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

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the FISCAL YEAR ended December 31, 2021

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.10 par value per share	FE	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☑

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

$20,228,791,176 as of June 30, 2021

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

CLASS	AS OF JANUARY 31, 2022
Common Stock, $0.10 par value	570,344,389

Documents Incorporated By Reference

DOCUMENT	PART OF FORM 10-K INTO WHICH DOCUMENT IS INCORPORATED
Proxy Statement for 2022 Annual Meeting of Shareholders of FirstEnergy Corp. to be held May 17, 2022	Part III

TABLE OF CONTENTS

	Page
Glossary of Terms	iii
Part I	
Item 1. Business	1
The Companies	1
Utility Regulation	2
Capital Requirements	3
System Demand	4
Regional Reliability	4
Competition	4
Seasonality	4
Human Capital	5
Information About Our Executive Officers	7
FirstEnergy Website and Other Social Media Sites and Applications	7
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments	21
Item 2. Properties	21
Item 3. Legal Proceedings	22
Item 4. Mine Safety Disclosures	22
Part II	23
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
Item 6. [Reserved]	23
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	68
Item 8. Financial Statements and Supplementary Data	68
Report of Independent Registered Public Accounting Firm	69
Financial Statements	
Consolidated Statements of Income	71
Consolidated Statements of Comprehensive Income	72
Consolidated Balance Sheets	73
Consolidated Statements of Stockholders' Equity	74
Consolidated Statements of Cash Flows	75
Notes to Consolidated Financial Statements	76
Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	124
Item 9A. Controls and Procedures	124
Item 9B. Other Information	125
Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	125

Part III 125
Item 10. Directors, Executive Officers and Corporate Governance 125
Item 11. Executive Compensation 125
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters 126
Item 13. Certain Relationships and Related Transactions, and Director Independence 126
Item 14. Principal Accounting Fees and Services 126
Part IV 127
Item 15. Exhibits, Financial Statement Schedule 127
Item 16. Form 10-K Summary 131

GLOSSARY OF TERMS

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

AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary
AGC	Allegheny Generating Company, a generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a subsidiary of FET, which owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
CES	Competitive Energy Services, formerly a reportable operating segment of FirstEnergy
FE	FirstEnergy Corp., a public utility holding company
FENOC	Energy Harbor Nuclear Corp. (formerly known as FirstEnergy Nuclear Operating Company), a subsidiary of EH, which operates NG's nuclear generating facilities
FES	Energy Harbor LLC. (formerly known as FirstEnergy Solutions Corp.), a subsidiary of EH, which provides energy-related products and services
FES Debtors	FES, FENOC, FG, NG, FE Aircraft Leasing Corp., Norton Energy Storage LLC, and FGMUC
FESC	FirstEnergy Service Company, which provides legal, financial, and other corporate support services
FET	FirstEnergy Transmission, LLC, the parent company of ATSI, KATCo, MAIT and TrAIL, and has a joint venture in PATH
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	Energy Harbor Generation LLC (formerly known as FirstEnergy Generation, LLC), a subsidiary of EH, which owns and operates fossil generating facilities
FGMUC	FirstEnergy Generation Mansfield Unit 1 Corp., a subsidiary of FG
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	Global Rail Group, LLC, 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 FE on November 7, 2001
GPUN	GPU Nuclear, Inc., a subsidiary of FE, which formerly operated TMI-2
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
KATCo	Keystone Appalachian Transmission Company, a subsidiary of FET
MAIT	Mid-Atlantic Interstate Transmission, LLC, a subsidiary of FET, which owns and operates transmission facilities
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary
NG	Energy Harbor Nuclear Generation LLC (formerly known as FirstEnergy Nuclear Generation, LLC), a subsidiary of EH, 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 and West Virginia 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
Signal Peak	Signal Peak Energy, LLC, 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
Transmission Companies	ATSI, MAIT and TrAIL
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE, and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary

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

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	CTA	Consolidated Tax Adjustment
ACE	Affordable Clean Energy	CWA	Clean Water Act
ADIT	Accumulated Deferred Income Taxes	D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
AEP	American Electric Power Company, Inc.	DCPD	FirstEnergy Corp. Deferred Compensation Plan for Outside Directors
AFS	Available-for-sale	DCR	Delivery Capital Recovery
AFUDC	Allowance for Funds Used During Construction	DMR	Distribution Modernization Rider
AMI	Advance Metering Infrastructure	DOE	United States Department of Energy
AMT	Alternative Minimum Tax	DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and S.D. Ohio
AOCI	Accumulated Other Comprehensive Income (Loss)	DSIC	Distribution System Improvement Charge
ARO	Asset Retirement Obligation	DSP	Default Service Plan
ARP	Alternative Revenue Program	DTA	Deferred Tax Asset
ASC	Accounting Standard Codification	E&P	Earnings and Profits
ASU	Accounting Standards Update	EDC	Electric Distribution Company
AYE DCD	Allegheny Energy, Inc. Amended and Restated Revised Plan for Deferral of Compensation of Directors	EDCP	FirstEnergy Corp. Amended and Restated Executive Deferred Compensation Plan
AYE Director's Plan	Allegheny Energy, Inc. Non-Employee Director Stock Plan	EDIS	Electric Distribution Investment Surcharge
Bankruptcy Court	U.S. Bankruptcy Court in the Northern District of Ohio in Akron	EE&C	Energy Efficiency and Conservation
BGS	Basic Generation Service	EEI	Edison Electric Institute
bps	Basis points	EGS	Electric Generation Supplier
Brookfield	North American Transmission Company II LLC, a controlled investment vehicle entity of Brookfield Infrastructure Partners	EGU	Electric Generation Units
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	EH	Energy Harbor Corp.
CAA	Clean Air Act	EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
CBA	Collective Bargaining Agreement	ENEC	Expanded Net Energy Cost
CCR	Coal Combustion Residuals	EPA	United States Environmental Protection Agency
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980	EPS	Earnings per Share
CFIUS	Committee on Foreign Investments in the United States	ERO	Electric Reliability Organization
CFL	Compact Fluorescent Light	ESG	Environmental, Social, Corporate Governance
CFR	Code of Federal Regulations	ESP IV	Electric Security Plan IV
CO_2	Carbon Dioxide	Exchange Act	Securities and Exchange Act of 1934, as amended
Code of Business Conduct	The FirstEnergy Code of Business Conduct and Ethics as approved by the FE Board on July 20, 2021	Facebook®	Facebook is a registered trademark of Facebook, Inc.
COVID-19	Coronavirus disease	FASB	Financial Accounting Standards Board
CPP	EPA's Clean Power Plan	FCA	Financial Conduct Authority
CSAPR	Cross-State Air Pollution Rule	FE Board	FE Board of Directors
CSR	Conservation Support Rider	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 Committee	NDT	Nuclear Decommissioning Trust
FES Bankruptcy	FES Debtors' voluntary petitions for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court	NERC	North American Electric Reliability Corporation
FET Board	The Board of Directors of FET	NJBPU	New Jersey Board of Public Utilities
FET LLC Agreement	Third Amended and Restated Limited Liability Company Operating Agreement of FET	NJ Rate Counsel	New Jersey Division of Rate Counsel
FET P&SA	Purchase and Sale Agreement entered into on November 6, 2021, by and between FE, FET, Brookfield and Brookfield Guarantors	NOL	Net Operating Loss
FET Revolving Facility	FET and certain of its subsidiaries' former five-year syndicated revolving credit facility, as amended, and replaced by the 2021 Credit Facilities on October 18, 2021	NOx	Nitrogen Oxide
Fitch	Fitch Ratings Service	NPDES	National Pollutant Discharge Elimination System
FMB	First Mortgage Bond	NRC	Nuclear Regulatory Commission
FPA	Federal Power Act	NSR	New Source Review
FTR	Financial Transmission Right	NUG	Non-Utility Generation
GAAP	Accounting Principles Generally Accepted in the United States of America	NYPSC	New York State Public Service Commission
GHG	Greenhouse Gases	OAG	Ohio Attorney General
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly	OCA	Office of Consumer Advocate
HB 128	House Bill 128, as passed by Ohio's 134th General Assembly	OCC	Ohio Consumers' Counsel
IBA	ICE Benchmark Administration Limited	ODSA	Ohio Development Service Agency
IBEW	International Brotherhood of Electrical Workers	OPEB	Other Post-Employment Benefits
ICP 2007	FirstEnergy Corp. 2007 Incentive Compensation Plan	OPEIU	Office and Professional Employees International Union
ICP 2015	FirstEnergy Corp. 2015 Incentive Compensation Plan	OPIC	Other Paid-in Capital
ICP 2020	FirstEnergy Corp. 2020 Incentive Compensation Plan	OSHA	Occupational Safety and Health Administration
IRS	Internal Revenue Service	OVEC	Ohio Valley Electric Corporation
ISO	Independent System Operator	PA DEP	Pennsylvania Department of Environmental Protection
ITC	Investment Tax Credit	PCRB	Pollution Control Revenue Bond
kV	Kilovolt	PIR	Phase-In Recovery Rider
KWH	Kilowatt-hour	PJM	PJM Interconnection, LLC
LED	Light Emitting Diode	PJM Tariff	PJM Open Access Transmission Tariff
LIBOR	London Inter-Bank Offered Rate	POLR	Provider of Last Resort
LOC	Letter of Credit	PPA	Purchase Power Agreement
LSE	Load Serving Entity	PPB	Parts per Billion
LTIIPs	Long-Term Infrastructure Improvement Plans	PPUC	Pennsylvania Public Utility Commission
MDPSC	Maryland Public Service Commission	PUCO	Public Utilities Commission of Ohio
MGP	Manufactured Gas Plants	PURPA	Public Utility Regulatory Policies Act of 1978
MISO	Midcontinent Independent System Operator, Inc.	RCRA	Resource Conservation and Recovery Act
Moody's	Moody's Investors Service, Inc.	REC	Renewable Energy Credit
MW	Megawatt	Regulation FD	Regulation Fair Disclosure promulgated by the SEC
MWH	Megawatt-hour	RFC	Reliability*First* Corporation
NAAQS	National Ambient Air Quality Standards	RFP	Request for Proposal
NAV	Net Asset Value	RGGI	Regional Greenhouse Gas Initiative
N.D. Ohio	Northern District of Ohio	ROE	Return on Equity

RSS	Rich Site Summary	SREC	Solar Renewable Energy Credit
RTEP	Regional Transmission Expansion Plan	SSO	Standard Service Offer
RTO	Regional Transmission Organization	SVC	Static Var Compensator
SBC	Societal Benefits Charge	S&P	Standard & Poor's Ratings Service
SCOH	Supreme Court of Ohio	Tax Act	Tax Cuts and Jobs Act adopted December 22, 2017
S.D. Ohio	Southern District of Ohio	TMI-1	Three Mile Island Unit 1
SEC	United States Securities and Exchange Commission	TMI-2	Three Mile Island Unit 2
SEET	Significantly Excessive Earnings Test	TO	Transmission Owner
SF_6	Sulfur hexafluoride	Twitter®	Twitter is a registered trademark of Twitter, Inc.
SIP	State Implementation Plan(s) Under the Clean Air Act	UWUA	Utility Workers Union of America
SLC	Special Litigation Committee of the FE Board	VEPCO	Virginia Electric and Power Company
SO2	Sulfur Dioxide	VIE	Variable Interest Entity
SOFR	Secured Overnight Financing Rate	VSCC	Virginia State Corporation Commission
SOS	Standard Offer Service	WVPSC	Public Service Commission of West Virginia

PART I

ITEM 1. BUSINESS

The Companies

FE and its subsidiaries are principally involved in the transmission, distribution, and generation of electricity. FirstEnergy's ten utility operating companies comprise one of the nation's largest investor-owned electric systems, based on serving over six million customers in the Midwest and Mid-Atlantic regions. FirstEnergy's transmission operations include over 24,000 miles of transmission lines and two regional transmission operation centers. AGC and MP control 3,580 MWs of total capacity.

