FIRSTENERGY CORP
Form 10-Q
May 01, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
000-53742	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer þ FirstEnergy Corp.

Accelerated Filer o	N/A
Non-accelerated Filer (Do not check if a smaller reporting company) þ	FirstEnergy Solutions Corp.
Smaller Reporting Company o	N/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ FirstEnergy Corp. and FirstEnergy Solutions Corp.
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AS OF MARCH 31, 2015
FirstEnergy Corp., $0.10 par value	422,025,870
FirstEnergy Solutions Corp., no par value	7

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp. common stock.
This combined Form 10-Q is separately filed by FirstEnergy Corp. and FirstEnergy Solutions Corp. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to FirstEnergy Solutions Corp. is also attributed to FirstEnergy Corp.
FirstEnergy Web Site and Other Social Media Sites and Applications

Each of the registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also made available free of charge on or through the "Investors" page of FirstEnergy's Internet web site at www.firstenergycorp.com.

These SEC filings are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post additional important information including press releases, investor presentations and notices of upcoming events, under the "Investors" section of FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Investors may be notified of postings to the web site by signing up for email alerts and RSS feeds on the "Investors" page of FirstEnergy's Internet web site or through push alerts from FirstEnergy Investor Relations apps for Apple Inc.'s iPad® and iPhone® devices, which can be installed for free at the Apple® online store. FirstEnergy also uses Twitter® and Facebook® as additional channels of distribution to reach public investors and as a supplemental means of disclosing material non-public information for complying with its disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site or its Twitter® or Facebook® site, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.
OMISSION OF CERTAIN INFORMATION
FirstEnergy Solutions Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

Forward-Looking Statements: This Form 10-Q includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms “anticipate,” “potential,” “expect,” "forecast," "target," "will," "intend," “believe,” "project," “estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following:

- The speed and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular.
- The ability to experience growth in the Regulated Distribution and Regulated Transmission segments and to successfully implement our revised sales strategy for the CES segment.
- The accomplishment of our regulatory and operational goals in connection with our transmission investment plan, pending transmission rate case and the effectiveness of our repositioning strategy to reflect a more regulated business profile.
- Changes in assumptions regarding economic conditions within our territories, assessment of the reliability of our transmission system, or the availability of capital or other resources supporting identified transmission investment opportunities.
- The impact of the regulatory process on the pending matters at the federal level and in the various states in which we do business including, but not limited to, matters related to rates and the ESP IV in Ohio.
- The impact of the federal regulatory process on FERC-regulated entities and transactions, in particular FERC regulation of wholesale energy and capacity markets, including PJM markets and FERC-jurisdictional wholesale transactions; FERC regulation of cost-of-service rates, including FERC Opinion No. 531's revised ROE methodology for FERC jurisdictional wholesale generation and transmission utility service; and FERC’s compliance and enforcement activity, including compliance and enforcement activity related to NERC’s mandatory reliability standards.
- The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.
- Economic or weather conditions affecting future sales and margins such as a polar vortex or other significant weather events, and all associated regulatory events or actions.
- Changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil, and their availability and impact on retail margins.
- The continued ability of our regulated utilities to recover their costs.
- Costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices.
- Other legislative and regulatory changes, and revised environmental requirements, including, but not limited to, proposed GHG emission and water discharge regulations and the effects of the EPA's CCR regulations, CSAPR, MATS, including our estimated costs of compliance, and CWA 316(b) water intake regulation.
- The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation, or potential regulatory initiatives or rulemakings (including that such initiatives or rulemakings could result in our decision to deactivate or idle certain generating units).
- The uncertainties associated with the deactivation of certain older regulated and competitive fossil units, including the impact on vendor commitments, and the timing thereof as they relate to the reliability of the transmission grid.
- The impact of other future changes to the operational status or availability of our generating units.
- Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).
- Issues arising from the indications of cracking in the shield building at Davis-Besse.
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The risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments.

- The impact of labor disruptions by our unionized workforce.
- Replacement power costs being higher than anticipated or not fully hedged.
- The ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates.
- Changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates.
- The ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet through, among other actions, our previously-implemented dividend reduction, our cash flow initiative project and our other proposed capital raising initiatives.
- Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.
- Changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.
- The impact of changes to material accounting policies.
- The ability to access the public securities and other capital and credit markets in accordance with our announced financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.

- Actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries' access to financing, increase the costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.
- Changes in national and regional economic conditions affecting us, our subsidiaries and/or our major industrial and commercial customers, and other counterparties with which we do business, including fuel suppliers.
- The impact of any changes in tax laws or regulations or adverse tax audit results or rulings.
- Issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business.
- The risks associated with cyber-attacks on our electronic data centers that could compromise the information stored on our networks, including proprietary information and customer data.
- The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

Dividends declared from time to time on FE's common stock during any period may in the aggregate vary from prior periods due to circumstances considered by FE's Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. The registrants expressly disclaim any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.

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GLOSSARY OF TERMS

The following abbreviations and acronyms are used in this report to identify FirstEnergy Corp. and its current and former subsidiaries:

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011. As of January 1, 2014, AE merged with and into FirstEnergy Corp.
AESC	Allegheny Energy Service Corporation, a subsidiary of FirstEnergy Corp.
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply and equity method investee of MP.
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities.
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
CES	Competitive Energy Services, a reportable operating segment of FirstEnergy
FE	FirstEnergy Corp., a public utility holding company
FELHC	FirstEnergy License Holding Company, Inc.
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC which is the parent of ATSI and TrAIL and has a joint venture in PATH.
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	FirstEnergy Generation, LLC, a wholly owned subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	A subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
GPU	GPU, Inc., former parent of JCP&L, ME and PN, that merged with FirstEnergy on November 7, 2001
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	FirstEnergy Nuclear Generation, LLC, a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP

PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Signal Peak	An indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

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

AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income

GLOSSARY OF TERMS, Continued

Apple®	Apple®, iPad® and iPhone® are registered trademarks of Apple Inc.
ARR	Auction Revenue Right
ASLB	Atomic Safety and Licensing Board
BGS	Basic Generation Service
BRA	PJM RPM Base Residual Auction
CAA	Clean Air Act
CCR	Coal Combustion Residuals
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO_2	Carbon Dioxide
CONE	Cost-of-New-Entry
CSA	Coal Sales Agreement
CSAPR	Cross-State Air Pollution Rule
CTA	Consolidated Tax Adjustment
CWA	Clean Water Act
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DR	Demand Response
DSP	Default Service Plan
EDC	Electric Distribution Company
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
ELPC	Environmental Law & Policy Center
EmPOWER Maryland	EmPower Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
Facebook®	Facebook is a registered trademark of Facebook, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
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
GWH	Gigawatt-hour
HCL	Hydrochloric Acid
ICE	IntercontinentalExchange, Inc.
ICG	International Coal Group Inc.
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
KWH	Kilowatt-hour
LBR	Little Blue Run

LMP	Locational Marginal Price
LOC	Letter of Credit
LSE	Load Serving Entity
MATS	Mercury and Air Toxics Standards

