

JERSEY CENTRAL POWER & LIGHT COMPANY
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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:

AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary of FE
AGC	Allegheny Generating Company, a generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a transmission subsidiary of FET
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility subsidiary of FE
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 EH's nuclear generating facilities
FE PA	FirstEnergy Pennsylvania Electric Company, a Pennsylvania electric utility subsidiary of FirstEnergy Pennsylvania Holding Company LLC, a wholly owned subsidiary of FE
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 a consolidated VIE of FE and the parent company of ATSI, MAIT and TrAIL, and having a joint venture in PATH
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility subsidiary of FE
KATCo	Keystone Appalachian Transmission Company, a transmission subsidiary of FE
MAIT	Mid-Atlantic Interstate Transmission, LLC, a transmission subsidiary of FET
ME	Metropolitan Edison Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024
MP	Monongahela Power Company, a West Virginia electric utility subsidiary of FE
OE	Ohio Edison Company, an Ohio electric utility subsidiary of FE
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 subsidiary of FE
Penn	Pennsylvania Power Company, a former Pennsylvania electric utility subsidiary of OE, which merged with and into FE PA on January 1, 2024
Pennsylvania Companies	ME, PN, Penn and WP, each of which merged with and into FE PA on January 1, 2024
PN	Pennsylvania Electric Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024
TE	The Toledo Edison Company, an Ohio electric utility subsidiary of FE
TrAIL	Trans-Allegheny Interstate Line Company, a transmission subsidiary of FET
Transmission Companies	ATSI, KATCo, MAIT and TrAIL
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024

The following abbreviations and acronyms may be used to identify frequently used terms in 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
2023 Credit Facilities	Collectively, the FET Revolving Facility and KATCo Revolving Facility
A&R FET LLC Agreement	Fourth Amended and Restated Limited Liability Company Operating Agreement of FET
ACE	Affordable Clean Energy
AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFSI	Adjusted Financial Statement Income
AFUDC	Allowance for Funds Used During Construction
AMI	Advance Metering Infrastructure
AMT	Alternative Minimum Tax

AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BGS	Basic Generation Service
BRA	Base Residual Auction
Brookfield	North American Transmission Company II L.P., a controlled investment vehicle entity of Brookfield Infrastructure Partners
Brookfield Guarantors	Brookfield Super-Core Infrastructure Partners L.P., Brookfield Super-Core Infrastructure Partners (NUS) L.P., and Brookfield Super-Core Infrastructure Partners (ER) SCSp
CAA	Clean Air Act
CCR	Coal Combustion Residual
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFIUS	Committee on Foreign Investments in the United States
CFR	Code of Federal Regulations
CO ₂	Carbon Dioxide
COVID-19	Coronavirus disease
CPP	EPA's Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
CTA	Consolidated Tax Adjustments
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and U.S. Attorney's Office for the Southern District of Ohio
DSIC	Distribution System Improvement Charge
EDC	Electric Distribution Company
EEI	Edison Electric Institute
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
EGU	Electric Generation Units
EH	Energy Harbor Corp
ELG	Effluent Limitation Guidelines
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EnergizeNJ	JCP&L's second Infrastructure Investment Program
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP IV	Electric Security Plan IV
ESP V	Electric Security Plan V
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 Board	The Board of Directors of FET
FET LLC Agreement	Third Amended and Restated Limited Liability Company Operating Agreement of FET
FET Minority Equity Interest Sale	Sale of an additional 30% membership interest of FET, such that Brookfield will own 49.9% of FET
FET P&SA I	Purchase and Sale Agreement entered into on November 6, 2021, by and between FE, FET, Brookfield, and Brookfield Guarantors

FET P&SA II	Purchase and Sale Agreement entered into on February 2, 2023, by and between FE, FET, Brookfield, and the Brookfield Guarantors
FET Revolving Facility	FET's five-year syndicated revolving credit facility, dated as of October 20, 2023
Fitch	Fitch Ratings Service
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IRA of 2022	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
KATCo Revolving Facility	KATCo's four-year syndicated revolving credit facility, dated as of October 20, 2023
kV	Kilovolt
kWh	Kilowatt-hour
LIBOR	London Inter-Bank Offered Rate
LOC	Letter of Credit
LTIIP	Long-Term Infrastructure Improvement Plan
MDPSC	Maryland Public Service Commission
MGP	Manufactured Gas Plants
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
MWh	Megawatt-hour
N.D. Ohio	Federal District Court, Northern District of Ohio
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NOL	Net Operating Loss
NOx	Nitrogen Oxide
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
OAG	Ohio Attorney General
OCC	Ohio Consumers' Counsel
ODSA	Ohio Development Service Agency
Ohio Stipulation	Stipulation and Recommendation, dated November 1, 2021, entered into by and among the Ohio Companies, the OCC, PUCO Staff, and several other signatories
OOCIC	Ohio Organized Crime Investigations Commission, which is composed of members of the Ohio law enforcement community and is chaired by the OAG
OPEB	Other Postemployment Benefits
OVEC	Ohio Valley Electric Corporation
PA Consolidation	Consolidation of the Pennsylvania Companies
PEER	FirstEnergy's Program for Enhanced Employee Retirement
PJM	PJM Interconnection, LLC
PJM Tariff	PJM Open Access Transmission Tariff
POLR	Provider of Last Resort
PPA	Purchase Power Agreement
PPUC	Pennsylvania Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RFC	ReliabilityFirst Corporation
ROE	Return on Equity
RTO	Regional Transmission Organization

S.D. Ohio	Federal District Court, Southern District of Ohio
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan(s) under the Clean Air Act
SLC	Special Litigation Committee of the FE Board
SO ₂	Sulfur Dioxide
SOFR	Secured Overnight Financing Rate
SOS	Standard Offer Service
SPE	Special Purpose Entity
S&P	Standard & Poor's Ratings Service
Tax Act	Tax Cuts and Jobs Act adopted December 22, 2017
TMI-1	Three Mile Island Unit 1
VEPCO	Virginia Electric and Power Company
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVPSC	Public Service Commission of West Virginia

Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of Jersey Central Power & Light Company (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related 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 "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 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 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 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 8, 2024

JERSEY CENTRAL POWER & LIGHT COMPANY
STATEMENTS OF INCOME

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
REVENUES	\$ 2,027	\$ 2,055
OPERATING EXPENSES:		
Purchased power	1,037	972
Other operating expenses	555	602
Provision for depreciation	231	209
Amortization (deferral) of regulatory assets, net	(74)	51
General taxes	21	18
Total operating expenses	1,770	1,852
OPERATING INCOME	257	203
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	42	59
Pension and OPEB mark-to-market adjustment	(29)	(27)
Interest expense	(124)	(107)
Capitalized financing costs	19	16
Total other expense	(92)	(59)
INCOME BEFORE INCOME TAXES	165	144
INCOME TAXES	35	25
NET INCOME	\$ 130	\$ 119
COMPREHENSIVE INCOME	\$ 130	\$ 119