FirstEnergy's revenues are primarily derived from electric service provided by the Utilities and Transmission Companies.

Regulated Utility Operating Subsidiaries

The Utilities' combined service areas encompass approximately 65,000 square miles in Ohio, Pennsylvania, West Virginia, Maryland, New Jersey, and New York. The areas they serve have a combined population of approximately 13.5 million.

OE owns property and does business as an electric public utility in Ohio. OE engages in the distribution and sale of electric energy to communities in a 7,000 square mile area of central and northeastern Ohio. The area it serves has a population of approximately 2.3 million.

OE owns all of Penn's outstanding common stock. Penn owns property and does business as an electric public utility in Pennsylvania. Penn furnishes electric service to communities in 1,100 square miles of western Pennsylvania. The area it serves has a population of approximately 0.4 million.

CEI does business as an electric public utility in Ohio. CEI engages in the distribution and sale of electric energy in an area of 1,600 square miles in northeastern Ohio. The area it serves has a population of approximately 1.7 million.

TE does business as an electric public utility in Ohio. TE engages in the distribution and sale of electric energy in an area of 2,300 square miles in northwestern Ohio. The area it serves has a population of approximately 0.7 million.

JCP&L owns property and does business as an electric public utility in New Jersey. JCP&L provides transmission and distribution services in 3,200 square miles of northern, western, and east central New Jersey. The area it serves has a population of approximately 2.7 million.

ME owns property and does business as an electric public utility in Pennsylvania. ME provides distribution services in 3,300 square miles of eastern and south central Pennsylvania. The area it serves has a population of approximately 1.3 million.

PN owns property and does business as an electric public utility in Pennsylvania. PN provides distribution services in 17,600 square miles of western, northern, and south central Pennsylvania. The area PN serves has a population of approximately 1.2 million. Also, PN, as lessee of the property of its subsidiary, the Waverly Electric Light & Power Company, serves approximately 4,000 customers in the Waverly, New York vicinity. On February 10, 2021, PN entered into an agreement to transfer its customers and the related assets in Waverly, New York to Tri-County Rural Electric Cooperative; the completion of such transfer is subject to several closing conditions including regulatory approval, but is expected to have an immaterial impact to FirstEnergy's financial statements.

PE owns property and does business as an electric public utility in Maryland, Virginia, and West Virginia. PE provides transmission and distribution services in portions of Maryland and West Virginia and provides transmission services in Virginia in an area totaling approximately 5,500 square miles. The area it serves has a population of approximately 0.9 million.

MP owns property and does business as an electric public utility in West Virginia. MP provides generation, transmission, and distribution services in 13,000 square miles of northern West Virginia. The area it serves has 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.

WP owns property and does business as an electric public utility in Pennsylvania. WP provides transmission and distribution services in 10,400 square miles of southwestern, south-central, and northern Pennsylvania. The area it serves has a population of approximately 1.5 million.

Regulated Transmission Operating Subsidiaries

ATSI owns high-voltage transmission facilities in PJM, which consist of approximately 7,900 circuit miles of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV in Ohio and Pennsylvania.

TrAIL owns high-voltage transmission facilities in PJM, which consists of approximately 260 circuit miles of transmission lines, including a 500 kV transmission line extending approximately 150 miles from southwestern Pennsylvania through West Virginia to a point of interconnection with VEPCO in northern Virginia.

MAIT owns high-voltage transmission facilities in PJM, which consist of approximately 4,300 circuit miles of transmission lines with nominal voltages of 500 kV, 345 kV, 230 kV, 138 kV, 115 kV, 69 kV and 46 kV in Pennsylvania.

KATCo was formed to accommodate new transmission construction in the WP, MP and PE footprint and currently does not own or operate any transmission assets.

Service Company

FESC provides legal, financial, and other corporate support services at cost, in accordance with its cost allocation manual, to affiliated FirstEnergy companies.

Operating Segments

FirstEnergy's reportable operating segments are comprised of the Regulated Distribution and Regulated Transmission segments.

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies, serving approximately six million customers within 65,000 square miles of Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York, and purchases power for its POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey, and Maryland. This segment also controls 3,580 MWs of regulated electric generation capacity located primarily in West Virginia and Virginia. The segment's results reflect the costs of securing and delivering electric generation from transmission facilities to customers, including the deferral and amortization of certain related costs.

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual rate base and costs. The segment's results also reflect the net transmission expenses related to the delivery of electricity on FirstEnergy's transmission facilities. On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA, with Brookfield and Brookfield Guarantors pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS.

Corporate/Other reflects corporate support and other costs not charged or attributable to the Utilities or Transmission Companies, including FE's retained Pension and OPEB assets and liabilities of the FES Debtors, interest expense on FE's holding company debt and other businesses that do not constitute an operating segment. Additionally, reconciling adjustments for the elimination of inter-segment transactions are included in Corporate/Other. As of December 31, 2021, 67 MWs of electric generating capacity, representing AE Supply's OVEC capacity entitlement, is included in Corporate/Other. As of December 31, 2021, Corporate/Other had approximately $7.9 billion of FE holding company debt.