GLOSSARY OF TERMS, Continued

MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
mmBTU	One Million British Thermal Units
Moody’s	Moody’s Investors Service, Inc.
MVP	Multi-Value Project
MW	Megawatt
MWH	Megawatt-hour
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NGO	Non-Governmental Organization
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
NSR	New Source Review
NUG	Non-Utility Generation
NYISO	New York Independent System Operator, Inc.
NYPSC	New York State Public Service Commission
OCC	Ohio Consumers' Counsel
OEPA	Ohio Environmental Protection Agency
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection, L.L.C.
PJM Region	The aggregate of the zones within PJM
PJM Tariff	PJM Open Access Transmission Tariff
PM	Particulate Matter
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RCRA	Resource Conservation and Recovery Act
REC	Renewable Energy Credit
REIT	Real Estate Investment Trust
RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
ROE	Return on Equity
RPM	Reliability Pricing Model

RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Service
SAIDI	System Average Interruption Duration Index

GLOSSARY OF TERMS, Continued

SAIFI	System Average Interruption Frequency Index
SB221	Amended Substitute Senate Bill No. 221
SB310	Substitute Senate Bill No. 310
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SEC Regulation FD	SEC Regulation Fair Disclosure
SERTP	Southeastern Regional Transmission Planning
Seventh Circuit	United States Court of Appeals for the Seventh Circuit
SIP	State Implementation Plan(s) Under the Clean Air Act
SO_2	Sulfur Dioxide
SOS	Standard Offer Service
SPE	Special Purpose Entity
SREC	Solar Renewable Energy Credit
SSO	Standard Service Offer
TDS	Total Dissolved Solid
Third Circuit	United States Court of Appeals for the Third Circuit
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
Twitter®	Twitter is a registered trademark of Twitter, Inc.
U.S. Court of Appeals for the D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
VIE	Variable Interest Entity
VRR	Variable Resource Requirement
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share amounts)	2015	2014
REVENUES:		
Electric utilities	$2,800	$2,732
Unregulated businesses	1,097	1,450
Total revenues*	3,897	4,182
OPERATING EXPENSES:		
Fuel	513	617
Purchased power	1,113	1,455
Other operating expenses	1,057	1,182
Provision for depreciation	319	294
Amortization (deferral) of regulatory assets, net	32	(28)
General taxes	269	271
Total operating expenses	3,303	3,791
OPERATING INCOME	594	391
OTHER INCOME (EXPENSE):		
Loss on debt redemptions	—	(7)
Investment income	17	22
Interest expense	(279)	(265)
Capitalized financing costs	34	29
Total other expense	(228)	(221)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	366	170
INCOME TAXES	144	48
INCOME FROM CONTINUING OPERATIONS	222	122
Discontinued operations (net of income taxes of $69) (Note 13)	—	86
NET INCOME	$222	$208
EARNINGS PER SHARE OF COMMON STOCK:		
Basic - Continuing Operations	$0.53	$0.29
Basic - Discontinued Operations (Note 13)	—	0.21
Basic - Net Earnings per Basic Share	$0.53	$0.50

Diluted - Continuing Operations	$0.53	$0.29
Diluted - Discontinued Operations (Note 13)	—	0.20
Diluted - Net Earnings per Diluted Share	$0.53	$0.49
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	421	419
Diluted	423	420
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.72	$0.72

* Includes excise tax collections of $115 million and $117 million in the three months ended March 31, 2015 and 2014.

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

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FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended March 31, 2015	2014
NET INCOME	$222	$208
OTHER COMPREHENSIVE INCOME (LOSS):		
Pension and OPEB prior service costs	(31)	(42)
Amortized losses on derivative hedges	1	—
Change in unrealized gain on available-for-sale securities	4	21
Other comprehensive loss	(26)	(21)
Income tax benefits on other comprehensive loss	(10)	(8)
Other comprehensive loss, net of tax	(16)	(13)
COMPREHENSIVE INCOME	$206	$195

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$90	$85
Receivables-		
Customers, net of allowance for uncollectible accounts of $60 in 2015 and $59 in 2014	1,675	1,554
Other, net of allowance for uncollectible accounts of $5 in 2015 and in 2014	201	225
Materials and supplies	762	817
Prepaid taxes	225	128
Derivatives	133	159
Accumulated deferred income taxes	548	518
Collateral	220	230
Other	157	160
	4,011	3,876
PROPERTY, PLANT AND EQUIPMENT:		
In service	47,992	47,484
Less — Accumulated provision for depreciation	14,508	14,150
	33,484	33,334
Construction work in progress	2,633	2,449
	36,117	35,783
INVESTMENTS:		
Nuclear plant decommissioning trusts	2,360	2,341
Other	898	881
	3,258	3,222
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	6,418	6,418
Regulatory assets	1,372	1,411
Other	1,345	1,456
	9,135	9,285
	$52,521	$52,166
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$787	$804
Short-term borrowings	2,559	1,799
Accounts payable	1,102	1,279
Accrued taxes	503	490
Accrued compensation and benefits	249	329
Derivatives	154	167
Other	908	693
	6,262	5,561
CAPITALIZATION:		
Common stockholders' equity-		
	42	42

Common stock, $0.10 par value, authorized 490,000,000 shares - 422,025,870 and 421,102,570 shares outstanding as of March 31, 2015 and December 31, 2014, respectively		
Other paid-in capital	9,871	9,847
Accumulated other comprehensive income	230	246
Retained earnings	2,205	2,285
Total common stockholders’ equity	12,348	12,420
Noncontrolling interest	2	2
Total equity	12,350	12,422
Long-term debt and other long-term obligations	19,130	19,176
	31,480	31,598
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	7,211	7,057
Retirement benefits	3,817	3,932
Asset retirement obligations	1,390	1,387
Deferred gain on sale and leaseback transaction	816	824
Adverse power contract liability	213	217
Other	1,332	1,590
	14,779	15,007
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$52,521	$52,166

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
(In millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$222	$208
Adjustments to reconcile net income to net cash from operating activities-		
Income from discontinued operations (Note 13)	—	(86)
Provision for depreciation	319	294
Amortization (deferral) of regulatory assets, net	32	(28)
Nuclear fuel amortization	57	48
Deferred purchased power and other costs	(31)	(34)
Deferred income taxes and investment tax credits, net	127	181
Deferred costs on sale leaseback transaction, net	12	13
Amortization of customer intangibles and deferred advertising costs	7	9
Retirement benefits	(4)	(20)
Pension trust contributions	(143)	—
Commodity derivative transactions, net (Note 8)	2	(17)
Loss on debt redemptions	—	7
Changes in current assets and liabilities-		
Receivables	(97)	(168)
Materials and supplies	30	12
Prepayments and other current assets	(116)	(29)
Accounts payable	(177)	200
Accrued taxes	(80)	(242)
Accrued interest	44	46
Accrued compensation and benefits	(80)	(118)
Other current liabilities	11	2
Cash collateral, net	(15)	(461)
Other	73	91
Net cash provided from (used for) operating activities	193	(92)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	—	1,467
Short-term borrowings, net	760	—
Redemptions and Repayments-		
Long-term debt	(48)	(489)
Short-term borrowings, net	—	(319)
Common stock dividend payments	(152)	(151)
Other	—	(10)
Net cash provided from financing activities	560	498
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(668)	(821)
Nuclear fuel	(60)	(55)