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

JERSEY CENTRAL POWER & LIGHT COMPANY
BALANCE SHEETS

<i>(In millions, except share amounts)</i>	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Receivables -		
Customers	\$ 225	\$ 245
Less — Allowance for uncollectible customer receivables	9	21
	216	224
Affiliated companies	71	61
Other, net of allowance for uncollectible accounts of \$6 in 2023 and 2022	31	27
Prepaid taxes and other	64	33
	382	345
PROPERTY, PLANT AND EQUIPMENT:		
In service	8,278	7,881
Less — Accumulated provision for depreciation	2,365	2,289
	5,913	5,592
Construction work in progress	475	379
	6,388	5,971
INVESTMENTS AND OTHER NONCURRENT ASSETS:		
Goodwill	1,811	1,811
Investments	281	271
Prepaid OPEB costs	180	144
Other	58	90
	2,330	2,316
TOTAL ASSETS	<u>\$ 9,100</u>	<u>\$ 8,632</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 501	\$ 1
Short-term borrowings -		
Affiliated companies	262	65
Other	200	—
Accounts payable -		
Affiliated companies	2	1
Other	153	160
Accrued compensation and benefits	34	39
Customer deposits	36	37
Accrued taxes	4	3
Accrued interest	27	26
Collateral	3	37
Other	29	26
	1,251	395
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	1,648	2,147
Accumulated deferred income taxes, net	957	898
Nuclear fuel disposal costs	223	212
Retirement benefits	83	74
Regulatory liabilities	48	194
Other	758	745
	3,717	4,270
TOTAL LIABILITIES	<u>4,968</u>	<u>4,665</u>
EQUITY:		
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	2,777	2,742
Accumulated other comprehensive loss	(5)	(5)
Retained earnings	1,224	1,094
TOTAL EQUITY	<u>4,132</u>	<u>3,967</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
TOTAL LIABILITIES AND EQUITY	<u>\$ 9,100</u>	<u>\$ 8,632</u>

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

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

<i>(In millions, except share amounts)</i>	Common Stock		Other Paid-In Capital	AOCI	Retained Earnings	Total Stockholder's Equity
	Number of Shares	Carrying Value				
Balance, January 1, 2022	13,628,447	\$ 136	\$ 2,727	\$ (5)	\$ 1,050	\$ 3,908
Net income					119	119
Stock-based compensation			6			6
Consolidated tax benefit allocation			9			9
Common stock dividend declared					(75)	(75)
Balance, December 31, 2022	<u>13,628,447</u>	<u>\$ 136</u>	<u>\$ 2,742</u>	<u>\$ (5)</u>	<u>\$ 1,094</u>	<u>\$ 3,967</u>
Net income					130	130
Stock-based compensation			5			5
Equity contribution from parent			30			30
Balance, December 31, 2023	<u>13,628,447</u>	<u>\$ 136</u>	<u>\$ 2,777</u>	<u>\$ (5)</u>	<u>\$ 1,224</u>	<u>\$ 4,132</u>

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

JERSEY CENTRAL POWER & LIGHT COMPANY
STATEMENTS OF CASH FLOWS

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 130	\$ 119
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation, amortization and impairments	145	319
Transmission revenue collections, net	(14)	15
Deferred income taxes and investment tax credits, net	50	(1)
Spent nuclear fuel disposal trust income	12	11
Employee benefit costs, net	(27)	(44)
Pension and OPEB mark-to-market adjustment	29	27
Changes in current assets and liabilities-		
Receivables	(6)	3
Prepaid taxes and other current assets	(9)	—
Accounts payable	(6)	14
Accrued taxes	1	(23)
Accrued interest	1	(1)
Accrued compensation and benefits	(5)	(4)
Other current liabilities	2	3
Collateral, net	(57)	(8)
Employee benefit plan funding and related payments	(7)	(7)
Other	25	16
Net cash provided from operating activities	264	439
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital investments	(633)	(483)
Sales of investment securities held in trusts	38	48
Purchases of investment securities held in trusts	(50)	(59)
Asset removal costs	(45)	(32)
Net cash used for investing activities	(690)	(526)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Short-term borrowings-		
Affiliated companies, net	197	—
Other, net	200	—
Redemptions and repayments-		
Short-term borrowings - affiliated companies, net	—	(7)
Equity contribution from parent	30	—
Common stock dividend payments	—	(75)
Other	(1)	(1)
Net cash provided from (used for) financing activities	426	(83)
Net change in cash, cash equivalents, and restricted cash	—	(170)
Cash, cash equivalents, and restricted cash at beginning of period	—	170
Cash, cash equivalents, and restricted cash at end of period	\$ —	\$ —
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year:		
Interest (net of amounts capitalized)	\$ 108	\$ 99
Income taxes, net of refunds	\$ (11)	\$ 45
Significant non-cash transactions:		
Accrued capital investments	\$ 59	\$ 39

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

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS

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JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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 owns property and does business as an electric public utility in New Jersey, providing distribution services to approximately 1.2 million customers, as well as transmission services in northern, western, and east central New Jersey, with a combined rate base of \$4.2 billion. JCP&L has 1,328 employees and serves an area that has a population of approximately 2.8 million. JCP&L plans, operates, and maintains its transmission system in accordance with NERC reliability standards, and other applicable regulatory requirements. In addition, JCP&L complies with the regulations, orders, policies and practices prescribed by FERC and the NJBPU.

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

JCP&L has evaluated events and transactions for potential recognition or disclosure through March 8, 2024, the date these financial statements were issued.

Certain prior year amounts have been reclassified to conform to the current year presentation, including presenting long-term debt and other long-term obligations within "Noncurrent Liabilities" on the Balance Sheets as compared to "Total Capitalization".

Economic Conditions

Post-pandemic economic conditions have increased supply chain lead times across numerous material categories, with some as much as tripling from pre-pandemic lead times. Several key suppliers have struggled with labor shortages and raw material availability, which along with inflationary pressure that appears to be moderating, have increased costs and decreased the availability of certain materials, equipment and contractors. FirstEnergy has taken steps to mitigate these risks and does not currently expect service disruptions or any material impact on its capital spending plan. However, the situation remains fluid and a prolonged continuation or further increase in supply chain disruptions could have an adverse effect on FirstEnergy's results of operations, cash flow and financial condition.

Reference Rate Reform

In March of 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (issued March 2020 and subsequently updated). This ASU, which introduces Topic ASC 848 to the FASB codification, provides temporary optional expedients and exceptions that, if elected, will ease the financial reporting burdens related to the market transition from LIBOR and other interbank offered rates to alternative reference rates.

On April 27, 2023, FE, FET, the Utilities and the Transmission Companies entered into amendments to the 2021 Credit Facilities to, among other things: (i) permit the sale from FE to Brookfield of an incremental 30% equity interest in FET for a purchase price of \$3.5 billion, (ii) permit the consolidation of the Pennsylvania Companies into a new, single operating entity, FE PA, which will be FE's only regulated utility in Pennsylvania encompassing the operations previously conducted individually by the Pennsylvania Companies, and (iii) transition the benchmark interest rate for borrowings under the 2021 Credit Facilities from LIBOR to SOFR. During the second quarter of 2023, FirstEnergy utilized the optional expedient within ASC 848 to account for the amendments to the credit facilities as a continuation of the existing contract without additional analysis.

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 noncurrent section on JCP&L's Balance Sheets. See Note 10, "Regulatory Matters," of the Notes to Financial Statements for additional information.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2023 and December 31, 2022, and the changes during the year ended December 31, 2023:

Net Regulatory Assets (Liabilities) by Source	As of December 31,		Change
	2023	2022	
	<i>(In millions)</i>		
Asset removal costs	\$ (97)	\$ (92)	\$ (5)
Customer payables for future income taxes	(426)	(449)	23
Spent nuclear fuel disposal costs	(83)	(83)	—
Deferred transmission costs	3	(11)	14
Deferred distribution costs	114	33	81
Deferred generation costs	(7)	(41)	34
Storm-related costs	280	310	(30)
Pandemic-related costs	23	22	1
Energy efficiency program costs	73	21	52
New Jersey societal benefit costs	79	94	(15)
Vegetation management costs	7	10	(3)
Other	(14)	(8)	(6)
Net Regulatory Liabilities included on the Balance Sheets	<u>\$ (48)</u>	<u>\$ (194)</u>	<u>\$ 146</u>

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

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

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 federal and state 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 Three Mile Island Unit 1.