Utility Regulation

Regulatory Accounting

FirstEnergy accounts for the effects of regulation through the application of regulatory accounting to the Utilities and the Transmission Companies since their rates are established by a third-party regulator with the authority to set rates that bind customers, are cost-based and can be charged to and collected from customers.

The Utilities and the Transmission Companies recognize, as regulatory assets and regulatory liabilities, costs which FERC and the various state utility commissions, as applicable, have authorized for recovery from or return to customers in future periods or for which authorization is probable. Without the probability of such authorization, costs currently recorded as regulatory assets and regulatory liabilities would have been charged or credited to income as incurred. All regulatory assets and liabilities are expected to be recovered from or returned to customers. Based on current ratemaking procedures, the Utilities and the Transmission Companies continue to collect cost-based rates for their transmission and distribution services; accordingly, it is appropriate that the Utilities and the Transmission Companies continue the application of regulatory accounting to those operations. Regulatory accounting is applied only to the parts of the business that meet the above criteria. If a portion of the business applying regulatory accounting no longer meets those requirements, previously recorded regulatory assets and liabilities are removed from the balance sheet in accordance with GAAP.

State Regulation

The following table summarizes the allowed ROE and the aggregate actual ROE of the Utilities by state for the year ended December 31, 2021, as determined for regulatory purposes:

State	Allowed ROE	Actual ROE[1]
Maryland	9.65%	9.7%
New Jersey	9.6%[3]	8.6%
Ohio	10.5%	13.8%
Pennsylvania	Settled[2]	10.1%
West Virginia	Settled[2]	10.2%

[1] Actual ROE is based on methodology used in last distribution rate case and/or quarterly earnings reports, as applicable. Rate base is for distribution assets only (except West Virginia) and reflects the actual capital structure for Pennsylvania, West Virginia and Maryland, and the allowed capital structure for Ohio. Actual ROEs reflect actual revenue (not weather normalized) and historical results should not be relied upon to estimate the outcome of future rate cases as regulatory assumptions may vary.
[2] Commission-approved settlement agreements did not disclose ROE rates.
[3] On October 28, 2020, the NJBPU approved JCP&L's distribution rate case settlement with an allowed ROE of 9.6%. Rates were effective for customers on November 1, 2021.

See "Outlook - State Regulation" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information and discussion.

Federal Regulation

See "Outlook - FERC Regulatory Matters" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information and discussion.

Environmental Matters

See "Outlook - Environmental Matters" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information and discussion.

Capital Requirements

FirstEnergy's business is capital intensive, requiring significant resources to fund operating expenses, construction and other investment expenditures, scheduled debt maturities and interest payments, dividend payments, and potential contributions to its pension plan. See "Capital Resources and Liquidity" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information and discussion.

Supply Plan

Supply Chain

FirstEnergy has experienced supply chain challenges during the COVID-19 pandemic. Lead times have increased across numerous material categories, with some as much as doubling from previous times. Some key suppliers have struggled with labor shortages and raw material availability, which along with inflationary pressure, have increased the costs of certain materials, equipment and contractors. FirstEnergy continues to monitor supply chain risk as it anticipates these challenges continuing into 2022 and is mitigating these risks by:

- Establishing a cross-functional team to forecast potential impacts to operations and programs;
- Expanding supply base to increase resiliency;
- Enhancing the demand management and material reservation process;
- Evaluating substitute products, reserving production capacity, and buying ahead in targeted categories; and
- Staying updated by participating in discussions with other utilities through EEI, which has a long history of mutual assistance in the electric utility industry.

Default Service

Certain of the Utilities have default service obligations to provide power to non-shopping customers who have elected to continue to receive service under regulated retail tariffs. The volume of these sales can vary depending on the level of shopping that occurs and these default service plans vary by state and by service territory. JCP&L's default service, or BGS supply, is secured through a statewide competitive procurement process approved by the NJBPU. Default service for the Ohio Companies, Pennsylvania Companies and PE's Maryland jurisdiction are provided through a competitive procurement process approved by the PUCO (under ESP IV), PPUC (under the DSP) and MDPSC (under the SOS), respectively. If any supplier fails to deliver

power to any one of those Utilities' service areas, the Utility serving that area may need to procure the required power in the market in their role as the default LSE. West Virginia electric generation continues to be regulated by the WVPSC.

Fuel Supply

MP currently has coal contracts with various terms to purchase approximately 7.9 million tons of coal for the year 2022, which fulfills its forecasted 2022 coal requirements. This contracted coal is produced primarily from mines located in Pennsylvania, Illinois and West Virginia. The contracts expire at various times through 2025. See "Outlook - Environmental Matters" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information pertaining to the impact of increased environmental regulations on coal supply.

System Demand

The maximum hourly demand for each of the Utilities was:

System Demand	2021	2020	2019
		(in MWs)	
CEI	4,055	4,253	4,188
JCP&L	6,170	5,902	6,056
ME	3,072	2,976	2,974
MP	2,158	2,114	2,121
OE	5,504	5,598	5,494
PE	2,924	2,905	3,609
Penn	971	889	946
PN	2,898	2,908	3,020
TE	2,190	2,265	2,787
WP	3,940	3,827	4,012

Regional Reliability

All of FirstEnergy's facilities are located within PJM and operate under the reliability oversight of a regional entity known as RFC. This regional entity operates under the oversight of NERC in accordance with a delegation agreement approved by FERC.

Competition

Within FirstEnergy's Regulated Distribution segment, generally there is no competition for electric distribution service in the Utilities' respective service territories in Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York. Additionally, there has traditionally been no competition for transmission service in PJM. However, pursuant to FERC's Order No. 1000 and subject to state and local siting and permitting approvals, non-incumbent developers now can compete for certain PJM transmission projects in the service territories of FirstEnergy's Regulated Transmission segment. This could result in additional competition to build transmission facilities in the Regulated Transmission segment's service territories while also allowing the Regulated Transmission segment the opportunity to seek to build facilities in non-incumbent service territories.