Proceeds from asset sales	10	394
Sales of investment securities held in trusts	371	621
Purchases of investment securities held in trusts	(394)	(646)
Cash investments	21	28
Asset removal costs	(28)	(39)
Other	—	3
Net cash used for investing activities	(748)	(515)
Net change in cash and cash equivalents	5	(109)
Cash and cash equivalents at beginning of period	85	218
Cash and cash equivalents at end of period	$90	$109

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

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended March 31,	
(In millions)	2015	2014
STATEMENTS OF INCOME (LOSS)		
REVENUES:		
Electric sales to non-affiliates	$1,075	$1,440
Electric sales to affiliates	255	349
Other	47	40
Total revenues	1,377	1,829
OPERATING EXPENSES:		
Fuel	230	319
Purchased power from affiliates	70	64
Purchased power from non-affiliates	543	1,029
Other operating expenses	413	452
Provision for depreciation	80	74
General taxes	29	39
Total operating expenses	1,365	1,977
OPERATING INCOME (LOSS)	12	(148)
OTHER INCOME (EXPENSE):		
Loss on debt redemptions	—	(5)
Investment income	13	20
Interest expense — affiliates	(2)	(2)
Interest expense — other	(37)	(36)
Capitalized interest	9	12
Total other expense	(17)	(11)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX BENEFITS	(5)	(159)
INCOME TAX BENEFITS	(2)	(56)
LOSS FROM CONTINUING OPERATIONS	(3)	(103)
Discontinued operations (net of income taxes of $70) (Note 13)	—	116
NET INCOME (LOSS)	$(3)	$13
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)		
NET INCOME (LOSS)	$(3)	$13
OTHER COMPREHENSIVE INCOME (LOSS):		
Pension and OPEB prior service costs	(4)	(5)

Amortized gains on derivative hedges	(1)	(2)
Change in unrealized gain on available-for-sale securities	3	19
Other comprehensive income (loss)	(2)	12
Income taxes (benefits) on other comprehensive income (loss)	(1)	4
Other comprehensive income (loss), net of tax	(1)	8
COMPREHENSIVE INCOME (LOSS)	$(4)	$21

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

FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$2	$2
Receivables-		
Customers, net of allowance for uncollectible accounts of $15 in 2015 and $18 in 2014	351	415
Affiliated companies	541	525
Other, net of allowance for uncollectible accounts of $3 in 2015 and 2014	152	107
Notes receivable from affiliated companies	44	—
Materials and supplies	447	492
Derivatives	132	147
Collateral	217	229
Prepayments and other	117	95
	2,003	2,012
PROPERTY, PLANT AND EQUIPMENT:		
In service	13,706	13,596
Less — Accumulated provision for depreciation	5,331	5,208
	8,375	8,388
Construction work in progress	1,057	1,010
	9,432	9,398
INVESTMENTS:		
Nuclear plant decommissioning trusts	1,381	1,365
Other	10	10
	1,391	1,375
DEFERRED CHARGES AND OTHER ASSETS:		
Customer intangibles	74	78
Goodwill	23	23
Property taxes	31	41
Unamortized sale and leaseback costs	248	217
Derivatives	67	52
Other	108	114
	551	525
	$13,377	$13,310
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$490	$506
Short-term borrowings-		
Affiliated companies	—	35
Other	284	99
Accounts payable-		
Affiliated companies	429	416
Other	156	248
Accrued taxes	85	102

Derivatives	154	166
Other	206	184
	1,804	1,756
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 750 shares - 7 shares outstanding as of March 31, 2015 and December 31, 2014	3,594	3,594
Accumulated other comprehensive income	56	57
Retained earnings	1,931	1,934
Total common stockholder's equity	5,581	5,585
Long-term debt and other long-term obligations	2,605	2,608
	8,186	8,193
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	816	824
Accumulated deferred income taxes	548	511
Retirement benefits	327	324
Asset retirement obligations	838	841
Derivatives	28	14
Other	830	847
	3,387	3,361
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 10)		
	$13,377	$13,310

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

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FIRSTENERGY SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(3)	$13
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Income from discontinued operations (Note 13)	—	(116)
Provision for depreciation	80	74
Nuclear fuel amortization	57	48
Deferred costs on sale and leaseback transaction, net	12	13
Amortization of customer intangibles and deferred advertising costs	7	9
Deferred income taxes and investment tax credits, net	34	48
Investment impairments	6	2
Commodity derivative transactions, net (Note 8)	1	(17)
Loss on debt redemptions	—	5
Changes in current assets and liabilities-		
Receivables	1	553
Materials and supplies	21	21
Prepayments and other current assets	(18)	(48)
Accounts payable	(75)	(430)
Accrued taxes	(24)	(49)
Accrued compensation and benefits	(9)	(19)
Cash collateral, net	12	(420)
Other	3	1
Net cash provided from (used for) operating activities	105	(312)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	—	417
Short-term borrowings, net	150	120
Equity contribution from parent	—	500
Redemptions and repayments-		
Long-term debt	(17)	(445)
Other	(2)	(4)
Net cash provided from financing activities	131	588
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(119)	(298)
Nuclear fuel	(60)	(55)
Proceeds from asset sales	—	307
Sales of investment securities held in trusts	189	423
Purchases of investment securities held in trusts	(202)	(438)
Loans to affiliated companies, net	(44)	(215)
Net cash used for investing activities	(236)	(276)

Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	2	2
Cash and cash equivalents at end of period	$2	$2

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

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FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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.

FirstEnergy Corp. was organized under the laws of the State of Ohio in 1996. FE’s principal business is the holding, directly or indirectly, of all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, FES and its principal subsidiaries (FG and NG), AE Supply, MP, PE, WP, FET and its principal subsidiaries (ATSI and TrAIL), and AESC. In addition, FE holds all of the outstanding common stock of other direct subsidiaries including: FirstEnergy Properties, Inc., FEV, FENOC, FELHC, Inc., GPU Nuclear, Inc., and AE Ventures, Inc.

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2014.

FirstEnergy follows GAAP and complies with the related regulations, orders, policies and practices prescribed by the SEC, FERC, and, as applicable, the PUCO, the PPUC, the MDPSC, the NYPSC, the WVPSC, the VSCC and the NJBPU. The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair statement of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period. FE and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

FE and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary (see Note 6, Variable Interest Entities). Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but with respect to which they are not the primary beneficiary and do not exercise control, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage share of the entity’s earnings is reported in the Consolidated Statements of Income and Comprehensive Income. These Notes to the Consolidated Financial Statements are combined for FirstEnergy and FES.

For the three months ended March 31, 2015 and 2014, capitalized financing costs on FirstEnergy's Consolidated Statements of Income includes $16 million and $7 million, respectively, of allowance for equity funds used during construction and $18 million and $22 million, respectively, of capitalized interest.