Deferred transmission costs - Reflects differences between revenues earned based on actual costs for JCP&L's formula transmission rate and the amounts billed, including amounts expected to be refunded to, or recoverable from, wholesale transmission customers resulting from the FERC Audit, as further described below, which amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

Deferred distribution costs - Principally represents costs related to the AMI and electric vehicle programs in New Jersey.

Deferred generation costs - Principally represents total costs, including energy and capacity, paid to third-party suppliers for their provision of BGS supply.

Storm-related costs - Relates to the recovery of storm costs, of which \$55 million and \$48 million are currently being recovered through rates as of December 31, 2023, and 2022, respectively.

Pandemic-related costs - Includes the deferral of incremental costs arising from the pandemic.

Energy efficiency program costs - Primarily relates to the recovery or refund of costs associated with energy efficiency and renewable energy programs in New Jersey.

New Jersey societal benefit costs - Primarily relates to regulatory assets associated with MGP remediation, universal service and lifeline funds, and the New Jersey Clean Energy Program.

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

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2023 and 2022, of which approximately \$59 million and \$52 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, 2023	December 31, 2022	Change
	<i>(In millions)</i>		
Storm-related costs	\$ 280	\$ 310	\$ (30)
Deferred distribution costs	66	25	41
Deferred generation costs	7	10	(3)
Pandemic-related costs	23	22	1
Vegetation management costs	7	10	(3)
Other	10	10	—
Regulatory Assets Not Earning a Current Return	<u>\$ 393</u>	<u>\$ 387</u>	<u>\$ 6</u>

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 \$99 million and \$109 million as of December 31, 2023 and 2022, respectively. Customer payments are generally due within 15 days. Retail generation sales relate to generation sales in New Jersey that are regulated by the NJBPU.

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

The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible customer receivables should be further adjusted in accordance with the accounting guidance for credit losses. The allowance for uncollectible customer receivables is reviewed utilizing a quantitative and qualitative assessment. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, amount of receivable balances that are past-due, payment options and programs available to customers, and the methods that the Utilities are able to utilize to ensure payment. This analysis includes consideration of the outbreak of the pandemic and the impact on customer receivable balances outstanding and write-offs since the pandemic began and subsequent economic slowdown.

During 2023, various regulatory actions, including extended installment plans, continue to impact the level of past due balances in certain states, resulting in the allowances for uncollectible customer receivables to remain elevated above 2019 pre-pandemic levels. However, normal collection activity has resumed, and arrears levels continue to decline towards pre-pandemic levels. As a result, JCP&L recognized a \$12 million decrease to its allowance during 2023, all of which was applied to existing deferred regulatory assets.

Activity associated with the allowance for uncollectible customer receivables is as follows:

<i>(In millions)</i>	2023	2022
Customer Receivables:		
Beginning of year balance	\$ 21	\$ 20
Charged to income ⁽¹⁾	(1)	11
Charged to other accounts ⁽²⁾	3	3
Write-offs	(14)	(13)
End of year balance	<u>\$ 9</u>	<u>\$ 21</u>

⁽¹⁾ Customer receivable amounts charged to income include approximately \$(1) million and \$11 million deferred for future recovery (refund) for the years ended December 31, 2023 and 2022, respectively.

⁽²⁾ Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

GOODWILL

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

No impairment of goodwill was indicated in 2023 and 2022. In 2023 and 2022, a qualitative assessment was performed, 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 investments, utility sector market performance, regulatory and legal developments, and other market considerations. It was determined that the fair values of the reporting unit was, more likely than not, greater than their carrying values and a quantitative analysis was not necessary.

PROPERTY, PLANT AND EQUIPMENT

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

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 2.8% and 2.7% of average depreciable property in 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, capitalized financing costs on JCP&L's Statements of Income include \$5 million and \$11 million, respectively, of allowance for equity funds used during construction and \$14 million and \$5 million, respectively, of capitalized interest.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

ASU 2023-09, "*Income taxes (Topic 280): Improvements to Income Tax Disclosures*" (Issued in December 2023): ASU 2023-09 enhances disclosures primarily related to existing rate reconciliation and income taxes paid information to help investors better assess how a company's operations and related tax risks and tax planning and operational opportunities affect the tax rate and prospects for future cash flows. For FirstEnergy, the guidance will be effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments within ASU 2023-09 are to be applied on a prospective basis, with retrospective application permitted.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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.

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2023 and 2022, by type of service:

Revenues by Type of Service (in millions)	For the Year Ended December 31,	
	2023	2022
Distribution services and retail generation		
Residential	\$ 1,168	\$ 1,183
Commercial	545	564
Industrial	64	72
Street lighting/other	20	17
Transmission	204	195
Other	23	22
Total revenues from contracts with customers	\$ 2,024	\$ 2,053
Other revenue unrelated to contracts with customers	3	2
Total revenues	<u>\$ 2,027</u>	<u>\$ 2,055</u>

Other revenue is primarily related to pole attachments of \$10 million for both the years ended December 31, 2023 and 2022.

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 is 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.

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. Revenue requirements under forward-looking formula rates are updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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.

On May 12, 2023, FirstEnergy made a \$750 million voluntary cash contribution to the qualified pension plan. The size of the voluntary contribution made in relation to total pension assets triggered a remeasurement of the pension plan. FirstEnergy elected the practical expedient to remeasure pension plan assets and obligations as of April 30, 2023, which is the month-end closest to the date of the voluntary contribution.

FirstEnergy's pension funding policy is based on actuarial computations using the projected unit credit method. FirstEnergy does not currently expect to have a required contribution to the pension plan until 2028, which based on various assumptions, including an expected rate of return on assets of 8.00%, is expected to be approximately \$260 million. However, FirstEnergy may elect to contribute to the pension plan voluntarily.

On May 9, 2023, FirstEnergy announced a voluntary retirement program for eligible non-bargaining employees, known as the PEER. More than 65% of eligible employees, totaling approximately 450 employees, accepted the PEER, which included lump sum compensation equivalent to severance benefits, healthcare continuation costs and a temporary pension enhancement. Most PEER participating employees departed in 2023. The temporary pension enhancement and healthcare continuation costs are classified as special termination costs within net periodic benefit costs (credits).

The following is a summary of the plan status:

As of December 31,	Pension		OPEB	
	2023	2022	2023	2022
	<i>(In millions)</i>			
FirstEnergy benefit obligation	\$ 8,363	\$ 8,828	\$ 441	\$ 439
FirstEnergy fair value of plan assets	6,879	6,693	516	460
FirstEnergy funded status	<u>\$ (1,484)</u>	<u>\$ (2,135)</u>	<u>\$ 75</u>	<u>\$ 21</u>
FirstEnergy accumulated benefit obligation	\$ 7,324	\$ 8,500	\$ —	\$ —
FirstEnergy net periodic costs (credits) ⁽¹⁾	\$ 128	\$ (296)	\$ (38)	\$ (10)
JCP&L's share of net periodic costs ⁽¹⁾	\$ 26	\$ (8)	\$ (29)	\$ (11)
JCP&L's share of FirstEnergy funded status ⁽²⁾⁽³⁾	\$ (79)	\$ (69)	\$ 180	\$ 144

⁽¹⁾ Includes pension and OPEB mark-to-market adjustment, amounts capitalized and special terminations benefits associated with PEER.