Seasonality

The sale of electric power is generally a seasonal business, and weather patterns can have a material impact on FirstEnergy's Regulated Distribution segment operating results. Demand for electricity in our service territories historically peaks during the summer and winter months. Accordingly, FirstEnergy's annual results of operations and liquidity position may depend disproportionately on its operating performance during the summer and winter. Mild weather conditions may result in lower power sales and consequently lower earnings.

Human Capital

FirstEnergy focuses on a number of human capital resources, measures, and objectives in managing its business, including: safety, diversity, equity and inclusion, employee development, and compensation and benefits. Collectively, these focus areas may be material to understanding its business under certain circumstances.

Employees and Collective Bargaining Agreements

As of December 31, 2021, FirstEnergy had 12,395 employees, all of whom were located in the United States as follows:

	Total Employees	Bargaining Unit Employees
FESC	4,895	767
JCP&L	1,318	1,044
OE	1,091	739
MP	1,085	753
CEI	858	589
PN	746	493
WP	723	489
ME	632	471
PE	518	336
TE	338	255
Penn	191	133
Total	**12,395**	**6,069**

As of December 31, 2021, the IBEW, the UWUA and the OPEIU unions collectively represented approximately half of FirstEnergy's employees. There are 15 CBAs between FirstEnergy's subsidiaries and its unions, which have three, four or five- year terms. In 2021, FirstEnergy's subsidiaries reached new agreements with 4 IBEW locals, covering 1,960 employees, and 1 UWA local, covering 660 employees.

Safety

Safety is a core value of FirstEnergy. FirstEnergy employees have the power and responsibility to keep each other safe and eliminate life-changing events, which are injuries that have life-changing impacts or fatal results. Safety metrics, such as injuries that result in days away or restricted time and life-changing events, are regularly monitored, internally reported, and are included in our annual incentive compensation program to reinforce that a safe work environment is crucial to FirstEnergy's success.

FirstEnergy continues to shift its focus from achieving low OSHA rates to proactively identifying and mitigating life-changing event exposure. This shift in focus strengthens FirstEnergy's safety-first culture by aligning our leadership around the same goal and driving safer decisions from an engaged workforce who puts safety first. To support that shift, FirstEnergy continues to embed its "Leading with Safety" learnings and experiences obtained during its 2020 and 2021 Safety Transformation. FirstEnergy continues to enhance and reinforce leader and employee safety training and exposure control concepts to improve job site exposure identification, communication and mitigation to prevent life changing events. Further, FirstEnergy continues to expand its "Leading with Safety" experiences with its employees to achieve excellence in personal, contractor and public safety.

Additionally, FirstEnergy's employees' well-being is essential to its core value of safety. FirstEnergy is taking a well-informed, decisive and measured response to the COVID-19 pandemic, as recommended by medical experts, to protect the health and safety of our employees and the public, while also continuing to serve our customers. FirstEnergy continues to provide flexibility for approximately 7,000 of its 12,400 employees to work from home. Pandemic safety and cleaning protocols were implemented for those workers who have continued to report to a FirstEnergy work location during this public health emergency, ensuring FirstEnergy employees can report directly to job sites and work with the same small group of employees every day. FirstEnergy developed a COVID-19 medical screening process under which a medical staff consisting of nurses, doctors and non-medical intake teams were assembled to manage COVID-19 related exposures, illnesses and quarantines; perform contact tracing; and ultimately safely return employees to work. FirstEnergy continues to comply with Federal laws and state health directives as they emerge and adjusts its procedures as needed to continue to keep its employees safe.

Diversity, Equity and Inclusion

Diversity, equity and inclusion is a core value, as well as a corporate objective because a diverse, equitable and inclusive work environment delivers better service to customers, strong operational performance, innovation, and a safe, rewarding work experience for employees. FirstEnergy is focused on building a diverse workforce for the future, advancing a culture of equity, inclusion and belonging, and enhancing our diversity focus with our customers, in our communities and with our suppliers.

Affirmative steps taken at FirstEnergy to promote the core value of diversity, equity and inclusion include:

- FirstEnergy sponsors an executive diversity, equity and inclusion council consisting of senior management and other leaders across the company;
- Holding an annual “Diversity, Equity & Inclusion Employee Survey” to capture employees’ perspectives on FirstEnergy’s efforts in this area, and where the results are discussed with employees in order to drive initiatives and action plans for improvement. This includes establishing:
  - a cross-functional working group to oversee the development and implementation of diversity, equity and inclusion action plans company-wide;
  - additional teams of employees embedded throughout FirstEnergy to implement local actions supporting diversity, equity and inclusion;
- FirstEnergy’s employees have established multiple employee business resource groups, known as "EBRGs," to further support diversity, equity and inclusion objectives through networking, mentoring, coaching, recruiting, development and community outreach;
- Employees are provided ongoing training and education on a variety of diversity, equity and inclusion topics;
- Enhanced transparency of diversity, equity and inclusion data, talent processes and measurement of progress;
- FirstEnergy has enhanced the recruiting processes to increase the number of diverse candidates considered for open positions and expand the diversity of teams interviewing those candidates. These enhancements include:
  - expanded relationship building with key diverse professional organizations, colleges and universities;
  - a more strategic approach to proactive talent sourcing that ensures increased diversity of candidate slates presented to hiring managers;
  - expanded diversity of teams interviewing those candidates.
- Increase leadership accountability by including diversity, equity and inclusion metrics in FirstEnergy’s annual incentive compensation program.