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

New Accounting Pronouncements

In May 2014, the FASB issued Revenue from Contracts with Customers, requiring entities to recognize revenue by applying a five-step model in accordance with the core principle to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the accounting for costs to obtain or fulfill a contract with a customer is specified and disclosure requirements for revenue recognition are expanded. This standard is currently effective for fiscal years beginning after December 15, 2016, with no early adoption permitted, and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In April 2015, the FASB proposed a deferral of the effective date of the new revenue standard by one year, subject to the FASB's due process requirement. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard.

In February 2015, the FASB issued, Consolidations: Amendments to the Consolidation Analysis, which amends current consolidation guidance including changes to both the variable and voting interest models used by companies to evaluate whether an entity should be consolidated. This standard is effective for interim and annual periods beginning after December 15, 2015, and early adoption is permitted. A reporting entity must apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the period of adoption or apply the amendments retrospectively. FirstEnergy is currently evaluating the impact on its financial statements of adopting this standard.

In April 2015, the FASB issued, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. FirstEnergy does not expect this amendment to have a material effect on its financial statements.

2. EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share of common stock are computed using the weighted average number of common shares outstanding during the relevant period as the denominator. The denominator for diluted earnings per share of common stock reflects the weighted average of common shares outstanding plus the potential additional common shares that could result if dilutive securities and other agreements to issue common stock were exercised.

The following table reconciles basic and diluted earnings per share of common stock:

(In millions, except per share amounts)	Three Months Ended March 31,	
Reconciliation of Basic and Diluted Earnings per Share of Common Stock	2015	2014
Income from continuing operations	$222	$122
Discontinued operations (Note 13)	—	86
Net income	$222	$208
Weighted average number of basic shares outstanding	421	419
Assumed exercise of dilutive stock options and awards[1]	2	1
Weighted average number of diluted shares outstanding	423	420
Earnings per share:		
Basic earnings per share:		
Income from continuing operations	$0.53	$0.29
Discontinued operations (Note 13)	—	0.21
Net earnings per basic share	$0.53	$0.50
Diluted earnings per share:		
Income from continuing operations	$0.53	$0.29
Discontinued operations (Note 13)	—	0.20
Net earnings per diluted share	$0.53	$0.49

(1) For the three months ended March 31, 2015 and March 31, 2014, 1 million and 2 million shares, respectively, were excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

In March 2015, FirstEnergy contributed $143 million to its qualified pension plan. The components of the consolidated net periodic cost (credits) for pension and OPEB (including amounts capitalized) were as follows:

Components of Net Periodic Benefit Costs (Credits)	Pension		OPEB	
For the Three Months Ended March 31,	2015	2014	2015	2014
	(In millions)			
Service costs	$48	$42	$1	$2
Interest costs	96	100	7	10
Expected return on plan assets	(111)	(115)	(8)	(8)
Amortization of prior service costs (credits)	2	2	(33)	(44)
Net periodic costs (credits)	$35	$29	$(33)	$(40)

FES' share of the net periodic pension and OPEB costs (credits) were as follows:

	Pension		OPEB	
	2015	2014	2015	2014
	(In millions)			
For the Three Months Ended March 31,	$4	$4	$(5)	$(5)

Pension and OPEB obligations are allocated to FE's subsidiaries, including FES, employing the plan participants. The net periodic pension and OPEB costs (credits) (net of amounts capitalized) recognized in earnings by FE and FES were as follows:

Net Periodic Benefit Expense (Credit)	Pension		OPEB	
For the Three Months Ended March 31,	2015	2014	2015	2014
	(In millions)			
FirstEnergy	$25	$21	$(23)	$(27)
FES	4	4	(4)	(4)

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in AOCI, net of tax, in the three months ended March 31, 2015 and 2014, for FirstEnergy are shown in the following tables:
FirstEnergy

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of January 1, 2015	$(37)	$25	$258	$246
Other comprehensive income before reclassifications	—	14	—	14
Amounts reclassified from AOCI	1	(10)	(31)	(40)
Other comprehensive income (loss)	1	4	(31)	(26)
Income tax (benefits) on other comprehensive income (loss)	—	1	(11)	(10)
Net other comprehensive income (loss)	1	3	(20)	(16)
AOCI Balance as of March 31, 2015	$(36)	$28	$238	$230
AOCI Balance as of January 1, 2014	$(36)	$9	$311	$284
Other comprehensive income before reclassifications	—	35	—	35
Amounts reclassified from AOCI	—	(14)	(42)	(56)
Other comprehensive income (loss)	—	21	(42)	(21)
Income tax (benefits) on other comprehensive income (loss)	—	8	(16)	(8)
Net other comprehensive income (loss)	—	13	(26)	(13)
AOCI Balance as of March 31, 2014	$(36)	$22	$285	$271

The following amounts were reclassified from AOCI in the three months ended March 31, 2015 and 2014:

Reclassifications from AOCI [2]	Three Months Ended March 31, 2015	2014	Affected Line Item in Consolidated Statements of Income
	(In millions)		
Gains & losses on cash flow hedges			
Commodity contracts	$(1)	$(2)	Other operating expenses
Long-term debt	2	2	Interest expense
	1	—	Total before taxes
	—	—	Income taxes
	$1	$—	Net of tax
Unrealized gains on AFS securities			
Realized gains on sales of securities	$(10)	$(14)	Investment income
	4	5	Income taxes
	$(6)	$(9)	Net of tax

Defined benefit pension and OPEB plans			
Prior-service costs	$(31)	$(42)	[1]
	11	16	Income taxes
	$(20)	$(26)	Net of tax

[1] These AOCI components are included in the computation of net periodic pension cost. See Note 3, Pension and Other Postemployment Benefits for additional details.
[2] Parenthesis represent credits to the Consolidated Statements of Income from AOCI.

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The changes in AOCI, net of tax, in the three months ended March 31, 2015 and 2014, for FES are shown in the following tables:

FES

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of January 1, 2015	$(7)	$21	$43	$57
Other comprehensive income before reclassifications	—	13	—	13
Amounts reclassified from AOCI	(1)	(10)	(4)	(15)
Other comprehensive income (loss)	(1)	3	(4)	(2)
Income tax (benefits) on other comprehensive loss	—	—	(1)	(1)
Net other comprehensive income (loss)	(1)	3	(3)	(1)
AOCI Balance as of March 31, 2015	$(8)	$24	$40	$56
AOCI Balance as of January 1, 2014	$(1)	$8	$47	$54
Other comprehensive income before reclassifications	—	33	—	33
Amounts reclassified from AOCI	(2)	(14)	(5)	(21)
Other comprehensive income (loss)	(2)	19	(5)	12
Income tax (benefits) on other comprehensive income (loss)	(1)	7	(2)	4
Net other comprehensive income (loss)	(1)	12	(3)	8
AOCI Balance as of March 31, 2014	$(2)	$20	$44	$62

The following amounts were reclassified from AOCI in the three months ended March 31, 2015 and 2014:

Reclassifications from AOCI [2]	Three Months Ended March 31, 2015	2014	Affected Line Item in Consolidated Statements of Income (Loss)
	(In millions)		
Gains & losses on cash flow hedges			
Commodity contracts	$(1)	$(2)	Other operating expenses
	—	1	Income tax benefits
	$(1)	$(1)	Net of tax
Unrealized gains on AFS securities			
Realized gains on sales of securities	$(10)	$(14)	Investment income (loss)
	4	5	Income tax benefits
	$(6)	$(9)	Net of tax
Defined benefit pension and OPEB plans			
Prior-service costs	$(4)	$(5)	[1]
	1	2	Income tax benefits
	$(3)	$(3)	Net of tax

(1) These AOCI components are included in the computation of net periodic pension cost. See Note 3, Pension and Other Postemployment Benefits for additional details.
(2) Parenthesis represent credits to the Consolidated Statements of Income (Loss) from AOCI.

