MONONGAHELA POWER COMPANY AND SUBSIDIARIES

AUDITED CONSOLIDATED 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 Monongahela Power 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
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
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
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 Region	The territory that PJM coordinates the movement of electricity through, including all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
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	Reliability*First* 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 Monongahela Power Company

Opinion

We have audited the accompanying consolidated financial statements of Monongahela Power Company and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, of common stockholder’s equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 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 Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 8, 2024

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In millions)	For the Years Ended December 31, 2023	2022
REVENUES:		
Electric sales	$ 1,564	$ 1,689
Excise and gross receipts tax collections	8	8
Total revenues	1,572	1,697
OPERATING EXPENSES:		
Fuel	537	729
Purchased power	173	281
Other operating expenses	414	457
Provision for depreciation	167	160
Amortization (deferral) of regulatory assets, net	38	(168)
General taxes	56	56
Total operating expenses	1,385	1,515
OPERATING INCOME	187	182
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	18	25
Pension and OPEB mark-to-market adjustment	(14)	(8)
Interest expense	(94)	(85)
Capitalized financing costs	10	6
Total other expense	(80)	(62)
INCOME BEFORE INCOME TAXES (BENEFITS)	107	120
INCOME TAXES (BENEFITS)	(9)	31
NET INCOME	$ 116	$ 89

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

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 21	$ 20
Restricted cash	19	20
Receivables -		
Customers	141	131
Less — Allowance for uncollectible customer receivables	2	9
	139	122
Affiliated companies	26	66
Other	14	13
Notes receivable from affiliated companies	177	—
Materials and supplies, at average cost	196	187
Prepaid taxes and other	43	48
	635	476
PROPERTY, PLANT AND EQUIPMENT:		
In service	5,449	5,263
Less — Accumulated provision for depreciation	942	886
	4,507	4,377
Construction work in progress	230	160
	4,737	4,537
DEFERRED CHARGES AND OTHER ASSETS:		
Intangible assets	58	63
Other	56	64
	114	127
TOTAL ASSETS	$ 5,486	$ 5,140
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 423	$ 22
Short-term borrowings - affiliated companies	1	43
Accounts payable -		
Affiliated companies	7	42
Other	85	118
Accrued taxes	38	33
Accrued interest	19	12
Other	58	91
	631	361
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	1,838	1,867
Accumulated deferred income taxes, net	614	621
Regulatory liabilities	410	387
Retirement benefits	5	5
Asset retirement obligations	84	73
Purchased power liability	45	51
Other	169	164
	3,165	3,168
TOTAL LIABILITIES	3,796	3,529
EQUITY:		
Common stockholder's equity-		
Common stock, $50 par value, 7,000,000 shares authorized and 5,891,000 shares outstanding	295	295
Other paid-in capital	1,067	1,064
Retained earnings	328	252
TOTAL EQUITY	1,690	1,611
COMMITMENTS AND CONTINGENCIES (Note 13)		
TOTAL LIABILITIES AND EQUITY	$ 5,486	$ 5,140

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

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(In millions, except share amounts)	Common Stock: Number of Shares	Common Stock: Carrying Value	Other Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance, January 1, 2022	5,891,000	$ 295	$ 908	$ 163	$ 1,366
Net income				89	89
Stock-based compensation			5		5
Consolidated tax benefit allocation			1		1
Equity contribution from parent			150		150
Balance, December 31, 2022	5,891,000	$ 295	$ 1,064	$ 252	$ 1,611
Net income				116	116
Stock-based compensation			3		3
Common stock dividend declared				(40)	(40)
Balance, December 31, 2023	5,891,000	$ 295	$ 1,067	$ 328	$ 1,690

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

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	For the Years Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 116	$ 89
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation, amortization and impairments	205	(9)
Deferred income taxes and investment tax credits, net	(21)	60
Transmission revenue collections, net	11	20
Employee benefit costs, net	(7)	(19)
Pension and OPEB mark-to-market adjustment	14	8
Change in current assets and liabilities-		
Receivables	22	(45)
Materials and supplies	(9)	(113)
Prepaid taxes and other current assets	2	(5)
Accounts payable	(68)	70
Accrued taxes	5	3
Accrued interest	7	(1)
Other current liabilities	(36)	37
Employee benefit plan funding and related payments	(1)	(1)
Other	1	15
Net cash provided from operating activities	241	109
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital investments	(335)	(317)
Loans to affiliated companies, net	(177)	—
Asset removal costs	(20)	(18)
Other	(1)	3
Net cash used for investing activities	(533)	(332)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	400	—
Short-term borrowings - affiliated companies, net	—	—
Redemptions and repayments-		
Long-term debt	(22)	(21)
Short-term borrowings - affiliated companies, net	(42)	—
Equity contribution from parent	—	150
Common stock dividend payments	(40)	—
Other	(4)	—
Net cash provided from financing activities	292	129
Net change in cash, cash equivalents, and restricted cash	—	(94)
Cash, cash equivalents, and restricted cash at beginning of period	40	134
Cash, cash equivalents, and restricted cash at end of period	$ 40	$ 40
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) during the year:		
Interest (net of amounts capitalized)	$ 83	$ 85
Income taxes, net of refunds	$ (1)	$ (33)
Significant non-cash transactions:		
Accrued capital investments	$ 18	$ 23

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

MONONGAHELA POWER COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

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

MP, together with its consolidated subsidiaries, is a wholly owned subsidiary of FE and is incorporated in Ohio. MP owns property and does business as an electric public utility in West Virginia, providing distribution services to approximately 0.4 million customers, as well as generation and transmission services in northern West Virginia, with a combined rate base of $3.1 billion. MP has 1,004 employees and serves an area with a population of approximately 0.8 million. MP is contractually obligated to provide power to PE to meet its load obligations in West Virginia. MP owns or contractually controls 3,580 MWs of generation capacity that is supplied to its electric utility business, including a 16.25% undivided interest in the Bath County pumped-storage hydroelectric generation facility in Virginia (487 MWs) through its wholly owned subsidiary AGC. MP plans, operates, and maintains its transmission system in accordance with NERC reliability standards, and other applicable regulatory requirements. In addition, MP complies with the regulations, orders, policies and practices prescribed by FERC and the WVPSC.

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. MP has evaluated events and transactions for potential recognition or disclosure through March 8, 2024, the date the 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.