⁽²⁾ Excludes \$302 million and \$274 million as of December 31, 2023 and 2022, respectively, of affiliated noncurrent liabilities related to pension and OPEB mark-to-market costs allocated to JCP&L.

⁽³⁾ Includes a \$202 million increase in OPEB plan assets associated with a reallocation among certain FirstEnergy companies at December 31, 2022.

The FirstEnergy total pension and OPEB mark-to-market adjustment gain (loss), for the years ended December 31, 2023 and 2022 were \$(78) million and \$72 million, respectively. JCP&L's pension and OPEB mark-to-market adjustment loss for the years ended December 31, 2023 and 2022, were \$(29) million and \$(27) million, respectively.

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

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Assumptions	Pension		OPEB	
	2023	2022	2023	2022
<i>Assumptions Related to Benefit Obligations:</i>				
Discount rate	5.05 %	5.23 %	4.97 %	5.16 %
Rate of compensation increase	4.30 %	4.30 %	N/A	N/A
Cash balance weighted average interest crediting rate	4.94 %	4.04 %	N/A	N/A
<i>Assumptions Related to Benefit Costs:⁽¹⁾⁽²⁾</i>				
Effective rate for interest on benefit obligations	5.10% / 4.80%	2.44 %	5.06 %	2.18 %
Effective rate for service costs	5.34% / 5.11%	3.28 %	5.41 %	3.41 %
Effective rate for interest on service costs	5.22% / 4.94%	2.96 %	5.33 %	3.24 %
Expected return on plan assets	8.00 %	7.50 %	7.00 %	7.50 %
Rate of compensation increase	4.30 %	4.10 %	N/A	N/A
<i>Assumed Health Care Cost Trend Rates:</i>				
Health care cost trend rate assumed (pre/post-Medicare)	N/A	N/A	7.00%-6.50%	6.00%-5.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	N/A	N/A	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	N/A	N/A	2033	2029

⁽¹⁾ Excludes impact of pension and OPEB mark-to-market adjustment.

⁽²⁾ As a result of the interim pension plan remeasurement during 2023, there were different rates in effect from January 1, 2023, through April 30, 2023 compared to May 1, 2023 through December 31, 2023.

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

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

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

Pension and OPEB Returns	2023	2022
Actual gains or (losses) on plan assets - \$ millions	\$ 751	\$ (1,830)
Actual gains or (losses) on plan assets - %	11.2 %	(19.1)%
Expected return on plan assets - \$ millions	\$ 601	\$ 696
Expected return on plan assets - %	8.00% for pension	7.50 %
	7.00% for OPEB	

Mortality Rates - During 2023, the Society of Actuaries elected not to release a new mortality improvement scale due to data available being severely impacted by COVID-19. It was determined that the Pri-2012 mortality table with projection scale MP-2021, actuarially adjusted to reflect increased mortality due to the ongoing impact of COVID-19 was most appropriate and such was utilized to determine the obligation as of December 31, 2023, for the FirstEnergy pension and OPEB plans. This

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

adjustment acknowledges COVID-19 cannot be eradicated and assumes reductions in other causes will not offset future COVID-19 deaths enough to produce a normal level of improvements.

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.

For federal income tax purposes, JCP&L files as a member of the FirstEnergy consolidated group. JCP&L is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities.

On August 16, 2022, President Biden signed into law the IRA of 2022, which, among other things, imposes a new 15% corporate AMT based on AFSI applicable to corporations with a three-year average AFSI over \$1 billion. The AMT is effective for the 2023 tax year and, if applicable, corporations must pay the greater of the regular corporate income tax or the AMT. Although NOL carryforwards created through the regular corporate income tax system cannot be used to reduce the AMT, financial statement net operating losses can be used to reduce AFSI and the amount of AMT owed. The IRA of 2022 as enacted requires the U.S. Treasury to provide regulations and other guidance necessary to administer the AMT, including further defining allowable adjustments to determine AFSI, which directly impacts the amount of AMT to be paid. Based on interim guidance issued by the U.S. Treasury during 2022 and 2023, FirstEnergy continues to believe that it is more likely than not it will be subject to the AMT beginning in 2023. Accordingly, FirstEnergy made a first quarter estimated payment of AMT of approximately \$49 million in April 2023, of which approximately \$6 million related to JCP&L's estimated allocable share of consolidated AMT. In June 2023, the U.S. Treasury issued additional guidance that eliminated the requirement of corporations to include AMT in quarterly estimated tax payments, pending further guidance on the application and administration of AMT. Therefore, as a result of guidance issued to date, the current forecast of AMT obligation, and the amount of AMT already paid in April 2023, FirstEnergy did not make any additional AMT payments for the 2023 tax year. Until final U.S. Treasury regulations are issued, the amount of AMT FirstEnergy pays could be significantly different than current estimates or it may not be a payer at all. The regulatory treatment of the impacts of this legislation may also be subject to the regulation by FERC and/or applicable state regulatory authorities. Any adverse development in this legislation, including guidance from the U.S. Treasury and/or the IRS or unfavorable regulatory treatment, could negatively impact FirstEnergy's cash flows, results of operations and financial condition.

INCOME TAXES:	For the Years Ended December 31,	
	2023	2022
	<i>(In millions)</i>	
Currently payable (receivable) -		
Federal	\$ (7)	\$ 26
State	(8)	—
	(15)	26
Deferred, net -		
Federal	36	(13)
State	14	12
	50	(1)
Total income taxes	<u>\$ 35</u>	<u>\$ 25</u>

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2023 and 2022:

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
Book income before income taxes	\$ 165	\$ 144
Federal income tax expense at statutory rate (21%)	35	30
Increases (reductions) in taxes resulting from-		
State income taxes, net of federal tax benefit	34	10
Excess deferred tax amortization due to the Tax Act	(4)	(14)
AFUDC equity and other flow-through	(1)	(3)
Uncertain tax positions	(28)	—
Other, net	(1)	2
Total income taxes	\$ 35	\$ 25
Effective income tax rate	21.2 %	17.4 %

Accumulated deferred income taxes as of December 31, 2023 and 2022 are as follows:

<i>(In millions)</i>	As of December 31,	
	2023	2022
Deferred compensation	\$ (7)	\$ (6)
Loss and credit carryforwards	(198)	(163)
Pension and OPEB	(113)	(113)
Property basis differences	1,117	1,054
Regulatory asset/liability	212	170
Decommissioning	(59)	(57)
Other	5	13
Accumulated deferred income tax liabilities, net	\$ 957	\$ 898

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, 2023, JCP&L's loss carryforwards consisted primarily of approximately \$565 million (\$119 million, net of tax) of federal NOL loss carryforwards that begin to expire in 2031, and approximately \$1,058 million (\$75 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. In addition, JCP&L's tax credit carryforwards primarily consisted of AMT credits of \$4 million, which have no expiration.

JCP&L accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attributed is utilized for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. 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 position recognized and the amount previously taken or expected to be taken on the tax return.

During the year ended December 31, 2023 JCP&L effectively settled its uncertain tax position with state taxing authorities, and fully reversed the associated reserve and interest on its books, resulting in a net income tax benefit of approximately \$28 million. As of December 31, 2023, JCP&L's remaining unrecognized income tax benefit balance was immaterial, and JCP&L no longer has a cumulative net interest payable on its Balance Sheets.