5. INCOME TAXES

FirstEnergy’s and FES’ interim effective tax rates reflect the estimated annual effective tax rates for 2015 and 2014. These tax rates are affected by estimated annual 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.

FirstEnergy’s effective tax rate from continuing operations for the three months ended March 31, 2015 and 2014 was 39.3% and 28.2%, respectively. The increase in the effective tax rate is primarily due to the elimination of certain future tax liabilities associated with basis differences as well as the reduction in state deferred tax liabilities resulting from changes in state apportionment factors in the first quarter of 2014.

FES’ effective tax rate from continuing operations for the three months ended March 31, 2015 and 2014 was 40.0% and 35.2%, respectively. The increase in the effective tax rate quarter over quarter is primarily due to changes in estimated annual permanent items on lower pre-tax losses for the period.

As of March 31, 2015, it is reasonably possible that approximately $10 million of unrecognized tax benefits may be resolved within the next twelve months as a result of the statute of limitations expiring, all of which would affect FirstEnergy's effective tax rate.

In January 2015, the IRS completed its examination of the 2013 federal income tax return and issued a Revenue Agent Report. For tax year 2013 there was no material impact to FirstEnergy's effective tax rate associated with this examination. Tax year 2014 is currently under review by the IRS.

6. VARIABLE INTEREST ENTITIES

FirstEnergy performs qualitative analyses based on powers and benefits to determine whether a variable interest gives FirstEnergy a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both power and benefits, 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. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary.

VIEs included in FirstEnergy’s consolidated financial statements are: the PNBV capital trusts that were created to refinance debt originally issued in connection with sale and leaseback transactions; wholly-owned limited liability companies of the Ohio Companies created to issue phase-in recovery bonds to securitize the recovery of certain all electric customer heating discounts, fuel and purchased power regulatory assets; wholly owned limited liability companies of JCP&L created to sell transition bonds to securitize the recovery of JCP&L’s bondable stranded costs and special purpose limited liability companies at MP and PE created to issue environmental control bonds that were used to construct environmental control facilities.

The caption "noncontrolling interest" within the consolidated financial statements is used to reflect the portion of a VIE that FirstEnergy consolidates, but does not own.

In order to evaluate contracts for consolidation treatment and entities for which FirstEnergy has an interest, FirstEnergy aggregates variable interests into the following categories based on similar risk characteristics and significance.

Ohio Securitization

In September 2012, the Ohio Companies formed CEI Funding LLC, OE Funding LLC and TE Funding LLC, respectively, as separate, wholly-owned limited liability SPEs. The phase-in recovery bonds issued by these SPEs are payable only from, and secured by, phase-in recovery property owned by the SPEs (i.e. the right to impose, charge and collect irrevocable non-bypassable usage-based charges payable by retail electric customers in the service territories of the Ohio Companies) and the bondholder has no recourse to the general credit of FirstEnergy or any of the Ohio Companies. Each of the Ohio Companies, as servicer of its respective SPE, manages and administers the phase-in recovery property including the billing, collection and remittance of usage-based charges payable by retail electric customers. In the aggregate, the Ohio Companies are entitled to annual servicing fees of $445 thousand that are recoverable through the usage-based charges. The SPEs are considered VIEs and each one is consolidated into its applicable utility. As of March 31, 2015 and December 31, 2014, $374 million and $386 million of the phase-in recovery bonds were outstanding, respectively.

JCP&L Securitization

The consolidated financial statements of FirstEnergy and JCP&L include the accounts of JCP&L Transition Funding and JCP&L Transition Funding II (wholly owned limited liability companies of JCP&L). In June 2002, JCP&L Transition Funding sold transition bonds to securitize the recovery of JCP&L’s bondable stranded costs associated with the previously divested Oyster Creek Nuclear Generating Station. In August 2006, JCP&L Transition Funding II sold transition bonds to securitize the recovery of deferred costs associated with JCP&L’s supply of BGS. JCP&L did not purchase and does not own any of the transition bonds, which are included as long-term debt on FirstEnergy’s and JCP&L’s Consolidated Balance Sheets. The transition bonds are the sole obligations of

JCP&L Transition Funding and JCP&L Transition Funding II and are collateralized by each company’s equity and assets, which consist primarily of bondable transition property. As of March 31, 2015 and December 31, 2014, $159 million and $168 million of the transition bonds were outstanding, respectively.

MP and PE Environmental Funding Companies

The consolidated financial statements of FirstEnergy include two bankruptcy remote, special purpose limited liability companies (indirect subsidiaries of MP and PE). The entities issued bonds of which the proceeds were used to construct environmental control facilities. The special purpose limited liability companies own the irrevocable right to collect non-bypassable environmental control charges from all customers who receive electric delivery service in MP's and PE'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. The right to collect environmental control charges is not included as an asset on FirstEnergy's consolidated balance sheets. Creditors of FirstEnergy, other than the special purpose limited liability companies, have no recourse to any assets or revenues of the special purpose limited liability companies. As of March 31, 2015 and December 31, 2014, $441 million and $450 million of the environmental control bonds were outstanding, respectively.

Mining Operations

FEV holds a 33-1/3% equity ownership in Global Holding, the holding company for a joint venture in the Signal Peak mining and coal transportation operations with coal sales in U.S. and international markets. FEV is not the primary beneficiary of the joint venture, as it does not have control over the significant activities affecting the joint venture's economic performance. FEV's ownership interest is subject to the equity method of accounting. FEV's equity method investment in Global Holding was $379 million as of March 31, 2015.

Previously FEV held a 50% equity ownership in Global Holding, of which a 16.7% interest was sold in 2011. In conjunction with the 2011 sale, a subsidiary of Global Holding was given the right to put up to 2 million tons annually from the Signal Peak underground mine to FG through 2024. Such subsidiary did not exercise their right under the put for 2014. During the first quarter of 2015, such Global Holding subsidiary eliminated its right under the put in exchange for FirstEnergy extending its guarantee under Global Holding's $300 million senior secured term loan facility through 2020, resulting in a pre-tax charge of $24 million. (See Note 10, Commitments, Guarantees and Contingencies.)

Trusts

FirstEnergy's consolidated financial statements include PNBV. FirstEnergy used debt and available funds to purchase the notes issued by PNBV for the purchase of lease obligation bonds. Ownership of PNBV includes a 3% equity interest by an unaffiliated third party and a 3% equity interest held by OES Ventures, a wholly owned subsidiary of OE.

