action plans with respect to political and lobbying activities;
- FE will implement enhanced disclosure to shareholders of political and lobbying activities, including enhanced disclosure in its annual proxy statement; and
- FE will further align financial incentives of senior executives to proactive compliance with legal and ethical obligations.

The settlement also includes a payment to FirstEnergy of $180 million, to be paid by insurance after court approval, less any court-ordered attorney's fees awarded to plaintiffs.

In letters dated January 26, and February 22, 2021, staff of FERC's Division of Investigations notified FirstEnergy that the Division is conducting an investigation of FirstEnergy's lobbying and governmental affairs activities concerning HB 6, and staff directed FirstEnergy to preserve and maintain all documents and information related to the same as such have been developed as part of an ongoing non-public audit being conducted by FERC's Division of Audits and Accounting. While no contingency has been reflected in the consolidated financial statements, FirstEnergy believes that it is probable that it will incur a loss in connection with the resolution of the FERC investigation. Given the ongoing nature and complexity of the review, inquiries and investigations, FirstEnergy cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the FERC investigation.

The outcome of any of these lawsuits, governmental investigations and audit is uncertain and could have a material adverse effect on FE's or JCP&L's 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 JCP&L's normal business operations pending against JCP&L and its subsidiaries. The loss or range of loss in these matters is not expected to be material to JCP&L or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 10, "Regulatory Matters."

JCP&L 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 JCP&L 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 JCP&L or its subsidiaries have 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 JCP&L's or its subsidiaries' financial condition, results of operations and cash flows.

12. TRANSACTIONS WITH AFFILIATED COMPANIES

JCP&L's operating expenses, miscellaneous income and interest expenses include transactions with affiliated companies. These affiliated company transactions include support service billings, interest on affiliated company notes including the money pool and other transactions.

The primary affiliated company transactions for JCP&L during the years ended December 31, 2021, and 2020 are as follows:

	For the Years Ended December 31,	
	2021	2020
	(In millions)	
Revenues	$ 1	$ 1
Expenses:		
Support services	134	135
Miscellaneous Income	5	3
Interest expense to affiliates	—	1

FE does not bill directly or allocate any of its costs to any subsidiary company. Costs are charged to FE's subsidiaries for services received from FESC either through direct billing or through an allocation process. 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.

Under the FirstEnergy money pool, FE's utility and transmission operating subsidiary companies, including JCP&L, have the ability to borrow from each other and the holding company to meet their 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 (see Note 8, "Short-Term Borrowings and Bank Lines of Credit").

JCP&L and FirstEnergy's other subsidiaries are parties to an intercompany income tax allocation agreement with FE and its other subsidiaries that provides for the allocation of consolidated tax liabilities. Net tax benefits attributable to FE are generally reallocated to the subsidiaries of FirstEnergy that have taxable income. That allocation is accounted for as a capital contribution to the company receiving the tax benefit (see Note 4, "Taxes").