Employee Development

FirstEnergy’s employees are empowered to take ownership of their careers with increased openness into FirstEnergy’s internal and external hiring process and greater availability of tools and processes that support career management, talent reviews, succession planning and leadership selection. FirstEnergy is committed to preparing its high-performing workforce for the future and helping employees reach their full potential. That means developing employee skills and competencies and preparing emerging and experienced leaders for future management responsibilities.

Understanding FirstEnergy’s rapidly changing industry and strategy is key to employees’ ability to support FirstEnergy’s mission and meet its customers’ evolving needs. Key FirstEnergy development programs include:

- a mentoring program;
- "Discover FE," which is designed to broaden and deepen knowledge of FirstEnergy and the electric utility industry generally;
- new supervisor and manager program;
- experienced leader program;
- aspiring leader program;
- external partnership with the Center for Creative Leadership for senior and executive leadership development,
- "Educate to Elevate," which provides access to post-secondary education and a path to an Associate’s and Bachelor’s degrees for employees; and
- Power Systems Institute, an award-winning program for recruiting and developing the next generation of highly trained, dedicated and motivated line and substation workers.

Compensation and Benefits

FirstEnergy’s total rewards program is designed to attract, motivate, retain and reward employees for their role in the success of FirstEnergy. The base pay program is designed to provide individual base pay levels that balance an employee’s value to FirstEnergy with comparable jobs at peer companies. FirstEnergy is committed to ensuring that our internal policies and processes support pay equity, which was confirmed in a third-party review of our practices in 2019. The annual incentive compensation program is designed to reward the achievement of near-term corporate and business unit objectives. Additionally, FirstEnergy’s long-term incentive compensation program is designed to reward eligible executives for FirstEnergy’s achievement of longer-term goals intended to drive shareholder value and growth. In addition to base pay and incentive compensation plans, FirstEnergy offers a comprehensive benefits program, including a 401(k) Savings Plan and a defined benefit Pension Plan.

Information About Our Executive Officers (as of February 16, 2022)

Name	Age	Positions Held During Past Five Years	Dates
John W. Somerhalder II	66	Vice Chair and Executive Director (A)	2021-Present
		CenterPoint Energy Inc, Interim President & Chief Executive Officer	2020
		Colonial Pipeline Co, Interim President & Chief Executive Officer	2017
S. E. Strah	58	President and Chief Executive Officer (A) (B)	2021-Present
		President and Acting Chief Executive Officer (A) (B)	2020-2021
		Senior Vice President and Chief Financial Officer (A) (B) (C) (E)	2018-2020
		President (D)	2017-2018
		President (C) (E)	*-2018
		Senior Vice President & President, FirstEnergy Utilities (B)	*-2018
S. L. Belcher	53	Senior Vice President, Operations (B)	2021-Present
		President (C) (E)	2018-Present
		Senior Vice President and President, FirstEnergy Utilities (B)	2018-2021
		President and Chief Nuclear Officer (G)	*-2018
		President, FirstEnergy Nuclear Operating Company (B)	*-2017
H. Park	60	Senior Vice President and Chief Legal Officer (A)	2021-Present
		Senior Vice President and General Counsel (C) (D) (E)	2021-Present
		LimNexus, Partner and General Counsel	2019-2021
		Latham & Watkins, Of Counsel	2017-2019
		PG&E Corporation, Senior Vice President and Special Counsel to Chairman	2017
		PG&E Corporation, Senior Vice President and General Counsel	*-2017
K. Jon Taylor	48	Senior Vice President, Chief Financial Officer and Strategy (A) (B)	2021-Present
		Senior Vice President and Chief Financial Officer (C) (E)	2020-Present
		Senior Vice President and Chief Financial Officer (A) (B)	2020-2021
		Vice President, Utility Operations (B)	2019-2020
		President (D)	2019-2020
		President, Ohio Operations (B)	2018-2019
		Vice President (C)	2018-2019
		Vice President and Controller (C) (E)	*-2018
		Vice President, Controller and Chief Accounting Officer (A) (B)	*-2018
		Vice President and Controller (D) (G)	*-2017
J. J. Lisowski	40	Vice President, Controller and Chief Accounting Officer (A) (B)	2018-Present
		Vice President and Controller (C) (E)	2018-Present
		Controller and Treasurer (G)	2017-2018
		Controller and Treasurer (F)	*-2018
		Assistant Controller (B) (C) (D) (E) (G)	*-2017
C. L. Walker	56	Senior Vice President and Chief Human Resources Officer (B)	2019-Present
		Vice President, Human Resources (B)	2018-2019
		Executive Director, Talent Management (B)	*-2018

* Indicates position held at least since January 1, 2017
(A) Denotes position held at FE
(B) Denotes position held at FESC
(C) Denotes position held at the Ohio Companies, the Pennsylvania Companies, MP, PE, FET, KATCo, TrAIL and ATSI
(D) Denotes position held at AGC
(E) Denotes position held at MAIT
(F) Denotes position held at FES and FG
(G) Denotes position held at FENOC

FirstEnergy Website and Other Social Media Sites and Applications

FirstEnergy's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, and all other documents filed with or furnished to the SEC pursuant to Section 13(a) of the Exchange Act are made available free of charge on or through the "Investors" page of FirstEnergy's website at www.firstenergycorp.com. These documents are also available to the public from commercial document retrieval services and the website maintained by the SEC at www.sec.gov.

These SEC filings are posted on the website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Additionally, FirstEnergy routinely posts additional important information, including press releases, investor presentations, investor factbooks and notices of upcoming events under the "Investors" section of FirstEnergy's website and recognizes FirstEnergy's website 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 Regulation FD. Investors may be notified of postings to the website by signing up for email alerts and RSS feeds on the "Investors" page of FirstEnergy's website. 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 Regulation FD. Information contained on FirstEnergy's website, Twitter® handle or Facebook® page, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.