PATH-WV

PATH is a series limited liability company that is comprised of multiple series, each of which has separate rights, powers and duties regarding specified property and the series profits and losses associated with such property. A subsidiary of FirstEnergy owns 100% of the Allegheny Series (PATH-Allegheny) and 50% of the West Virginia Series (PATH-WV), which is a joint venture with a subsidiary of AEP. FirstEnergy is not the primary beneficiary of PATH-WV, as it does not have control over the significant activities affecting the economics of the portion of the PATH project that was to be constructed by PATH-WV. FirstEnergy's ownership interest in PATH-WV is subject to the equity method of accounting.

On August 24, 2012, PJM removed the PATH project from its long-range expansion plans. See Note 9, Regulatory Matters, for additional information on the abandonment of PATH.

Power Purchase Agreements

FirstEnergy evaluated its power purchase agreements and determined that certain NUG entities at its Regulated Distribution segment may be VIEs to the extent that they own a plant that sells substantially all of its output to the applicable utilities and the contract price for power is correlated with the plant’s variable costs of production. FirstEnergy maintains 16 long-term power purchase agreements with NUG entities that were entered into pursuant to PURPA. FirstEnergy was not involved in the creation of, and has no equity or debt invested in, any of these entities.

FirstEnergy has determined that for all but one of these NUG entities, it does not have a variable interests in the entities or the entities do not meet the criteria to be considered a VIE. FirstEnergy may hold a variable interest in the remaining one entity; however, it applied the scope exception that exempts enterprises unable to obtain the necessary information to evaluate entities.

Because FirstEnergy has no equity or debt interests in the NUG entities, its maximum exposure to loss relates primarily to the above-market costs incurred for power. FirstEnergy expects any above-market costs incurred at its Regulated Distribution segment to be recovered from customers. Purchased power costs related to the contracts that may contain a variable interest during the three months ended March 31, 2015 and 2014 were $31 million and $61 million, respectively.

Sale and Leaseback

FirstEnergy has variable interests in certain sale and leaseback transactions. FirstEnergy is not the primary beneficiary of these interests as it does not have control over the significant activities affecting the economics of the arrangements.

As of March 31, 2015, FirstEnergy's leasehold interest was 3.75% of Perry Unit 1, 93.83% of Bruce Mansfield Unit 1 and 2.60% of Beaver Valley Unit 2.

On June 24, 2014, OE exercised its irrevocable right to repurchase from the remaining owner participants the lessors' interests in Beaver Valley Unit 2 at the end of the lease term (June 1, 2017), which right to repurchase was assigned to NG. Additionally, on June 24, 2014, NG entered into a purchase agreement with an owner participant to purchase its lessor equity interests of the remaining non-affiliated leasehold interest in Perry Unit 1 on May 23, 2016, which is just prior to the end of the lease term. Upon the completion of these transactions, NG will have obtained all of the lessor equity interests at Perry Unit 1 and Beaver Valley Unit 2.

FES, and other FE subsidiaries are exposed to losses under their applicable sale and leaseback agreements upon the occurrence of certain contingent events. The maximum exposure under these provisions represents the net amount of casualty value payments due upon the occurrence of specified casualty events. Net discounted lease payments would not be payable if the casualty loss payments were made. The following table discloses each company’s net exposure to loss based upon the casualty value provisions as of March 31, 2015:

	Maximum Exposure	Discounted Lease Payments, net	Net Exposure
	(In millions)		
FirstEnergy	$1,321	$1,053	$268
FES	1,235	1,014	221

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7. FAIR VALUE MEASUREMENTS

RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices for identical instruments in active market

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

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

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

FirstEnergy produces a long-term power and capacity price forecast annually with periodic updates as market conditions change. When underlying prices are not observable, prices from the long-term price forecast, which has been reviewed and approved by FirstEnergy's Risk Policy Committee, are used to measure fair value. A more detailed description of FirstEnergy's valuation process for FTRs and NUGs are as 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 FirstEnergy 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. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement. See Note 8, Derivative Instruments, for additional information regarding FirstEnergy's FTRs.

NUG contracts represent purchase power agreements with third-party non-utility generators that are transacted to satisfy certain obligations under PURPA. NUG contract carrying values are recorded at fair value and adjusted periodically using a mark-to-model methodology, which approximates market. The primary unobservable inputs into the model are regional power prices and generation MWH. Pricing for the NUG contracts is a combination of market prices for the current year and next three years based on observable data and internal models using historical trends and market data for the remaining years under contract. The internal models use forecasted energy purchase prices as an input when prices are not defined by the contract. Forecasted market prices are based on ICE quotes and management assumptions. Generation MWH reflects data provided by contractual arrangements and historical trends. The model calculates the fair value by multiplying the prices by the generation MWH. Generally, significant increases or decreases in inputs in isolation could result in a higher or lower fair value measurement.

FirstEnergy primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, FirstEnergy maximizes the use of observable inputs and minimizes the use of unobservable inputs. There were no changes in valuation methodologies used as of March 31, 2015, from those used as of

December 31, 2014. The determination of the fair value measures takes into consideration various factors, including but not limited to, nonperformance risk, counterparty credit risk and the impact of credit enhancements (such as cash deposits, LOCs and priority interests). The impact of these forms of risk was not significant to the fair value measurements.

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the three months ended March 31, 2015. The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy:

FirstEnergy

Recurring Fair Value Measurements	March 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$1,262	$—	$1,262	$—	$1,221	$—	$1,221
Derivative assets - commodity contracts	2	191	—	193	1	171	—	172
Derivative assets - FTRs	—	—	7	7	—	—	39	39
Derivative assets - NUG contracts(1)	—	—	2	2	—	—	2	2
Equity securities(2)	695	—	—	695	592	—	—	592
Foreign government debt securities	—	85	—	85	—	76	—	76
U.S. government debt securities	—	185	—	185	—	182	—	182
U.S. state debt securities	—	244	—	244	—	237	—	237
Other(3)	48	186	—	234	55	256	—	311
Total assets	$745	$2,153	$9	$2,907	$648	$2,143	$41	$2,832
Liabilities								
Derivative liabilities - commodity contracts	$(10)	$(167)	$—	$(177)	$(26)	$(141)	$—	$(167)
Derivative liabilities - FTRs	—	—	(5)	(5)	—	—	(14)	(14)
Derivative liabilities - NUG contracts(1)	—	—	(150)	(150)	—	—	(153)	(153)
Total liabilities	$(10)	$(167)	$(155)	$(332)	$(26)	$(141)	$(167)	$(334)
Net assets (liabilities)(4)	$735	$1,986	$(146)	$2,575	$622	$2,002	$(126)	$2,498

(1) NUG contracts are subject to regulatory accounting treatment and do not impact earnings.

(2) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index or the Wells Fargo Hybrid and Preferred Securities REIT index.

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

(4) Excludes $(32) million and $40 million as of March 31, 2015 and December 31, 2014, respectively, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of NUG contracts and FTRs that are classified as Level 3 in the fair value hierarchy for the periods ended March 31, 2015 and December 31, 2014:

	NUG Contracts[1]			FTRs		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
	(In millions)					
January 1, 2014 Balance	$20	$(222)	$(202)	$4	$(12)	$(8)
Unrealized gain (loss)	2	(2)	—	47	(1)	46
Purchases	—	—	—	26	(16)	10
Settlements	(20)	71	51	(38)	15	(23)
December 31, 2014 Balance	$2	$(153)	$(151)	$39	$(14)	$25
Unrealized gain (loss)	1	(10)	(9)	4	3	7
Settlements	(1)	13	12	(36)	6	(30)
March 31, 2015 Balance	$2	$(150)	$(148)	$7	$(5)	$2

(1) Changes in the fair value of NUG contracts are generally subject to regulatory accounting treatment and do not impact earnings.