DERIVATIVES

MP is exposed to financial risks resulting from fluctuating interest rates and commodity prices, including prices for electricity, coal and energy transmission. To manage the volatility related to these exposures, FirstEnergy’s Risk Policy Committee, comprised of senior management, provides general management oversight for risk management activities throughout FirstEnergy, including MP. The Risk Policy Committee is responsible for promoting the effective design and implementation of sound risk management programs and oversees compliance with corporate risk management policies and established risk management practice.

MP accounts for derivative instruments on its Consolidated Balance Sheets at fair value unless they meet the normal purchases and normal sales criteria. Derivative instruments meeting the normal purchases and normal sales criteria are accounted for under the accrual method of accounting with their effects included in earnings at the time of contract performance.

INVENTORY

Materials and supplies inventory includes emission allowances of $18 million, fuel inventory of $145 million and the distribution, transmission and generation plant materials of $33 million. Materials charged to inventory are at weighted average cost when purchased and expensed or capitalized, as appropriate, when used or installed. Fuel inventory is accounted for at weighted average cost when purchased and recorded to fuel expense when consumed.

Emission allowances are accounted for as inventory at cost when purchased. FirstEnergy's emission allowance compliance obligation, principally associated with MP's generation plant operations, is accrued to fuel expense at a weighted average cost based on each month's emissions. When emission allowances are submitted to the EPA, inventory and the compliance obligation are reduced. Due to the ENEC, fuel, emission allowances and other fuel-related expenses have no material impact on current period earnings.

MP currently has coal contracts with various terms to purchase approximately 6.1 million tons of coal for the year 2024, which, along with its 2023 year-end inventory levels, accounts for all of its forecasted 2024 coal requirements. MP has the ability to acquire additional tonnage through options available in its current contracts, as well as purchases through the spot market. The contracts expire at various times through 2025. This contracted coal is produced primarily from mines located in Pennsylvania, Illinois and West Virginia. In order to meet emission requirements, MP holds contracts for a variety of reagents expiring at various times through 2026, as well as the ability to purchase additional reagents through the spot market. Additionally, MP is granted emission allowances by the EPA and purchases additional allowances as needed to meet emission requirements.

ACCOUNTING FOR THE EFFECTS OF REGULATION

MP is subject to regulation that sets the prices (rates) that MP 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.

MP 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, MP 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, MP will write off that regulatory asset as a charge against earnings. MP 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 MP's Consolidated Balance Sheets. See Note 12, "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

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

	As of December 31,		
Net Regulatory Assets (Liabilities) by Source	**2023**	**2022**	**Change**
		(In millions)	
Asset removal costs	$ (222)	$ (221)	$ (1)
Customer payables for future income taxes	(306)	(317)	11
Energy contract fair value	(58)	(63)	5
Deferred transmission costs	(26)	(13)	(13)
Deferred generation costs	120	167	(47)
Storm-related costs	29	27	2
Vegetation management costs	69	37	32
Other	(16)	(4)	(12)
Net Regulatory Liabilities included on the Consolidated Balance Sheets	$ (410)	$ (387)	$ (23)

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.

Energy contract fair value - Reflects the purchase accounting adjustment for certain contracts recorded during the merger of FirstEnergy and Allegheny Energy which is amortized over the life of the respective contract.

Deferred transmission costs - Reflects differences between revenues earned based on actual costs for MP'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 generation costs - Relates to the ENEC at MP. MP recovers net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. Generally, the ENEC rate is updated annually.

Storm-related costs - Relates to the recovery of storm costs, none of which is currently being recovered through rates.

Vegetation management costs - Relates to regulatory assets associated with the recovery of certain distribution vegetation management costs in West Virginia.

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 $70 million and $222 million, respectively, are currently being recovered through rates over varying periods 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
		(In millions)	
Storm-related costs	$ 39	$ 36	$ 3
Deferred transmission costs	2	3	(1)
Deferred generation costs	59	182	(123)
Vegetation management costs	10	37	(27)
Other	3	9	(6)
Regulatory Assets Not Earning a Current Return	$ 113	$ 267	$ (154)

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.

MP provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. Depreciation expense was approximately 2.4% of average depreciable property in both 2023 and 2022.

Capitalized financing costs on MP's Consolidated Statement of Income include $4 million of allowance for equity funds used during construction and $6 million of capitalized interest for both the years ended December 31, 2023. Capitalized financing costs on MP's Consolidated Statement of Income include $4 million of allowance for equity funds used during construction and $2 million of capitalized interest for both the years ended December 31, 2022.

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.

As of December 31, 2023, MP controlled approximately 3,580 MWs of generation capacity as shown in the following table:

Plant	Type	Net Maximum (MWs)	Net Generation (Thousand MWhs)[2]
Harrison (Haywood, WV)	Coal	1,984	11,193
Fort Martin (Maidsville, WV)	Coal	1,098	4,368
OVEC (Cheshire, OH) (Madison, IN)[1]	Coal	11	47
Bath Power (Warm Springs, VA)	Pumped Storage Hydro	487	656
		3,580	16,264

(1) Represents MP's 0.49% entitlement based on its participation in OVEC.
(2) Each plant is net of station use, except for Bath County, which is shown gross of pumping usage.

JOINTLY-OWNED PLANTS

As noted above, AGC owns an undivided 16.25% interest (487 MWs) in a 3,003 MW pumped storage, hydroelectric station in Bath County, Virginia, operated by the 60% owner, VEPCO, a non-affiliated utility. Net Property, plant and equipment includes $145 million, representing AGC's share in this facility as of December 31, 2023. AGC is obligated to pay its share of the costs of this jointly-owned facility in the same proportion as its ownership interest using its own financing. AGC provides the generation capacity from this facility to its owner, MP.

RECEIVABLES

MP's principal business is providing electric service to customers in West Virginia. MP'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 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, MP accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Unbilled customer receivables were $76 million and $77 million for the years ended December 31, 2023 and 2022, respectively.

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, MP recognized a $6 million decrease to its allowance during 2023, of which $6 million was applied to existing deferred regulatory assets.

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

(In millions)	2023	2022
Customer Receivables:		
Beginning of year balance	$ 9	$ 12
Charged to income[1]	(3)	1
Charged to other accounts[2]	1	5
Write-offs	(5)	(9)
End of year balance	$ 2	$ 9

(1) Customer receivable amounts charged to income include approximately $6 million and $3 million, respectively, deferred for future refund for the year ended December 31, 2023 and 2022.
(2) Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

UNEARNED REVENUE

In April 2007 and December 2009, MP Environmental Funding LLC, an indirect subsidiary of MP, and PE Environmental Funding LLC, an indirect subsidiary of PE, issued environmental control bonds. These bonds securitize the right to collect an environmental control surcharge that MP and PE impose on their retail customers in West Virginia. PE contributed its net bond proceeds from its issuances of these bonds to MP as a prepayment for power, with MP recording the receipt of the proceeds as unearned revenue. The carrying amounts of unearned revenue included in “Purchased power liability" on MP's Consolidated Balance Sheets as of December 31, 2023 and 2022, were $45 million and $51 million, respectively. This unearned revenue is recognized to the same extent that MP depreciates the portion of the scrubber fixed assets financed by PE's bonds.