ITEM 1A. RISK FACTORS

We operate in a business environment that involves significant risks, many of which are beyond our control. Management regularly evaluates the most significant risks of its businesses and reviews those risks with the FE Board and appropriate Committees of the FE Board. The following risk factors and all other information contained in this report should be considered carefully when evaluating FirstEnergy. These risk factors could affect our financial results and cause such results to differ materially from those expressed in any forward-looking statements made by or on behalf of us. Below, we have identified risks we consider material. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. Additional information on risk factors is included in Item 1, "Business," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in other sections of this Form 10-K that include forward-looking and other statements involving risks and uncertainties that could impact our business and financial results.

Risks Associated with Damage to Our Reputation

Damage to our reputation may arise from numerous sources making us vulnerable to negative customer perception, adverse regulatory outcomes, or other consequences, which could materially adversely affect our business, results of operations, and financial condition.

Our reputation is important. Damage to our reputation could materially adversely affect our business, results of operations, and financial condition and may arise from numerous sources further discussed below, including a breach of the DPA, negative outcomes associated with the SEC and FERC investigations or other HB 6 litigation or investigations, a significant cyber-attack or data security breach, failure to provide safe and reliable service, and operating coal-fired generation. Any damage to our reputation may lead to negative customer perception, which may make it difficult for us to compete successfully for new opportunities, or could adversely impact our ability to launch new sophisticated technology-driven solutions to meet our customer expectations. Further, a damaged reputation could further result in FERC and the state utility commissions that regulate our rates, and other regulatory and legislative authorities being less likely to view us in a favorable light, and could negatively impact the rates we charge customers or otherwise cause us to be susceptible to unfavorable legislative and regulatory outcomes, as well as increased regulatory oversight and more stringent legislative or regulatory requirements.

Risks Associated with the Ongoing Investigations

If We Violate our DPA That We Entered Into on July 20, 2021, It Could Have a Material Adverse Effect on our Reputation and Consolidated Financial Statements

On July 21, 2021, we entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves the previously disclosed U.S. Attorney's Office investigation into us relating to our lobbying and governmental affairs activities concerning HB 6. Under the DPA, the U.S. Attorney's Office filed a single charge alleging that we conspired to commit honest services wire fraud. The DPA provides that the U.S. Attorney's Office will defer any prosecution of such conspiracy charge and any other criminal or civil case against us in connection with the matters identified therein for a three-year period subject to certain obligations of ours, including, but not limited to, the following: (i) continued cooperation 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) payment of a criminal monetary penalty totaling $230 million, which was paid in 2021; (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) publication of a public acknowledgement of our conduct, including a statement, as dictated in the DPA, regarding our use of 501(c)(4) entities; and (v) continued implementation and review of our 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. If we are found to have breached the terms of the DPA, the U.S. Attorney's Office may elect to prosecute, or bring a civil action against, us for conduct alleged in the DPA or known to the government, which could result in fines or penalties and could have a material adverse impact on our reputation or relationships with regulatory and legislative authorities, customers and other stakeholders, as well as our consolidated financial statements. Failure to comply with the DPA, including alleged failures to comply with anti-corruption and anti-bribery laws, may also result in a breach of certain covenants contained in our credit agreements and could result in an event of default under such agreements, and we would not be able to access our credit facilities for additional borrowings and letters of credit during the existence of any such default.

The SEC Investigation and HB 6 Related Litigation Could Have a Material Adverse Effect on our Reputation, Business, Financial Condition, Results of Operations, Liquidity or Cash Flows

Following the announcement by the U.S. Attorney's Office for the S.D. Ohio of the investigation surrounding HB 6 in July 2020, certain of our stockholders and customers filed several lawsuits against us and certain current and former directors, officers and

other employees. In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FirstEnergy, and on September 1, 2020, issued subpoenas to FirstEnergy and certain of its officers. We are cooperating with the SEC in their ongoing investigation. We believe that it is probable that FE will incur a loss in connection with the resolution of the SEC's investigation. Given the ongoing nature and complexity of such investigation, we cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the SEC investigation, but such resolution could have a material adverse effect on our reputation, business, financial condition, results of operations, liquidity or cash flows.

The investigations and litigation related to HB 6 could divert management's focus and have resulted in, and could continue to result in substantial investigation expenses, and the commitment of substantial corporate resources. The outcome of the government investigations and related litigation is inherently uncertain. Further, we believe that it is probable that FE will incur a loss in connection with the resolution of *In re FirstEnergy Corp. Securities Litigation* (Federal District Court, S.D. Ohio). Given the ongoing nature and complexity of such litigation, we cannot yet reasonably estimate a loss or range of loss that may arise from its resolution. If one or more legal matters, including *In re FirstEnergy Corp. Securities Litigation,* were resolved against us, our reputation, business, financial condition, results of operations, liquidity or cash flows may be materially adversely affected. Further, such an outcome could result in settlement agreements, significant monetary damages, remedial corporate measures or other relief against us that could further adversely impact our operations.

We are unable to predict the outcome, duration, scope, result or related costs of the investigations and related litigation and, therefore, any of these risks could impact us significantly beyond expectations. Moreover, we are unable to predict the potential for any additional investigations or litigation, any of which could exacerbate these risks or expose us to potential criminal or civil liabilities, sanctions or other remedial measures, and could have a material adverse effect on our reputation, business, financial condition, results of operations, liquidity or cash flows. These matters are likely to continue to have an adverse impact on the trading prices of our securities. See Note 13, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements, for additional details on the government investigations and subsequent litigation surrounding HB 6.