JCP&L has tax returns under review by state taxing authorities at the audit or appeals level for tax years 2015-2022.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

General Taxes

Details of general taxes for the years ended December 31, 2023 and 2022 are shown below:

<i>(In millions)</i>	2023	2022
Real and personal property	\$ 7	\$ 6
Social security and unemployment	14	12
Total general taxes	<u>\$ 21</u>	<u>\$ 18</u>

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 recorded for ratemaking purposes. All operating lease expenses are recognized in Other operating expense. The components of lease expense were as follows:

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
Operating lease costs ⁽¹⁾	\$ 11	\$ 11
Finance lease costs:		
Amortization of right-of-use assets	1	1
Interest on lease liabilities	1	1
Total finance lease cost	<u>2</u>	<u>2</u>
Total lease cost	<u>\$ 13</u>	<u>\$ 13</u>

⁽¹⁾ Includes \$2 million of short-term lease costs for the years ended December 31, 2023 and 2022.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Supplemental balance sheet information related to leases was as follows:

(In millions)	Financial Statement Line Item	As of December 31,	
		2023	2022
Assets			
Operating lease assets ⁽¹⁾	Investments and other noncurrent assets	\$ 40	\$ 44
Finance lease assets ⁽²⁾	Property, plant and equipment	7	8
Total leased assets		<u>\$ 47</u>	<u>\$ 52</u>
Liabilities			
Current:			
Operating	Other current liabilities	\$ 10	\$ 10
Finance	Currently payable long-term debt	1	1
Noncurrent:			
Operating	Other noncurrent liabilities	43	49
Finance	Long-term debt and other long-term obligations	5	7
Total leased liabilities		<u>\$ 59</u>	<u>\$ 67</u>

⁽¹⁾ Operating lease assets are recorded net of accumulated amortization of \$24 million and \$18 million as of December 31, 2023 and 2022, respectively.

⁽²⁾ Finance lease assets are recorded net of accumulated amortization of \$3 million and \$2 million as of December 31, 2023 and 2022, respectively.

Lease terms and discount rates were as follows:

	As of December 31, 2023	As of December 31, 2022
<i>Weighted-average remaining lease terms (years)</i>		
Operating leases	6.6	7.3
Finance leases	10.3	10.2
<i>Weighted-average discount rate⁽¹⁾</i>		
Operating leases	5.68 %	5.54 %
Finance leases	16.15 %	16.20 %

⁽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:

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
<i>Cash paid for amounts included in the measurement of lease liabilities:</i>		
Operating cash flows from operating leases	\$ 11	\$ 11
Operating cash flows from finance leases	1	1
Finance cash flows from finance leases	1	1
<i>Right-of-use assets obtained in exchange for lease obligations:</i>		
Operating leases	\$ 3	\$ 4
Finance leases	—	—

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Maturities of lease liabilities as of December 31, 2023, were as follows:

<i>(In millions)</i>	Operating Leases	Finance Leases	Total
2024	\$ 11	\$ 2	\$ 13
2025	10	2	12
2026	10	2	12
2027	9	2	11
2028	8	1	9
Thereafter	16	—	16
<i>Total lease payments⁽¹⁾</i>	64	9	73
Less imputed interest	11	3	14
<i>Total net present value</i>	<u>\$ 53</u>	<u>\$ 6</u>	<u>\$ 59</u>

⁽¹⁾ Operating lease payments for certain leases are offset by sublease receipts of \$6 million over 9 years.

As of December 31, 2023, additional operating leases agreements, primarily for vehicles, that have not yet commenced are \$6 million. These leases are expected to commence in the next 18 months with lease terms of 5 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, 2023, from those used as of December 31, 2022. 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.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the years ended December 31, 2023, and 2022. 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, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	<i>(In millions)</i>							
Debt securities	\$ —	\$ 275	\$ —	\$ 275	\$ —	\$ 266	\$ —	\$ 266
Other ⁽¹⁾	—	6	—	6	—	5	—	5
Total assets	—	281	—	281	—	271	—	271
Net assets	\$ —	\$ 281	\$ —	\$ 281	\$ —	\$ 271	\$ —	\$ 271

⁽¹⁾ Primarily consists of short-term cash investments.

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the 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 JCP&L nuclear fuel disposal trusts are subject to regulatory accounting with all gains and losses on equity and AFS debt securities offset against regulatory assets.

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, 2023 and 2022.

	December 31, 2023				December 31, 2022			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	<i>(In millions)</i>							
Debt securities	\$ 301	\$ 1	\$ (27)	\$ 275	\$ 294	\$ —	\$ (28)	\$ 266

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, 2023 and 2022 were as follows:

	Sale Proceeds	Realized Gains	Realized Losses	Interest and Dividend Income
	<i>(In millions)</i>			
2023	\$ 38	\$ —	\$ (3)	\$ 12
2022	\$ 48	\$ 8	\$ (13)	\$ 12

LONG-TERM DEBT

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the 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:

<i>(In millions)</i>	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 2,150	\$ 2,095	\$ 2,150	\$ 2,018

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of long-term debt reflects the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of JCP&L. JCP&L classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2023 and 2022.

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, 2023. As of December 31, 2023, and 2022, 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, 2023 and 2022:

	As of December 31, 2023		As of December 31,	
	Maturity Date	Interest Rate	2023	2022
			<i>(In millions)</i>	
Unsecured notes - fixed rate	2024 - 2037	2.75% - 6.40%	\$ 2,150	\$ 2,150
Finance lease obligations			6	8
Unamortized debt premiums/discounts			(1)	(2)
Unamortized debt issuance costs			(6)	(8)
Currently payable long-term debt			(501)	(1)
Total long-term debt and other long-term obligations			<u>\$ 1,648</u>	<u>\$ 2,147</u>

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, 2023.

<i>(In millions)</i>	2024	2025	2026	2027	2028
Scheduled debt repayments	\$500	\$—	\$650	\$—	\$—

It is anticipated that the sale by FE of an additional 30% interest in FET to Brookfield is expected to close by the end of the first quarter of 2024. The majority of the \$3.5 billion in proceeds is expected to be paid in cash at closing with the remainder paid by the end of 2024. Utilizing the proceeds, FE anticipates that it will make an equity contribution into JCP&L that it could use to redeem the \$500 million in debt that is currently due April 2024. In addition, JCPL has filed with FERC to increase their short-term borrowing authority to \$1 billion and JCP&L has long-term debt authority pending with the NJBPU of \$700 million. In the event the FET sale to Brookfield is not consummated on the contemplated timeline, JCP&L would refinance its debt through one or a combination of long-term debt, short-term borrowings or from an equity contribution from FE, subject to having received the necessary authorizations.

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, 2023, JCP&L was in compliance with all debt covenant default provisions.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

8. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

JCP&L had \$462 million and \$65 million of outstanding short-term borrowings as of December 31, 2023 and 2022, respectively.

Revolving Credit Facility

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. 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 credit facilities provide substantial liquidity to support the Regulated businesses, and each of the operating companies within the businesses.

On October 20, 2023, FE and certain of its subsidiaries entered into the amendments to each of the 2021 Credit Facilities to, among other things; (i) amend the FE Revolving Facility to release FET as a borrower and (ii) extend the maturity date of the 2021 Credit Facilities for an additional one-year period, from October 18, 2026 to October 18, 2027. Also, on October 20, 2023, each of FET and KATCo entered into the 2023 Credit Facilities. In connection with PA Consolidation, the Pennsylvania Companies' rights and obligations under their revolving credit facility were assumed by FE PA on January 1, 2024.