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.

2. REVENUE

MP 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. MP 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 MP are not subject to the election and are included in revenue. MP 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.

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

MP earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. MP 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 12, "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 generation sales in West Virginia that are regulated by the WVPSC. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

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

MP provides transmission infrastructure owned and operated by MP to transmit electricity from generation sources to distribution facilities. 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 rate base and actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

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

	For the Years Ended December 31,	
Revenues by Type of Service	**2023**	**2022**
Distribution services and retail generation		
Residential	$ 418	$ 407
Commercial	289	257
Industrial	393	347
Street lighting/other	4	4
Wholesale sales	196	379
Transmission	46	43
Other	5	4
Total revenues from contracts with customers	$ 1,351	$ 1,441
Other revenue unrelated to contracts with customers	221	256
Total revenues	$ 1,572	$ 1,697

Other revenue unrelated to contracts with customers includes revenue from derivatives of $22 million and $15 million as well as $192 million and $234 million lease revenue from PE associated with an agreement to provide power required for default service requirements for the years ended December 31, 2023 and 2022, respectively.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides noncontributory qualified defined benefit pension plans that cover substantially all of its employees and non-qualified pension plans that cover certain employees, including employees of MP. 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. MP 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. MP 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:

	Pension		OPEB	
For The Years Ended	**2023**	**2022**	**2023**	**2022**
		(In millions)		
FirstEnergy benefit obligation	$ 8,363	$ 8,828	$ 441	$ 439
FirstEnergy fair value of plan assets	6,879	6,693	516	460
FirstEnergy funded status	$ (1,484)	$ (2,135)	$ 75	$ 21
FirstEnergy accumulated benefit obligation	$ 7,324	$ 8,500	$ —	$ —
FirstEnergy net periodic costs (credit)(1)	$ 128	$ (296)	$ (38)	$ (10)
MP's share of FirstEnergy funded status(2)(3)	$ (2)	$ (1)	$ 5	$ 2
MP's share of net periodic costs (credit)(1)	$ 17	$ (10)	$ (2)	$ (2)

(1) Includes pension and OPEB mark-to-market adjustment, amounts capitalized and special terminations benefits associated with PEER.
(2) Excludes $89 million and $73 million as of December 31, 2023 and 2022, respectively, of affiliated noncurrent liabilities related to pension and OPEB mark-to-market costs allocated to MP.
(3) Includes a $7 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. MP's pension and OPEB mark-to-market adjustment losses for the years ended December 31, 2023 and 2022, were $(14) million and $(8) 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.

	Pension		OPEB	
Actuarial Assumptions	**2023**	**2022**	**2023**	**2022**
Assumptions Related to Benefit Obligations:				
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
Assumptions Related to Benefit Costs:(1)(2)				
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
Assumed Health Care Cost Trend Rates:				
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 7.00% for OPEB	7.50 %

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 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

MP 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, MP files as a member of the FirstEnergy consolidated group. MP 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 $3 million related to MP'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.

During the second quarter of 2023, MP recognized an out of period correction of approximately $9 million as a benefit to income tax expense associated with the reversal of a valuation allowance on state NOL carryforwards that are expected to be utilized. The correction related to 2022 and was not material to any of the periods impacted.

During the third quarter of 2023, MP recognized a tax benefit of approximately $20 million from a partial release of a valuation allowance for the expected utilization of state NOL carryforwards based on an assessment of FirstEnergy's regulated business operations and a change in the composition of a state tax return filing group.

	For the Years Ended December 31,	
INCOME TAXES (BENEFITS):	**2023**	**2022**
	(In millions)	
Currently payable (receivable) -		
Federal	$ 7	$ (22)
State	5	(7)
	12	(29)
Deferred, net -		
Federal	16	44
State	(36)	17
	(20)	61
Investment tax credit amortization	(1)	(1)
Total income taxes (benefits)	$ (9)	$ 31

MP'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:

	For the Years Ended December 31,	
(In millions)	**2023**	**2022**
Book income before income taxes (benefits)	$ 107	$ 120
Federal income tax expense at statutory rate (21%)	$ 22	$ 25
Increases (reductions) in taxes resulting from -		
State income tax, net of federal income tax benefit	5	5
State valuation allowance	(29)	1
Excess deferred tax amortization due to the Tax Act	(4)	(5)
Amortization of investment tax credits	(1)	(1)
Other, net	(2)	6
Total income taxes (benefits)	$ (9)	$ 31
Effective income tax rate	(8.4)%	25.8 %

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

	As of December 31,	
(In millions	**2023**	**2022**
Property basis differences	$ 677	$ 638
Regulatory asset/liability	27	36
Purchase accounting adjustments	19	20
Postretirement benefits	(24)	(21)
Loss and credit carryforwards	(128)	(131)
Valuation allowances	31	60
Other	12	19
Accumulated deferred income tax liabilities, net	$ 614	$ 621

MP records 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, MP's loss carryforwards primarily consisted of $307 million ($64 million, net of tax) of federal NOL carryforwards that will begin to expire in 2031 and $1,181 million ($61 million, net of tax) of state NOL carryforwards, of which approximately $584 million ($30 million, net of tax) is expected to be utilized based on current estimates and assumptions prior to expiration, which will begin in 2029. In addition, MP’s tax credit carryforwards primarily consisted of AMT credits of $3 million, which have no expiration.

MP accounts for uncertainty in income taxes recognized in its financial statements. Accounting guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. As of December 31, 2023 and 2022, MP’s total unrecognized income tax benefits were immaterial. As of December 31, 2023, MP does not anticipate any of the unrecognized income tax benefits will be resolved during 2024.

MP 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 2023 and 2022, MP did not record any interest related to uncertain tax positions, nor does MP have a cumulative net interest payable recorded on its Consolidated Balance Sheets.

MP has tax returns under review by state taxing authorities at the audit or appeals level for tax years 2020-2022.