Level 3 Quantitative Information

The following table provides quantitative information for FTRs and NUG contracts that are classified as Level 3 in the fair value hierarchy for the period ended March 31, 2015:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$2	Model	RTO auction clearing prices	($3.80) to $4.70	$0.90	Dollars/MWH
NUG Contracts	$(148)	Model	Generation	500 to 4,538,000	891,000	MWH
			Regional electricity prices	$46.10 to $69.90	$52.80	Dollars/MWH

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FES

Recurring Fair Value Measurements	March 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(In millions)							
Corporate debt securities	$—	$690	$—	$690	$—	$655	$—	$655
Derivative assets - commodity contracts	2	191	—	193	1	171	—	172
Derivative assets - FTRs	—	—	6	6	—	—	27	27
Equity securities[1]	469	—	—	469	360	—	—	360
Foreign government debt securities	—	68	—	68	—	57	—	57
U.S. government debt securities	—	35	—	35	—	46	—	46
U.S. state debt securities	—	4	—	4	—	4	—	4
Other[2]	—	124	—	124	—	199	—	199
Total assets	$471	$1,112	$6	$1,589	$361	$1,132	$27	$1,520
Liabilities								
Derivative liabilities - commodity contracts	$(10)	$(167)	$—	$(177)	$(26)	$(141)	$—	$(167)
Derivative liabilities - FTRs	—	—	(5)	(5)	—	—	(13)	(13)
Total liabilities	$(10)	$(167)	$(5)	$(182)	$(26)	$(141)	$(13)	$(180)
Net assets (liabilities)[3]	$461	$945	$1	$1,407	$335	$991	$14	$1,340

(1) NDT funds hold equity portfolios whose performance is benchmarked against the Alerian MLP Index or the Wells Fargo Hybrid and Preferred Securities REIT index.
(2) Primarily consists of short-term cash investments.
(3) Excludes $(9) million and $44 million as of March 31, 2015 and December 31, 2014, respectively, of receivables, payables, taxes and accrued income associated with the financial instruments reflected within the fair value table.

Rollforward of Level 3 Measurements

The following table provides a reconciliation of changes in the fair value of FTRs held by FES and classified as Level 3 in the fair value hierarchy for the periods ended March 31, 2015 and December 31, 2014:

	Derivative Asset	Derivative Liability	Net Asset (Liability)
	(In millions)		
January 1, 2014 Balance	$3	$(11)	$(8)
Unrealized gain (loss)	34	(1)	33
Purchases	15	(16)	(1)
Settlements	(25)	15	(10)
December 31, 2014 Balance	$27	$(13)	$14
Unrealized gain	3	2	5
Settlements	(24)	6	(18)
March 31, 2015 Balance	$6	$(5)	$1

Level 3 Quantitative Information

The following table provides quantitative information for FTRs held by FES that are classified as Level 3 in the fair value hierarchy for the period ended March 31, 2015:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$1	Model	RTO auction clearing prices	($3.80) to $4.30	$0.70	Dollars/MWH

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Consolidated Balance Sheets at cost, which approximates their fair market value. Investments other than cash and cash equivalents include held-to-maturity securities, AFS securities and notes receivable.

At the end of each reporting period, FirstEnergy evaluates its investments for OTTI. Investments classified as AFS securities are evaluated to determine whether a decline in fair value below the cost basis is other than temporary. FirstEnergy first considers its intent and ability to hold an equity security until recovery and then considers, among other factors, the duration and the extent to which the security's fair value has been less than its cost and the near-term financial prospects of the security issuer when evaluating an investment for impairment. For debt securities, FirstEnergy considers its intent to hold the securities, the likelihood that it will be required to sell the securities before recovery of its cost basis and the likelihood of recovery of the securities' entire amortized cost basis. If the decline in fair value is determined to be other than temporary, the cost basis of the securities is written down to fair value.

Unrealized gains and losses on AFS securities are recognized in AOCI. However, unrealized losses held in the NDTs of FES, OE and TE are recognized in earnings since the trust arrangements, as they are currently defined, do not meet the required ability and intent to hold criteria in consideration of OTTI.

The investment policy for the NDT funds restricts or limits the trusts' ability to hold certain types of assets including private or direct placements, warrants, securities of FirstEnergy, investments in companies owning nuclear power plants, financial derivatives, securities convertible into common stock and securities of the trust funds' custodian or managers and their parents or subsidiaries.

AFS Securities

FirstEnergy holds debt and equity securities within its NDT, nuclear fuel disposal and NUG trusts. These trust investments are considered AFS securities, recognized at fair market value. FirstEnergy has no securities held for trading purposes.

The following table summarizes the amortized cost basis, unrealized gains (there were no unrealized losses) and fair values of investments held in NDT, nuclear fuel disposal and NUG trusts as of March 31, 2015 and December 31, 2014:

	March 31, 2015(1)			December 31, 2014(2)		
	Cost Basis	Unrealized Gains	Fair Value	Cost Basis	Unrealized Gains	Fair Value
	(In millions)					
Debt securities						
FirstEnergy	$1,767	$43	$1,810	$1,724	$27	$1,751
FES	812	22	834	788	13	801
Equity securities						
FirstEnergy	$648	$47	$695	$533	$58	$591
FES	442	27	469	329	31	360

(1) Excludes short-term cash investments: FE Consolidated - $98 million; FES - $78 million.
(2) Excludes short-term cash investments: FE Consolidated - $241 million; FES - $204 million.

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Proceeds from the sale of investments in AFS securities, realized gains and losses on those sales, OTTI and interest and dividend income for the three months ended March 31, 2015 and 2014 were as follows:

Three Months Ended					
March 31, 2015	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$371	$60	$(50)	$(7)	$25
FES	189	38	(28)	(6)	14

March 31, 2014	Sale Proceeds	Realized Gains	Realized Losses	OTTI	Interest and Dividend Income
	(In millions)				
FirstEnergy	$621	$28	$(16)	$(2)	$25
FES	423	19	(5)	(2)	15

Held-To-Maturity Securities

The following table provides the amortized cost basis, unrealized gains (there were no unrealized losses) and approximate fair values of investments in held-to-maturity securities as of March 31, 2015 and December 31, 2014:

	March 31, 2015			December 31, 2014		
	Cost Basis	Unrealized Gains	Fair Value	Cost Basis	Unrealized Gains	Fair Value
	(In millions)					
Debt Securities						
FirstEnergy	$13	$4	$17	$13	$4	$17

The held-to-maturity debt securities contractually mature by June 30, 2017. Investments in employee benefit trusts and cost and equity method investments, including FirstEnergy's investment in Global Holding, totaling $642 million as of March 31, 2015 and $626 million as of December 31, 2014, are excluded from the amounts reported above.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, FirstEnergy 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 and other long-term obligations, excluding capital lease obligations and net unamortized premiums and discounts:

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
FirstEnergy	$19,775	$21,911	$19,828	$21,733
FES	3,080	3,215	3,097	3,241

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy. FirstEnergy classified short-term borrowings, long-term debt and other long-term obligations as Level 2 in the fair value hierarchy as of March 31, 2015 and December 31, 2014.