Under the FET Revolving Facility, \$1.0 billion is available to be borrowed, repaid and reborrowed until October 20, 2028. Under the KATCo Revolving Facility, (i) \$150 million is available to be borrowed, repaid and reborrowed until October 20, 2027, (ii) borrowings will mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended; upon KATCo demonstrating to the administrative agent authorization to borrow amounts maturing more than 364 days from the date of borrowing, its borrowings will mature on the latest commitment termination date. KATCo may not draw on the KATCo Credit Facility until the satisfaction of certain conditions, including the availability of first quarter financial statements, which are expected to be completed during the second quarter of 2024.

The 2021 Credit Facilities and 2023 Credit Facilities are as follows:

- FE, \$1.0 billion revolving credit facility;
- FET, \$1.0 billion revolving credit facility;
- Ohio Companies, \$800 million revolving credit facility;
- FE PA⁽¹⁾, \$950 million revolving credit facility;
- JCP&L, \$500 million revolving credit facility;
- MP and PE, \$400 million revolving credit facility;
- Transmission Companies, \$850 million revolving credit facility; and
- KATCo, \$150 million revolving credit facility.

⁽¹⁾ Effective January 1, 2024, FE PA succeeded the Pennsylvania Companies as the borrower under the Pennsylvania Companies' revolving credit facility.

Borrowings under the 2021 Credit Facilities and 2023 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 and 2023 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 Facilities and 2023 Credit Facilities) of no more than 65%, and 75% for FET, measured at the end of each fiscal quarter.

Under its facility, JCP&L may borrow up to \$500 million, \$300 million of which was available to JCP&L as of December 31, 2023. This short-term debt limitation is subject to the regulatory short-term debt authorization of \$500 million, which also includes amounts that may be borrowed under the regulated companies' money pool.

The 2021 Credit Facilities and 2023 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 and the 2023 Credit Facilities are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under each of the 2021 Credit Facilities and 2023 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, 2023, JCP&L had a debt-to-total-capitalization ratio of 38.7% which was in compliance with the applicable covenants under their respective 2021 Credit Facility and 2023 Credit Facility.

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NOTES TO FINANCIAL STATEMENTS (Continued)

FirstEnergy Money Pool

FE's utility operating subsidiary companies, including JCP&L, also have the ability to borrow from each other and FE to meet their short-term working capital requirements. FESC administers these money pools and tracks surplus funds of FE and the respective regulated and unregulated subsidiaries, as the case may be, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. Interest rates have increased significantly, which has caused the rate and interest expense on borrowings under the various FirstEnergy credit facilities to be significantly higher. The average interest rates for borrowings in 2023 and 2022 were 6.30% and 2.27% per annum, respectively.

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 2023 and 2022:

ARO Reconciliation	(In millions)
Balance, January 1, 2022	\$ 6
Accretion	1
Balance, December 31, 2022	7
Accretion	—
Balance, December 31, 2023	\$ 7

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 November 2021, include an allowed debt/equity ratio of 48.6%/51.4% and an allowed ROE of 9.6%.

NEW JERSEY

JCP&L operates under NJBPU approved rates that took effect as of February 15, 2024, and will become effective for customers as of June 1, 2024. 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.

On March 16, 2023, JCP&L filed a base rate case with the NJBPU, utilizing a test year based on six months of actual data for the second half of calendar year 2022, and six months of forecasted data for the first half of calendar year 2023. The rate case requested an annual net increase in base distribution revenues of approximately \$185 million, plus a request to establish a regulatory asset (or liability) to recover (or refund) in a subsequent base rate case the net differences between the amount of pension and OPEB expense requested in the proceeding (based on 2023 expense) and the actual annual amount each year using the delayed recognition method. JCP&L updated its base rate case in filings made on June 2, 2023 and August 7, 2023 to provide actual test-year data for the twelve months ended June 30, 2023, and update its proposed annual net increase in base rate distribution revenues to approximately \$192 million. In addition to the above, JCP&L's request includes, among other things,

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NOTES TO FINANCIAL STATEMENTS (Continued)

approval of two new proposed programs to assist low-income customers, cost recovery of certain investments and expenses associated with its electric vehicle and AMI programs, an update of its depreciation rates, modifications to its storm cost recovery, and tariff modifications to update standard construction costs. A procedural schedule was adopted with evidentiary hearings to be held the week of January 8, 2024. On October 17, 2023, JCP&L requested a suspension of the procedural schedule to enter into formal settlement discussions, which all parties agreed, and the administrative law judge granted the same day. On February 2, 2024, JCP&L, joined by various parties, filed a stipulated settlement with the NJBPU resolving JCP&L's request for a distribution base rate increase. The settlement, which provided for an \$85 million increase in annual base distribution revenues for JCP&L based on an ROE of 9.60%, was approved by the NJBPU on February 14, 2024. The increase took effect February 15, 2024, and will be effective for customers on June 1, 2024. Until those new rates become effective for customers, JCP&L would begin to amortize an existing regulatory liability totaling approximately \$18 million to offset the base rate increase that otherwise would have occurred in this period. Under the base rate case settlement agreement, JCP&L also agreed to a two-phase reliability improvement plan to enhance the reliability related to 18 high-priority circuits, the first phase of which began on February 14, 2024, and represents an approximate investment of \$95 million. JCP&L expects to amend its pending EnergizeNJ petition upon receipt of NJBPU approval of the base rate case settlement, to include the second phase of its reliability improvement plan that is expected to address any remaining high-priority circuits not addressed in the first phase. The settlement did not include the request to establish a regulatory asset (or liability) to recover (or refund) net differences between the amount of pension and OPEB expense requested in the proceeding and the actual annual amount each year using the delayed recognition method, however, JCP&L has the ability to pursue in a future separate proceeding.

JCP&L has implemented energy efficiency and peak demand reduction programs in accordance with the New Jersey Clean Energy Act as approved by the NJBPU in April 2021. The NJBPU approved plans include recovery of lost revenues resulting from the programs and a three-year plan (July 2021-June 2024) including total program costs of \$203 million, of which \$160 million of investment is recovered over a ten-year amortization period with a return as well as \$43 million in operations and maintenance expenses and financing costs recovered on an annual basis. On December 5, 2023, JCP&L filed a petition with the NJBPU for a six-month extension of EE&C Plan I, which was originally scheduled to end on June 30, 2024, but would end on December 31, 2024, with the extension. The proposed budget for the extension period would add approximately \$69 million to the original program cost. Under the proposal, JCP&L would recover the costs of the extension period and the revenue impact of sales losses resulting therefrom through two separate tariff riders. On December 1, 2023, JCP&L filed a related petition with the NJBPU requesting approval of its EE&C Plan II, which covers the January 1, 2025 through June 30, 2027 period and has a proposed budget of approximately \$964 million. EE&C Plan II consists of a portfolio of ten energy efficiency programs, one peak demand reduction program and one building decarbonization program. Under the proposal, JCP&L would recover its EE&C Plan II revenue requirements and lost revenues from reduced electricity sales associated with EE&C Plan II.

On March 6, 2023, the NJBPU issued final rules modifying its regulations to reflect its 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 100% of CTA savings to customers; and (iii) exclude transmission assets of EDCs in the savings calculation. The final rules of practice were applied by JCP&L in its most recent base rate case filing described above.