General Taxes

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

(In millions)	**2023**	**2022**
Gross receipts	$ 8	$ 8
Real and personal property	27	26
Business and occupation	12	13
Social security and unemployment	9	9
Total general taxes	$ 56	$ 56

5. LEASES

MP primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancelable and noncancellable leases.

MP also has an agreement to provide power to PE for its default service requirements. Lease revenue is based upon cost and as such is variable in nature. Revenue associated with this agreement was $192 million and $234 million in 2023 and 2022, respectively.

MP 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 MP'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. MP 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 MP'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:

	For the Years Ended December 31,	
(In millions)	2023	2022
Operating lease costs[1]	$ 7	$ 6
Finance lease costs:		
Amortization of right-of-use assets	—	—
Total finance lease cost	—	—
Total lease cost	$ 7	$ 6

[1] Includes $2 million and $1 million of short-term lease costs for the years ended December 31, 2023 and 2022, respectively.

Supplemental balance sheet information related to leases was as follows:

		As of December 31,	
(In millions)	Financial Statement Line Item	2023	2022
Assets			
Operating lease assets[1]	Deferred charges and other assets	$ 19	$ 21
Liabilities			
Current:			
Operating	Other current liabilities	$ 5	$ 4
Noncurrent:			
Operating	Other noncurrent liabilities	12	16
Total leased liabilities		$ 17	$ 20

[1] Operating lease assets are recorded net of accumulated amortization of $15 million and $12 million as of December 31, 2023 and 2022, respectively.

Lease terms and discount rates were as follows:

	As of December 31,	
	2023	2022
Weighted-average remaining lease terms (years)		
Operating leases	4.8	5.4
Finance leases	0.0	1.0
Weighted-average discount rate[1]		
Operating leases	3.50 %	3.26 %
Finance leases	— %	3.67 %

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

Supplemental cash flow information related to leases was as follows:

	For the Years Ended December 31,	
(In millions)	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5	$ 5
Operating cash flows from finance leases	—	—
Finance cash flows from finance leases	—	—
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 2	$ 2
Finance leases	—	—

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

(In millions)	Operating Leases
2024	$ 5
2025	4
2026	3
2027	3
2028	2
Thereafter	2
Total lease payments	19
Less imputed interest	2
Total net present value	$ 17

As of December 31, 2023, additional operating leases agreements, primarily for vehicles, that have not yet commenced are $4 million. These leases are expected to commence in the next 18 months with lease terms of 5 to 8 years.

6. INTANGIBLE ASSETS

As of December 31, 2023, intangible assets classified in Deferred Charges and Other Assets on MP's Consolidated Balance Sheets, include the following:

	Intangible Assets			Amortization expense						
				Actual	Estimated					
(In millions)	Gross	Accumulated Amortization	Net	2023	2024	2025	2026	2027	2028	Thereafter
NUG contracts[1]	$ 124	$ 66	$ 58	$ 5	$ 5	$ 5	$ 5	$ 5	$ 5	$ 33

[1] NUG Contracts are subject to regulatory accounting and their amortization does not impact earnings.

7. FAIR VALUE MEASUREMENTS

CASH AND CASH EQUIVALENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets at cost, which approximates their fair market value.

RECURRING 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 markets

Level 2 - Quoted prices for similar instruments in active markets
- 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 are used to measure fair value. A more detailed description of MP's valuation process for FTRs follows:

FTRs are financial instruments that entitle the holder to a stream of revenues (or charges) based on the hourly day-ahead congestion price differences across transmission paths. FTRs are acquired by MP in the annual, monthly and long-term RTO auctions and are initially recorded using the auction clearing price less cost. After initial recognition, FTRs' carrying values are periodically adjusted to fair value using a mark-to-model methodology, which approximates market. The primary inputs into the model, which are generally less observable than objective sources, are the most recent RTO auction clearing prices and the FTRs' remaining hours. The model calculates the fair value by multiplying the most recent auction clearing price by the remaining FTR hours less the prorated FTR cost. Significant increases or decreases in inputs in isolation may have resulted in a higher or lower fair value measurement.

MP primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, MP 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.

MP records the fair value of derivative instruments on a gross basis. FTR derivative assets and liabilities as of December 31, 2022 were $11 and $2, respectively. FTR derivative assets and liabilities as of December 31, 2023 were $4 and $1, respectively.

There were no transfers between levels during the year ended December 31, 2023. The following tables provide a reconciliation of changes in the fair value of FTRs held by MP and classified as Level 3 in the fair value hierarchy during the periods ended December 31, 2023 and December 31, 2022. MP has no level 1 or 2 assets or liabilities that are measured at fair value on the balance sheet.

(In millions)	Net Derivative Asset (Liability) FTRs
Balance, January 1, 2022	$ 8
Total unrealized gains included in net regulatory assets	6
Purchases	8
Settlements	(13)
Balance, December 31, 2022	$ 9
Total unrealized losses included in net regulatory assets	(4)
Purchases	5
Settlements	(7)
Balance, December 31, 2023	$ 3

Level 3 Quantitative Information

The following table provides quantitative information for FTRs contracts that are classified as Level 3 in the fair value hierarchy for the year ended December 31, 2023:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$ 3	Model	RTO auction clearing prices	$0.80 to $5.40	$1.80	Dollars/MWh

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 Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, MP 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, net unamortized debt issuance costs, unamortized fair value adjustments and discounts:

	December 31, 2023		December 31, 2022	
(In millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 2,263	$ 2,233	$ 1,885	$ 1,815

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 MP. MP classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2023 and December 31, 2022.

8. VARIABLE INTEREST ENTITY

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

Consolidated VIEs

VIEs in which MP is the primary beneficiary included in MP's consolidated financial statements consist of MP Environmental Funding Company. The consolidated financial statements of MP include environmental control bonds issued by a bankruptcy remote, special purpose limited liability company that is an indirect subsidiary of MP. Proceeds from the bonds were used to construct environmental control facilities. The special purpose limited liability company owns the irrevocable right to collect non-bypassable environmental control charges from all customers who receive electric delivery service in MP's West Virginia service territories. Principal and interest owed on the environmental control bonds is secured by, and payable solely from, the proceeds of the environmental control charges. Creditors of MP, other than the special purpose limited liability company, have no recourse to any assets or revenues of the special purpose limited liability company. The cash collected from MP's customers is used to service debt of the funding company and is reflected as restricted cash on the Consolidated Balance Sheets. As of December 31, 2023 and December 31, 2022, $163 million and $185 million of environmental control bonds were outstanding, respectively.