8. DERIVATIVE INSTRUMENTS

FirstEnergy is exposed to financial risks resulting from fluctuating interest rates and commodity prices, including prices for electricity, natural gas, coal and energy transmission. To manage the volatility relating to these exposures, FirstEnergy's Risk Policy Committee, comprised of senior management, provides general management oversight for risk management activities throughout FirstEnergy. 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. FirstEnergy also uses a variety of derivative instruments for risk management purposes including forward contracts, options, futures contracts and swaps.

FirstEnergy accounts for derivative instruments on its Consolidated Balance Sheets at fair value (unless they meet the normal purchases and normal sales criteria) as follows:

- Changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded to AOCI with subsequent reclassification to earnings in the period during which the hedged forecasted transaction affects earnings.
- Changes in the fair value of derivative instruments that are designated and qualify as fair value hedges are recorded as an adjustment to the item being hedged. When fair value hedges are discontinued, the adjustment recorded to the item being hedged is amortized into earnings.
- Changes in the fair value of derivative instruments that are not designated in a hedging relationship are recorded in net income on a mark-to-market basis, unless otherwise noted.

Derivative instruments meeting the normal purchases and normal sales criteria would be accounted for under the accrual method of accounting with their effects included in earnings at the time of contract performance.

FirstEnergy has contractual derivative agreements through 2020.

Cash Flow Hedges

FirstEnergy has used cash flow hedges for risk management purposes to manage the volatility related to exposures associated with fluctuating commodity prices and interest rates.

Total pre-tax net unamortized losses included in AOCI associated with instruments previously designated as cash flow hedges totaled $9 million and $8 million as of March 31, 2015 and December 31, 2014, respectively. Since the forecasted transactions remain probable of occurring, these amounts will be amortized into earnings over the life of the hedging instruments. Approximately $2 million is expected to be amortized to income during the next twelve months associated with these non-active derivative instruments.

FirstEnergy has used forward starting swap agreements to hedge a portion of the consolidated interest rate risk associated with anticipated issuances of fixed-rate, long-term debt securities of its subsidiaries. These derivatives were treated as cash flow hedges, protecting against the risk of changes in future interest payments resulting from changes in benchmark U.S. Treasury rates between the date of hedge inception and the date of the debt issuance. Total pre-tax unamortized losses included in AOCI associated with prior interest rate cash flow hedges totaled $48 million and $50 million as of March 31, 2015 and December 31, 2014, respectively. Based on current estimates, approximately $9 million will be amortized to interest expense during the next twelve months associated with these non-active derivative instruments.

Refer to Note 4, Accumulated Other Comprehensive Income, for reclassifications from AOCI during the three months ended March 31, 2015 and 2014.

As of March 31, 2015 and December 31, 2014, no commodity or interest rate derivatives were designated as cash flow hedges.

Fair Value Hedges

FirstEnergy has used fixed-for-floating interest rate swap agreements to hedge a portion of the consolidated interest rate risk associated with the debt portfolio of its subsidiaries. As of March 31, 2015 and December 31, 2014, no fixed-for-floating interest rate swap agreements were outstanding.

Unamortized gains included in long-term debt associated with prior fixed-for-floating interest rate swap agreements totaled $29 million and $32 million as of March 31, 2015 and December 31, 2014, respectively. Based on current estimates, approximately $12 million will be amortized to interest expense during the next twelve months. Reclassifications from long-term debt into interest expense totaled approximately $3 million during the three months ended March 31, 2015 and 2014.

Commodity Derivatives

FirstEnergy uses both physically and financially settled derivatives to manage its exposure to volatility in commodity prices. Commodity derivatives are used for risk management purposes to hedge exposures when it makes economic sense to do so, including circumstances where the hedging relationship does not qualify for hedge accounting.

Electricity forwards are used to balance expected sales with expected generation and purchased power. Natural gas futures are entered into based on expected consumption of natural gas primarily for use in FirstEnergy’s combustion turbine units. Heating oil futures are entered into based on expected consumption of oil and the financial risk in FirstEnergy’s coal transportation contracts. Derivative instruments are not used in quantities greater than forecasted needs.

As of March 31, 2015, FirstEnergy’s net asset position under commodity derivative contracts was $16 million, which related to FES positions. Under these commodity derivative contracts, FES posted $71 million of collateral. Certain commodity derivative contracts include credit risk related contingent features that would require FES to post $6 million of additional collateral if the credit rating for its debt were to fall below investment grade.

Based on commodity derivative contracts held as of March 31, 2015, an adverse change of 10% in commodity prices would increase net income by approximately $15 million during the next twelve months.

NUGs

As of March 31, 2015, FirstEnergy's net liability position under NUG contracts was $148 million, representing contracts held at JCP&L, ME and PN. NUG contracts represent purchased power agreements with third-party non-utility generators that are transacted to satisfy certain obligations under PURPA. Changes in the fair value of NUG contracts are subject to regulatory accounting treatment and do not impact earnings.

FTRs

As of March 31, 2015, FirstEnergy's and FES' net asset position under FTRs was $2 million and $1 million, respectively, and FES posted $5 million of collateral. FirstEnergy holds FTRs that generally represent an economic hedge of future congestion charges that will be incurred in connection with FirstEnergy’s load obligations. FirstEnergy acquires the majority of its FTRs in an annual auction through a self-scheduling process involving the use of ARRs allocated to members of an RTO that have load serving obligations and through the direct allocation of FTRs from the PJM RTO. The PJM RTO has a rule that allows directly allocated FTRs to be granted to LSEs in zones that have newly entered PJM. For the first two planning years, PJM permits the LSEs to request a direct allocation of FTRs in these new zones at no cost as opposed to receiving ARRs. The directly allocated FTRs differ from traditional FTRs in that the ownership of all or part of the FTRs may shift to another LSE if customers choose to shop with the other LSE.

The future obligations for the FTRs acquired at auction are reflected on the Consolidated Balance Sheets and have not been designated as cash flow hedge instruments. FirstEnergy initially records these FTRs at the auction price less the obligation due to the RTO, and subsequently adjusts the carrying value of remaining FTRs to their estimated fair value at the end of each accounting period prior to settlement. Changes in the fair value of FTRs held by FES and AE Supply are included in other operating expenses as unrealized gains or losses. Unrealized gains or losses on FTRs held by FirstEnergy’s utilities are recorded as regulatory assets or liabilities. Directly allocated FTRs are accounted for under the accrual method of accounting, and their effects are included in earnings at the time of contract performance.

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FirstEnergy records the fair value of derivative instruments on a gross basis. The following table summarizes the fair value and classification of derivative instruments on FirstEnergy's Consolidated Balance Sheets:

Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value	
	March 31, 2015	December 31, 2014		March 31, 2015	December 31, 2014
	(In millions)			(In millions)	
Current Assets - Derivatives			Current Liabilities - Derivatives		