On October 28, 2020, the NJBPU approved a stipulated settlement between JCP&L and various parties, resolving JCP&L's request for distribution base rate increase. The settlement provided for 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. The settlement additionally provided that JCP&L would be subject to a management audit, which began in May 2021. On April 12, 2023, the NJBPU accepted the final management audit report for filing purposes and ordered that interested stakeholders file comments on the report by May 22, 2023, which deadline was extended until July 31, 2023. JCP&L filed its comments on July 31, 2023. The parties have filed responses.

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. No moratorium on residential disconnections remains in effect for investor-owned electric utilities such as JCP&L. Legislation was enacted on March 25, 2022, prohibiting utilities from disconnecting electric service to customers that have applied for utility bill assistance before June 15, 2022 until such time as the state agency administering the assistance program makes a decision on the application and further requiring that all utilities offer a deferred payment arrangement meeting certain minimum criteria after the state agency's decision on the application has been made. On July 17, 2023, JCP&L submitted a stand-alone filing to recover approximately \$31 million, through October 1, 2023, in incremental costs and interest incurred during the COVID-19 pandemic.

On September 17, 2021, in connection with Mid-Atlantic Offshore Development, LLC, a transmission company jointly owned by Shell New Energies US and EDF Renewables North America, JCP&L submitted a proposal to the NJBPU and PJM to build transmission infrastructure connecting offshore wind-generated electricity to the New Jersey power grid. On October 26, 2022, the JCP&L proposal was accepted, in part, in an order issued by NJBPU. The proposal, as accepted, included approximately \$723 million in investments for JCP&L to both build new and upgrade existing transmission infrastructure. JCP&L's proposal projects an investment ROE of 10.2% and includes the option for JCP&L to acquire up to a 20% equity stake in Mid-Atlantic

JERSEY CENTRAL POWER & LIGHT COMPANY NOTES TO FINANCIAL STATEMENTS (Continued)

Offshore Development, LLC. The resulting rates associated with the project are expected to be shared among the ratepayers of all New Jersey electric utilities. On April 17, 2023, JCP&L applied for the FERC “abandonment” transmission rates incentive, which would provide for recovery of 100% of the cancelled prudent project costs that are incurred after the incentive is approved, and 50% of the costs incurred prior to that date, in the event that some or all of the project is cancelled for reasons beyond JCP&L's control. FERC staff subsequently requested additional information on JCP&L's application, which JCP&L provided. On August 21, 2023, FERC approved JCP&L's application, effective August 22, 2023. On October 31, 2023, offshore wind developer, Orsted, announced plans to cease development of two offshore wind projects in New Jersey—Ocean Wind 1 and 2—having a combined planned capacity of 2,248 MW. At this time, Orsted's announcement does not affect JCP&L's awarded projects and JCP&L is moving forward with preconstruction activities for the planned transmission infrastructure. Construction is expected to begin in 2025.

Consistent with the commitments made in its proposal to the NJBPU, JCP&L formally submitted in November 2023 the first part of its application to the United States Department of Energy to finance a portion of the project using low-interest rate loans available under the United States Department of Energy's Energy Infrastructure Reinvestment Program of the IRA of 2022. JCP&L anticipates submitting the second part of its two-part application in the first quarter of 2024.

On November 9, 2023, JCP&L filed a petition for approval of its second EnergizeNJ with the NJBPU that would, among other things, support grid modernization, system resiliency and substation modernization in technologies designed to provide enhanced customer benefits. JCP&L proposes EnergizeNJ will be implemented over a five-year budget period with estimated costs of approximately \$935 million over the deployment period, of which, \$906 million is capital investments and \$29 million is operating and maintenance expenses. Under the proposal, the costs of EnergizeNJ would be recovered through JCP&L's base rates via annual and semi-annual base rate adjustment filings. Public hearings have been requested but are not yet scheduled. JCP&L has requested that the NJBPU issue a final decision and order no later than May 22, 2024, based on a June 1, 2024, commencement date for EnergizeNJ. JCP&L anticipates filing amendments to the EnergizeNJ program after receipt of approval from the NJBPU of the base rate case stipulation that was filed on February 2, 2024. On February 14, 2024, the NJBPU approved the stipulated settlement between JCP&L and various parties, resolving JCP&L's request for a distribution base rate increase. On February 27, 2024, as part of the stipulated settlement, the Company timely filed its amended EnergizeNJ program to align with modifications agreed to in the Stipulation. EnergizeNJ, as amended, if approved will result in the investment of approximately \$930.5 million of total estimated costs over five years.

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. Effective on January 1, 2020, JCP&L's rate orders in effect for transmission customer billings include an actual (13 month average) capital structure and an allowed 10.2% ROE.

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. The Utilities and AE Supply each have 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 in the case of the Utilities major wholesale purchases remain subject to review and regulation by the relevant state commissions.

Federally enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on the Utilities, AE Supply, and the Transmission Companies. 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 are located within the RFC region. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy 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 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 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 part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, or obligations to upgrade or build transmission facilities, that could have a material adverse effect on its financial condition, results of operations, and cash flows.

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FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations that FirstEnergy has accepted. The audit report included a finding and related recommendation on FirstEnergy's methodology for allocation of certain corporate support costs to regulatory capital accounts under certain FERC regulations and reporting. Effective in the first quarter of 2022 and in response to the finding, FirstEnergy had implemented a new methodology for the allocation of these corporate support costs to regulatory capital accounts for its regulated distribution and transmission companies on a prospective basis. With the assistance of an independent outside firm, FirstEnergy completed an analysis during the third quarter of 2022 of these costs and how it impacted certain FERC-jurisdictional wholesale transmission customer rates for the audit period of 2015 through 2021. As a result of this analysis, FirstEnergy recorded in the third quarter of 2022 approximately \$45 million (\$34 million after-tax) (\$8 million pre-tax at JCP&L) in expected customer refunds, plus interest, due to its wholesale transmission customers and reclassified approximately \$195 million (\$76 million at JCP&L) of certain transmission capital assets to operating expenses for the audit period, of which \$90 million (\$67 million after-tax) (\$63 million pre-tax at JCP&L) are not expected to be recoverable and impacted FirstEnergy's earnings since they relate to costs capitalized during stated transmission rate time periods. FirstEnergy is currently recovering approximately \$105 million (\$14 million at JCP&L) of costs reclassified to operating expenses in its transmission formula rate revenue requirements, of which \$13 million (none at JCP&L) of costs have been recovered as of December 31, 2023. On December 8, 2023, FERC audit staff issued a letter advising that two unresolved audit matters, primarily related to FirstEnergy's plan to recover the reclassified operating expenses in formula transmission rates, were being referred to other offices within FERC for further review. These reclassifications also resulted in a reduction to FirstEnergy's rate base by approximately \$160 million (\$56 million at JCP&L), which is not expected to materially impact FirstEnergy or JCP&L's future earnings. The expected wholesale transmission customer refunds were recognized as a reduction to revenue, and the amount of reclassified transmission capital assets that are not expected to be recoverable were recognized within "Other operating expenses" on FirstEnergy's and JCP&L's Consolidated Statements of Income. If FirstEnergy or JCP&L are unable to recover these transmission costs, it could result in future charges and/or adjustments and have an adverse impact on FirstEnergy's or JCP&L's financial condition.

Transmission ROE Methodology

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 the 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 could be affected by the supplemental proposed rule. FirstEnergy participated in comments on the supplemental rulemaking that were submitted by a group of PJM transmission owners and by various industry trade groups. If there were to be any changes to FirstEnergy's transmission incentive ROE, such changes will be applied on a prospective basis.