Unconsolidated VIEs

MP does not have any unconsolidated VIEs.

NUGs

As of December 31, 2023, MP maintains two long-term PPAs with NUG entities that were entered into pursuant to the Public Utility Regulatory Policies Act of 1978. MP was not involved in the creation of, and has no equity or debt invested in, either of these entities. MP has determined that it does not have a variable interest in either of these entities.

9. CAPITALIZATION

PREFERRED STOCK

MP is authorized to issue 940,000 shares of preferred stock, $100 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 MP as of December 31, 2023 and 2022:

	As of December 31, 2023		As of December 31,	
	Maturity Date	Interest Rate	2023	2022
			(In millions)	
FMBs	2024 - 2049	3.230% - 5.850%	$ 2,050	$ 1,650
Secured notes - fixed rate	2026 - 2031	5.127% - 5.523%	163	185
Unsecured note - affiliated company	2029	4.470%	50	50
Unamortized fair value adjustments			3	3
Unamortized debt premiums/discounts			7	11
Unamortized debt issuance costs			(12)	(10)
Currently payable long-term debt			(423)	(22)
Total long-term debt and other long-term obligations			$ 1,838	$ 1,867

MP had the following issuance during the twelve months ended December 31, 2023.

Company	Type	Issuance Date	Interest Rate	Maturity	Amount (in Millions)	Description
					Issuances	
MP	FMBs	September, 2023	5.85%	2034	$400	Proceeds are to be used for repaying short-term and long-term debt, including MP's $400 million 4.1% FMBs due April 15, 2024, to finance capital expenditures and for other general corporate purposes.

The following table presents scheduled debt repayments for outstanding long-term debt, excluding finance leases, fair value purchase accounting adjustments and unamortized debt discounts and premiums, for the next five years as of December 31, 2023.

(In millions)	2024	2025	2026	2027	2028
Scheduled debt repayments	$423	$24	$25	$477	$26

Environmental Control Bonds

The consolidated financial statements of MP include environmental control bonds issued by a bankruptcy remote, special purpose limited liability company that is an indirect subsidiary of MP. Proceeds from the bonds were used to construct environmental control facilities. Principal and interest owed on the environmental control bonds is secured by, and payable solely from, the proceeds of the environmental control charges. As of December 31, 2023 and 2022, $163 million and $185 million of environmental control bonds were outstanding, respectively.

See Note 8, "Variable Interest Entity" for additional information on securitized bonds.

FMBs

MP has a first mortgage indenture under which it can issue FMBs secured by a direct first mortgage lien on substantially all of its property and franchises, other than specifically excepted property.

Debt Covenant Default Provisions

MP 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 MP 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 MP's financial condition.

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

As of December 31, 2023, MP was in compliance with all debt covenant default provisions.

10. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

MP had $1 million and $43 million of outstanding short-term borrowings as of December 31, 2023 and 2022, respectively.

Revolving Credit Facilities

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 credit facility, MP may borrow up to $250 million, all of which was available to MP 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, MP had a debt-to-total-capitalization ratio of 55.4% which was in compliance with the applicable covenants under their respective 2021 Credit Facility and 2023 Credit Facility.

FirstEnergy Money Pool

FE’s utility operating subsidiary companies, including MP, 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.

11. ASSET RETIREMENT OBLIGATIONS

MP has recognized applicable legal obligations for AROs and the associated cost primarily for reclamation of sludge disposal ponds and closure of coal ash disposal sites. In addition, MP has recognized conditional AROs, primarily for asbestos remediation.

MP 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 MP'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. MP 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 MP's ARO balances during 2023 and 2022:

ARO Reconciliation	***(In millions)***
Balance, January 1, 2022	$ 65
Accretion	8
Balance, December 31, 2022	73
Accretion	11
Balance, December 31, 2023	$ 84

12. REGULATORY MATTERS

STATE REGULATION

MP provides electric service to all customers through traditional cost-based, regulated utility ratemaking. MP's retail rates, conditions of service, issuance of securities and other matters are subject to regulation in West Virginia by the WVPSC. The key terms of MP's current rate orders for distribution customer billings, which have been effective since February 2015, include an allowed debt/equity ratio of 54%/46% (The WVPSC-approved settlement agreement for such rates did not disclose ROE).

WEST VIRGINIA

MP and PE provide electric service to all customers through traditional cost-based, regulated utility ratemaking and operate under WVPSC-approved rates that became effective in February 2015. MP and PE recover net power supply costs, including fuel costs, purchased power costs and related expenses, net of related market sales revenue through the ENEC. MP's and PE's ENEC rate is updated annually.

On August 25, 2022, MP and PE filed with the WVPSC their annual ENEC case requesting an increase in ENEC rates of $183.8 million beginning January 1, 2023, which represents a 12.2% increase to the rates then in effect. The increase was driven by an under recovery during the review period (July 1, 2021, to June 30, 2022) of approximately $145 million due to higher coal, reagent, and emission allowance expenses. This filing additionally addresses, among other things, the WVPSC's May 2022 request for a prudence review of current rates. At a hearing on December 8, 2022, the parties in the case presented a unanimous settlement to increase rates by approximately $92 million, effective January 1, 2023, and carry over to MP and PE's 2023 ENEC case, approximately $92 million at a carrying charge of 4%. In an order dated December 30, 2022, the WVPSC approved the settlement with respect to the proposed rate increase, but MP and PE rates remain subject to a prudence review in their 2023 ENEC case. The order also instructed MP to evaluate the feasibility of purchasing the 1,300 MW Pleasants Power Station and file a summary of the evaluation, which MP and PE filed on March 31, 2023. MP and PE provided the WVPSC with regular status reports throughout the second quarter of 2023 regarding the process of their evaluation. Subsequently, the owner of Pleasants entered into an agreement to sell Pleasants to an indirect wholly owned subsidiary of Omnis Global Technologies, LLC, which transaction closed on August 1, 2023. As a result, MP and PE ceased consideration of the possible purchase of Pleasants and on August 30, 2023, the WVPSC closed the proceeding.

On August 31, 2023, MP and PE filed with the WVPSC their annual ENEC case requesting an increase in ENEC rates of $167.5 million beginning January 1, 2024, which represents a 9.9% increase in overall rates. This increase, which was driven primarily by higher fuel expenses, includes the approximate $92 million carried over from the 2022 ENEC proceeding and a portion of the approximately $267 million under recovery balance at the end of the review period (July 1, 2022 to June 30, 2023). The remaining $75.6 million of the under recovery balance not recovered in 2024 will be deferred for collection during 2025, with an annual carrying charge of 4%. A hearing was held on November 30, 2023, at which time a joint stipulation for settlement that was agreed to by all but one party was presented to the WVPSC. The settlement provides for a net $55.4 million increase in ENEC rates beginning March 27, 2024 with the net deferred ENEC balance of approximately $255 million to be recovered through 2026. There will be no 2024 ENEC case unless MP and PE over or under recover more than $50 million than the 2024 ENEC balance and a party elects to invoke a case filing. An order is expected by March 2024.

On November 22, 2021, MP and PE filed with the WVPSC their plan to construct 50 MWs of solar generation at five sites in West Virginia. The plan includes a tariff to offer solar power to West Virginia customers and cost recovery for MP and PE through a surcharge for any solar investment not fully subscribed by their customers. A hearing was held in mid-March 2022 and on April 21, 2022, the WVPSC issued an order approving, effective May 1, 2022, the requested tariff and requiring MP and PE to subscribe at least 85% of the planned 50 MWs before seeking final tariff approval. MP and PE must seek separate approval from the WVPSC to recover any solar generation costs in excess of the approved tariff. On April 24, 2023, MP and PE sought final tariff approval from the WVPSC for three of the five solar sites, representing 30 MWs of generation, and requested approval of a surcharge to recover any costs above the final approved tariff. The first solar generation site went into service in January 2024 and construction of the remaining four sites are expected to be completed no later than the end of 2025 at a total investment cost of approximately $110 million. On August 23, 2023, the WVPSC approved the customer surcharge and granted approval to construct three of the five solar sites. The surcharge went into effect January 1, 2024.

On January 13, 2023, MP and PE filed a request with the WVPSC seeking approval of new depreciation rates for existing and future capital assets. Specifically, MP and PE are seeking to increase depreciation expense by approximately $76 million per year, primarily for regulated generation-related assets. Any depreciation rates approved by the WVPSC would not become effective until new base rates were established. On August 22, 2023, a unanimous settlement of the case was filed recommending a $33 million per year increase in depreciation expense, effective April 1, 2024. An order from the WVPSC is expected in the first quarter 2024.

On March 2, 2023, the WVPSC ordered an audit of MP and PE focused on: (i) the lobbying and promotional/image building expenses, including those related to HB 6, incurred by MP and PE from 2018 to 2022 (ii) intra-corporate charges, (iii) the accounting for charges included in the ENEC cost recovery accounts of MP and PE during the same time period, and (iv) review and report on the findings, including those specific to MP and PE, set forth in the FERC Audit described below as well as a review and report of the responses by MP and PE thereto. The audit began in September 2023 and concluded with a filing of the report on December 28, 2023. The audit found no evidence that HB 6 related costs were included in the 2022 test year, and no errors or omission were identified that would materially affect lobbying and image building costs or expenses charged to the ENEC for the period 2018 to 2022. Additionally, there were several recommended adjustments and recommendations, however, none are expected to have a material effect on FirstEnergy, MP or PE. The report was evaluated as part of the ongoing base rate case.

On May 31, 2023, MP and PE filed a base rate case with the WVPSC requesting a total revenue increase of approximately $207 million utilizing a test year of 2022 with adjustments 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 average expense from 2018 to 2022) and the actual annual amount each year using the delayed recognition method. Among other things, the increase includes the approximate $76 million requested in a depreciation case filed on January 13, 2023 and described more fully above, and amounts to support a new low-income customer advocacy program, storm restoration work and service reliability investments. New rates are expected to be effective by the end of March 2024. On January 23, 2024, MP, PE and various parties filed with a joint settlement agreement with the WVPSC, which recommends a base rate increase of $105 million, inclusive of the $33 million increase in depreciation expense. Additionally, the settlement includes a new low-income customer advocacy program, a pilot program for service reliability investments and recovery of costs related to storm restoration, retired generation assets and COVID-19. The settlement did not include the request to establish a regulatory asset (or liability) for recover (or refund) associated with pension and OPEB expense, however, it did not preclude MP and PE from pursuing that in a future separate proceeding. However, thereafter on February 16, 2024, interested parties filed a settlement on the net energy metering credit for consideration by the WVPSC. An order is expected by the end of the first quarter of 2024 with new rates to be effective March 27, 2024.

On August 31, 2023, MP and PE filed its biennial review of their vegetation management program and surcharge. MP and PE have proposed an approximate $17 million increase in the surcharge rates, due to an under recovery in the prior two-year period and increased forecast costs. The case was unanimously settled by the parties on November 29, 2023, approved by the WVPSC on January 8, 2024, and the $17 million increase proposed by MP and PE went into effect on January 1, 2024.

FERC REGULATORY MATTERS

Under the Federal Power Act, FERC regulates rates for interstate wholesale sales and transmission of electric power, regulatory accounting and reporting under the Uniform System of Accounts, and other matters, including construction and operation of hydroelectric projects. With respect to its wholesale services and rates, MP is subject to regulation by FERC. FERC regulations require MP to provide open access transmission service at FERC-approved rates, terms and conditions. MP's transmission facilities are subject to functional control by PJM, and transmission service using MP's transmission facilities is provided by PJM under the PJM Tariff. The key terms of MP's rate orders in effect for transmission customer billings, which have been effective since January 1, 2021, include a lower of actual (13 month average) or 56% capital structure and an allowed 10.45% 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. MP has been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and has a market-based rate tariff on file with FERC, although major wholesale purchases remain subject to review and regulation by the WVPSC. In addition, pursuant to a full requirements power purchase agreement on file with FERC, MP provides capacity, energy and ancillary service to PE to serve PE's West Virginia load.

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

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

FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations that FirstEnergy has accepted. The audit report included a finding and related recommendation on FirstEnergy's methodology for allocation of certain corporate support costs to regulatory capital accounts under certain FERC regulations and reporting. Effective in the first quarter of 2022 and in response to the finding, FirstEnergy 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) (less than $1 million at MP) in expected customer refunds, plus interest, due to its wholesale transmission customers and reclassified approximately $195 million (none at MP) of certain transmission capital assets to operating expenses for the audit period, of which $90 million ($67 million after-tax) (none at MP) 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 (none at MP) of costs reclassified to operating expenses in its transmission formula rate revenue requirements, of which $13 million 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 ($11 million at MP), which is not expected to materially impact FirstEnergy or MP'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 MP's Consolidated Statements of Income. Furthermore, MP is in the process of addressing the outcomes of the FERC Audit with the applicable state commissions and proceedings, which includes seeking continued rate base treatment of approximately $42 million of certain corporate support costs allocated to distribution capital assets. If FirstEnergy or MP are unable to recover these transmission or distribution costs, it could result in future charges and/or adjustments and have an adverse impact on FirstEnergy's or MP's financial condition.