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

FE or its subsidiaries have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. 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 JCP&L's Balance Sheets as of December 31, 2023, based on estimates of the total costs of cleanup, JCP&L'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 through December 31, 2023, of which, approximately \$70 million are for environmental remediation of former MGP 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 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.

JERSEY CENTRAL POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In March 2023, a jury found Mr. Householder and his co-defendant, Matthew Borges, guilty and in June 2023, the two were sentenced to prison for 20 and 5 years, respectively. Messrs. Householder and Borges have appealed their sentences. Also, on July 21, 2020, and in connection with the DOJ's investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the Southern District 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, July 11, 2022, and May 25, 2023, the SEC issued additional subpoenas to FE, with which FE has complied. 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.

On June 29, 2023, the OOCIC served FE a subpoena, seeking information relating to the conduct described in the DPA. FirstEnergy was not aware of the OOCIC's investigation prior to receiving the subpoena and understands that the OOCIC's investigation is also focused on the conduct described in the DPA. FirstEnergy is cooperating with the OOCIC in its investigation. On February 12, 2024, and in connection with the OOCIC's ongoing investigation, an indictment by a grand jury of Summit County, Ohio was unsealed against the former chairman of the PUCO, Samuel Randazzo, and two former FirstEnergy senior officers, Charles E. Jones, and Michael J. Dowling, charging each of them with several felony counts, including bribery, telecommunications fraud, money laundering and aggravated theft, related to payments described in the DPA. No contingency has been reflected in FirstEnergy's consolidated financial statements, as a loss is neither probable, nor is a loss or range of loss reasonably estimable.

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* (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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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. On March 30, 2023, the court granted plaintiffs' motion for class certification. On April 14, 2023, FE filed a petition in the U.S. Court of Appeals for the Sixth Circuit seeking to appeal that order, which the Sixth Circuit granted on November 16, 2023. On November 30, 2023, FE filed a motion with the S.D. Ohio to stay all proceedings pending the circuit court appeal. All discovery is stayed during the pendency of the district court motion. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.

- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al. and Brighthouse Funds II – MFS Value Portfolio, et al. v. FirstEnergy Corp., et al.* (S.D. Ohio) on December 17, 2021 and February 21, 2022, purported stockholders of FE filed complaints against FE, certain current and former officers, and certain current and former officers of EH. The complaints allege that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seek the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. All discovery is stayed during the pendency of the district court motion in *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur losses in connection with the resolution of these lawsuits. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *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, each alleging civil violations of the Ohio Corrupt Activity Act and related claims 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 (Conservation Support Rider) 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. On August 13, 2021, new defendants were added to the complaint, including two former officers of FirstEnergy. On December 2, 2021, the cities and FE entered a stipulated dismissal with prejudice of the cities' suit. After a stay, pending final resolution of the United States v. Larry Householder, et al. criminal proceeding described above, the litigation has resumed pursuant to an order, dated March 15, 2023. Discovery is ongoing. On July 31, 2023, FE and other defendants filed motions to dismiss in part the OAG's section amended complaint, which the OAG opposed. On February 16, 2024, the OAG moved to stay the case in its entirety in light of the February 9, 2024, indictments against defendants in this action.

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, Ohio, 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 current and former FE directors and officers, alleging, among other things, breaches of fiduciary duty.
- *Miller v. Anderson, et al.* (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.* (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.

On March 11, 2022, the parties executed a stipulation and agreement of settlement, and filed a motion the same day requesting preliminary settlement approval in the S.D. Ohio, which the S.D. Ohio granted on May 9, 2022. Subsequently, following a hearing on August 4, 2022, the S.D. Ohio granted final approval of the settlement on August 23, 2022.

The settlement includes a series of corporate governance enhancements and a payment to FE of \$180 million, to be paid by insurance after the judgment has become final, less approximately \$36 million in court-ordered attorney's fees awarded to plaintiffs. On September 20, 2022, a purported FE stockholder filed a motion for reconsideration of the S.D. Ohio's final settlement approval. The parties filed oppositions to that motion on October 11, 2022, and the S.D. Ohio denied that motion on May 22, 2023. On June 15, 2023, the purported FE stockholder filed an appeal in the U.S. Court of Appeals for the Sixth Circuit. On February 16, 2024, the U.S. Court of Appeals for the Sixth Circuit affirmed the district court's final settlement approval. Once all appeal options are exhausted the judgement will become final. The settlement agreement is expected to resolve fully these shareholder derivative lawsuits.

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On June 2, 2022, the N.D. Ohio entered an order to show cause why the court should not appoint new plaintiffs' counsel, and thereafter, on June 10, 2022, the parties filed a joint motion to dismiss the matter without prejudice, which the N.D. Ohio denied on July 5, 2022. On August 15, 2022, the N.D. Ohio issued an order stating its intention to appoint one group of applicants as new plaintiffs' counsel, and on August 22, 2022, the N.D. Ohio ordered that any objections to the appointment be submitted by August 26, 2022. The parties filed their objections by that deadline, and on September 2, 2022, the applicants responded to those objections. In the meantime, on August 25, 2022, a purported FE stockholder represented by the applicants filed a motion to intervene, attaching a proposed complaint-in-intervention purporting to assert claims that the FE Board and officers breached their fiduciary duties and committed violations of Section 14(a) of the Exchange Act as well as a claim against a third party for professional negligence and malpractice. The parties filed oppositions to that motion to intervene on September 8, 2022, and the proposed intervenor's reply in support of his motion to intervene was filed on September 22, 2022. On August 24, 2022, the parties filed a joint motion to dismiss the action pending in the N.D. Ohio based upon and in light of the approval of the settlement by the S.D. Ohio. On August 30, 2022, the parties filed a joint motion to dismiss the state court action, which the court granted on September 2, 2022. On September 29, 2023, the N.D. Ohio issued a stay of the case pending the appeal in the U.S. Court of Appeals for the Sixth Circuit.

In letters dated January 26, and February 22, 2021, staff of FERC's Division of Investigations notified FirstEnergy that the Division was 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. On December 30, 2022, FERC approved a Stipulation and Consent Agreement that resolves the investigation. The agreement includes a FirstEnergy admission of violating FERC's "duty of candor" rule and related laws, and obligates FirstEnergy to pay a civil penalty of \$3.86 million, and to submit two annual compliance monitoring reports to FERC's Office of Enforcement regarding improvements to FirstEnergy's compliance programs. FE paid the civil penalty on January 4, 2023 and it will not be recovered from customers. The first annual compliance monitoring report was submitted in December 2023.

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

Other Legal Matters

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

FirstEnergy 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 FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that FE 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 FE's or its subsidiaries' financial condition, results of operations, and cash flows.

12. TRANSACTIONS WITH AFFILIATED COMPANIES

JCP&L's revenues, 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.

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The primary affiliated company transactions for JCP&L during the years ended December 31, 2023 and 2022 are as follows:

	For the Years Ended December 31,	
	2023	2022
	<i>(In millions)</i>	
Revenues	\$ 1	\$ 1
Expenses:		
Support services	194	166
Miscellaneous Income	6	7
Interest expense	14	1

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

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.

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 is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. Prior to tax returns for years before 2022, net tax benefits attributable to FE, excluding any tax benefits derived from certain interest expense, were generally reallocated to the subsidiaries of FE that have taxable income. Effective January 1, 2022, the intercompany income tax allocation agreement was amended and revised such that FE no longer reallocates such tax benefits to the FE subsidiaries. See Note 4, "Taxes" for additional information.