FERC Hydroelectric Project Relicensing Proceeding

The Bath Power Station operates pursuant to a FERC hydroelectric license that was issued in 1977 and expires on December 31, 2026. On October 19, 2021, Dominion – on behalf of itself and two other co-licensees, AGC and Bath County Energy, LLC – initiated the process to relicense the station.

Allegheny Power Zone Transmission Formula Rate Filings

On October 29, 2020, MP, PE and WP filed tariff amendments with FERC to implement a forward-looking formula transmission rate, to be effective January 1, 2021. In addition, on October 30, 2020, KATCo filed a proposed new tariff to establish a forward-looking formula rate and requested that the new rate become effective January 1, 2021. In its filing, KATCo explained that while it currently owns no transmission assets, it may build new transmission facilities in the Allegheny zone, and that it may seek required state and federal authorizations to acquire transmission assets from PE and WP by January 1, 2022. These transmission rate filings were accepted for filing by FERC on December 31, 2020, effective January 1, 2021, subject to refund, pending further hearing and settlement procedures and were consolidated into a single proceeding. MP, PE and WP, and KATCo filed uncontested settlement agreements with FERC on January 18, 2023. Also on January 18, 2023, MP, PE and WP filed a motion for interim rates to implement certain aspects of the settled rate. The interim rates were approved by the FERC Chief Administrative Law Judge and took effect on January 1, 2023. As a result of the filed settlement, FirstEnergy recognized a $25 million pre-tax charge during the fourth quarter of 2022, which reflects the difference between amounts originally recorded as assets and amounts which will ultimately be recovered from customers as a result. On May 4, 2023, FERC issued an order approving the settlement agreement without condition or modification. Pursuant to the order, a compliance filing was filed on May 19, 2023, that implemented the terms of the settlement. On June 26, 2023, FERC issued a letter order approving the compliance filing.

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.

13. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate MP with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While MP’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. MP 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.

Clean Air Act

FirstEnergy and MP comply with SO_2 and NOx emission reduction requirements under the CAA and SIP by burning lower-sulfur fuel, utilizing combustion controls and post-combustion controls and/or using emission allowances.

CSAPR requires reductions of NOx and SO_2 emissions in two phases (2015 and 2017), ultimately capping SO_2 emissions in affected states to 2.4 million tons annually and NOx emissions to 1.2 million tons annually. CSAPR allows trading of NOx and SO_2 emission allowances between power plants located in the same state and interstate trading of NOx and SO_2 emission allowances with some restrictions. On July 28, 2015, the D.C. Circuit ordered the EPA to reconsider the CSAPR caps on NOx and SO_2 emissions from power plants in 13 states, including West Virginia. This followed the 2014 U.S. Supreme Court ruling generally upholding the EPA’s regulatory approach under CSAPR but questioning whether the EPA required upwind states to reduce emissions by more than their contribution to air pollution in downwind states. The EPA issued a CSAPR Update on September 7, 2016, reducing summertime NOx emissions from power plants in 22 states in the eastern U.S., including West Virginia, beginning in 2017. Various states and other stakeholders appealed the CSAPR Update to the D.C. Circuit in November and December 2016. On September 13, 2019, the D.C. Circuit remanded the CSAPR Update to the EPA citing that the rule did not eliminate upwind states’ significant contributions to downwind states’ air quality attainment requirements within applicable attainment deadlines.

Also in March 2018, the State of New York filed a CAA Section 126 petition with the EPA alleging that NOx emissions from nine states (including West Virginia) significantly contribute to New York’s inability to attain the ozone National Ambient Air Quality Standards. The petition sought suitable emission rate limits for large stationary sources that are allegedly affecting New York’s air quality within the three years allowed by CAA Section 126. On September 20, 2019, the EPA denied New York’s CAA Section 126 petition. On October 29, 2019, the State of New York appealed the denial of its petition to the D.C. Circuit. On July 14, 2020, the D.C. Circuit reversed and remanded the New York petition to the EPA for further consideration. On March 15, 2021, the EPA issued a revised CSAPR Update that addressed, among other things, the remands of the prior CSAPR Update and the New York Section 126 petition. In December 2021, MP purchased NOx emissions allowances to comply with 2021 ozone season requirements. On April 6, 2022, the EPA published proposed rules seeking to impose further significant reductions in EGU NOx emissions in 25 upwind states, including West Virginia, with the stated purpose of allowing downwind states to attain or maintain compliance with the 2015 ozone National Ambient Air Quality Standards. On February 13, 2023, the EPA disapproved 21 SIPs, which was a prerequisite for the EPA to issue a final Good Neighbor Plan or Federal Implementation Plan(s) under the CAA. On June 5, 2023, the EPA issued the final Good Neighbor Plan with an effective date 60 days thereafter. Certain states, including West Virginia, have appealed the disapprovals of their respective SIPs, and some of those states have obtained stays of those disapprovals precluding the Good Neighbor Plan from taking effect in those states. On August 10, 2023, the 4th Circuit granted West Virginia an interim stay of the disapproval of its SIP and on January 10, 2024, after a hearing held on October 27, 2023, granted a full stay which precludes the Good Neighbor Plan from going into effect in West Virginia. In addition to West Virginia, certain other states, and certain trade organizations, including the Midwest Ozone Group of which FE is a member, have separately appealed and filed motions to stay the Good Neighbor Plan itself at the D.C. Circuit. On September 25, 2023, the D.C. Circuit denied the motions to stay the Good Neighbor Plan. On October 13, 2023, the aggrieved parties filed an Emergency Application for an Immediate Stay of the Good Neighbor Plan with the U.S. Supreme Court, which remains pending. Oral argument was heard on February 21, 2024.

Climate Change

In September 2016, the U.S. joined in adopting the agreement reached on December 12, 2015, at the United Nations Framework Convention on Climate Change meetings in Paris to reduce GHGs. The Paris Agreement’s non-binding obligations to limit global warming to below two degrees Celsius became effective on November 4, 2016. On June 1, 2017, the Trump Administration announced that the U.S. would cease all participation in the Paris Agreement. On January 20, 2021, President Biden signed an executive order re-adopting the agreement on behalf of the U.S. There are several initiatives to reduce GHG emissions at the state, federal and international level. Certain northeastern states are participating in the Regional Greenhouse Gas Initiative and western states led by California, have implemented programs, primarily cap and trade mechanisms, to control emissions of certain GHGs. Additional policies reducing GHG emissions, such as demand reduction programs, renewable portfolio standards and renewable subsidies have been implemented across the nation.

FirstEnergy has pledged to achieve carbon neutrality by 2050 in GHGs within FirstEnergy's direct operational control (Scope 1). With respect to our coal-fired plants in West Virginia, we have identified that the end of the useful life date is 2035 for Fort Martin and 2040 for Harrison. Determination of the useful life of the regulated coal-fired generation could result in changes in depreciation, and/or continued collection of net plant in rates after retirement, securitization, sale, impairment, or regulatory disallowances. If MP is unable to recover these costs, it could have a material adverse effect on FirstEnergy's and/or MP's financial condition, results of operations, and cash flow. Furthermore, FirstEnergy cannot currently estimate the financial impact of climate change policies, although potential legislative or regulatory programs restricting CO2 emissions, or litigation alleging damages from GHG emissions, could require material capital and other expenditures or result in changes to its operations.

In December 2009, the EPA released its final "Endangerment and Cause or Contribute Findings for GHGs under the Clean Air Act," concluding that concentrations of several key GHGs constitute an "endangerment" and may be regulated as "air pollutants" under the CAA and mandated measurement and reporting of GHG emissions from certain sources, including electric generating plants. Subsequently, the EPA released its final CPP regulations in August 2015 to reduce CO_2 emissions from existing fossil fuel-fired EGUs and finalized separate regulations imposing CO_2 emission limits for new, modified, and reconstructed fossil fuel-fired EGUs. Numerous states and private parties filed appeals and motions to stay the CPP with the D.C. Circuit in October 2015. On February 9, 2016, the U.S. Supreme Court stayed the rule during the pendency of the challenges to the D.C. Circuit and U.S. Supreme Court. On March 28, 2017, an executive order, entitled "Promoting Energy Independence and Economic Growth," instructed the EPA to review the CPP and related rules addressing GHG emissions and suspend, revise or rescind the rules if appropriate. On June 19, 2019, the EPA repealed the CPP and replaced it with the ACE rule that established guidelines for states to develop standards of performance to address GHG emissions from existing coal-fired generation. On January 19, 2021, the D.C. Circuit vacated and remanded the ACE rule declaring that the EPA was "arbitrary and capricious" in its rule making and, as such, the ACE rule is no longer in effect and all actions thus far taken by states to implement the federally mandated rule are now null and void. Vacating the ACE rule had the unintended effect of reinstating the CPP because the repeal of the CPP was a provision within the ACE rule. The D.C. Circuit decision was appealed by several states and interested parties, including West Virginia, arguing that the EPA did not have the authorization under Section 111(d) of the CAA to require "generation shifting" as a way to limit GHGs. On June 30, 2022, the U.S. Supreme Court in *West Virginia v. Environmental Protection Agency* held that the method the EPA used to regulate GHGs (generation shifting) under Section 111(d) of the CAA (the CPP) was not authorized by Congress and remanded the rule to the EPA for further reconsideration. In response, on May 23, 2023, the EPA published a proposed rule pursuant to CAA Section 111 (b) and (d) in line with the decision in *West Virginia v. Environmental Protection Agency* intended to reduce power sector GHG emissions (primarily CO_2 emissions) from fossil fuel based EGUs. The rule proposes stringent emissions limitations based on fuel type and unit retirement date. Comments on the proposed rule were submitted to the EPA on August 8, 2023. Depending on how final rules are ultimately implemented and the outcome of any appeals, compliance with these standards could require additional capital expenditures or changes in operation at the Ft. Martin and Harrison power stations.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal Clean Water Act and its amendments, apply to FirstEnergy's facilities. In addition, the states in which FirstEnergy operates have water quality standards applicable to FirstEnergy's operations.

On September 30, 2015, the EPA finalized new, more stringent effluent limits for the Steam Electric Power Generating category (40 CFR Part 423) for arsenic, mercury, selenium and nitrogen for wastewater from wet scrubber systems and zero discharge of pollutants in ash transport water. The treatment obligations were to phase-in as permits are renewed on a five-year cycle from 2018 to 2023. However, on April 13, 2017, the EPA granted a Petition for Reconsideration and on September 18, 2017, the EPA postponed certain compliance deadlines for two years. On August 31, 2020, the EPA issued a final rule revising the effluent limits for discharges from wet scrubber systems, retaining the zero-discharge standard for ash transport water, (with some limited discharge allowances), and extending the deadline for compliance to December 31, 2025 for both. In addition, the EPA allows for less stringent limits for sub-categories of generating units based on capacity utilization, flow volume from the scrubber system, and unit retirement date. On March 29, 2023, the EPA published proposed revised ELGs applicable to coal-fired power plants that include more stringent effluent limitations for wet scrubber systems and ash transport water, and new limits on landfill leachate. Public hearings on the proposed rules were held in April 2023 and comments were accepted through May 30, 2023. In the interim, the rule issued on August 31, 2020, remains in effect. Depending on the outcome of appeals and how final revised rules are ultimately implemented, compliance with these standards could require additional capital expenditures or changes in operation at the Ft. Martin and Harrison power stations from what was approved by the WVPSC in September 2022 to comply with the 2020 ELG rule.

Regulation of Waste Disposal

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

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

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 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.

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 MP's normal business operations pending against MP or its subsidiaries. The loss or range of loss in these matters is not expected to be material to MP or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 12, "Regulatory Matters."

MP 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 MP 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 MP 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 MP's or its subsidiaries' financial condition, results of operations and cash flows.

14. TRANSACTIONS WITH AFFILIATED COMPANIES

MP’s revenues, expenses, miscellaneous income and interest expenses include transactions with affiliated companies. These affiliated company transactions include affiliated company power sales agreements between FirstEnergy's regulated companies, support service billings, interest on affiliated company notes including the money pool and other transactions.

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

	For the Years Ended December 31,	
	2023	2022
	(In millions)	
Revenues[1]	$ 202	$ 244
Expenses:		
Support services	118	97
Miscellaneous Income	6	2
Interest expense	4	—

[1] PE purchases power from MP to meet a portion of its POLR and default service requirements as well as provide power to certain facilities. See Note 5, "Leases," for additional information.

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.

MP 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. MP 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 MP, 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 10, "Short-Term Borrowings and Bank Lines of Credit").

MP 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.