The FERC and State Regulatory Investigations and HB 6 Related Investigations Could Have a Material Adverse Effect on our Reputation, Business, Financial Condition, Results of Operations, Liquidity or Cash Flows

In letters dated January 26, and February 22, 2021, staff of FERC's Division of Investigations notified FirstEnergy that the Division is conducting an investigation of FirstEnergy's lobbying and governmental affairs activities concerning HB 6 and staff directed FirstEnergy to preserve and maintain all documents and information related to the same as such have been developed as part of an ongoing non-public audit being conducted by FERC's Division of Audits and Accounting. We are cooperating with the FERC in the ongoing audit and investigation. With respect to the FERC Division of Investigations matter, we believe that it is probable that FirstEnergy will incur a loss in connection with its resolution. Given the ongoing nature and complexity of such investigation, we cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the FERC Division of Investigations matter but such resolution could have a material adverse effect on our reputation, business, financial condition, results of operations, liquidity or cash flows. See Note 12, "Regulatory Matters," and Note 13, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements, for additional details on the government investigations and regulatory matters related to the investigation of HB 6.

In addition, there are several state regulatory matters associated with the ongoing governmental investigations including, but not limited to, the following:

- On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, directing the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers.
- On November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the termination of certain members of senior management.
- On December 30, 2020, the PUCO reopened the DMR audit docket, and directed PUCO staff to solicit a third-party auditor and conduct a full review of the DMR to ensure funds collected from customers through the DMR were only used for the purposes established in ESP IV. The auditor filed its final audit report on January 14, 2022, which made findings and recommendations. The report found that spending of DMR revenues was not required to be tracked, and that DMR revenues, like all rider revenues, are placed into the regulated money pool as a matter of routine, where the funds lose their identity. Therefore, the report could not suggest that DMR funds were used definitively for direct or indirect support for grid modernization. The report also concluded that there was no documented evidence that ties revenues from the DMR to lobbying for the passage of HB 6, but also could not rule out with certainty uses of DMR funds to support the passage of HB 6. The report further recommended that the regulated companies' money pool be audited more frequently and the Ohio Companies adopt formal dividend policies.
- On April 22, 2021, in anticipation of the effective date of HB 128 and in accordance with HB 128's provisions regarding the prompt refund of decoupling funds, the Ohio Companies filed an application with the PUCO to modify CSR to return such amount over twelve months commencing June 1, 2021. On July 7, 2021, the PUCO issued an order approving the Ohio Companies' modified application and directed that all funds collected through CSR be refunded to customers over a single billing cycle beginning August 1, 2021.

- On May 11, 2021, the Maryland Office of People's Counsel filed a petition asking the MDPSC to open an investigation regarding several matters including possible impacts to PE as a result of the HB 6 investigations in Ohio. On July 26, 2021, the MDPSC opened a proceeding to allow discovery into: (i) whether the HB 6 investigations in Ohio have impacted or could impact the cost to PE of borrowing funds from the regulated companies money pool; (ii) whether money from PE was used to pay for bribes or other misconduct associated with the HB 6 investigations in Ohio or the legal costs related to those matters; and (iii) whether the Icahn Capital appointed directors would have the ability to assert substantial influence over PE in their roles as FE directors.

While FirstEnergy is committed to pursuing an open dialogue with stakeholders in an appropriate manner with respect to the numerous regulatory proceedings currently underway, the rates our Utilities and Transmission Companies are allowed to charge may be decreased as a result of actions taken by FERC or by a state regulatory commission to which our Utilities and Transmission Companies are subject to jurisdiction, whether as a result of the DPA, any failure to have complied with anti-corruption laws, or otherwise.

We are unable to predict the adverse impacts on federal or state regulatory matters, including with respect to rates, and, therefore, any of these risks could impact us significantly beyond expectations. Moreover, we are unable to predict the potential for any additional regulatory actions, any of which could exacerbate these risks or expose us to adverse outcomes in pending or future rate cases, and could have a material adverse effect on our reputation, business, financial condition, results of operations, liquidity or cash flows.

Risks Associated with Regulation of Our Distribution and Transmission Segments

We are Focusing on Growing Our Regulated Distribution and Regulated Transmission Segments. Whether This Investment Strategy Will Deliver the Desired Result Is Subject to Certain Risks Which Could Adversely Affect Our Results of Operations and Financial Condition

We focus on capitalizing on investment opportunities available to our Regulated Transmission and Regulated Distribution segments as we focus on delivering enhanced customer service and reliability. The success of these efforts will depend, in part, on successful recovery of our transmission investments. Factors that may affect rate recovery of our transmission investments include: (1) FERC's timely approval of rates to recover such investments; (2) whether the investments are included in PJM's RTEP; (3) FERC's evolving policies with respect to incentive rates for transmission assets; (4) FERC's evolving policies with respect to the calculation of the base ROE component of transmission rates; (5) consideration and potential impact of the objections of those who oppose such investments and their recovery; and (6) timely development, construction, and operation of the new facilities.

The success of these efforts will also depend, in part, on any future distribution rate cases or other filings seeking cost recovery for distribution system enhancements in the states where our Utilities operate and transmission rate filings at FERC. Any denial of, or delay in, the approval of any future distribution or transmission rate requests could restrict us from fully recovering our cost of service, may impose risks on the Regulated Distribution and Regulated Transmission operations, and could have a material adverse effect on our regulatory strategy, results of operations and financial condition.

Our efforts also could be impacted by our ability to finance the proposed expansion projects while maintaining adequate liquidity. There can be no assurance that our investment strategy in our Regulated Distribution and Regulated Transmission segments will deliver the desired result which could adversely affect our results of operations and financial condition.

The Inability to Close the FET Minority Equity Interest Sale to Brookfield May Have Material Adverse Effects on Our Cash Flows, Liquidity and Financial Condition

On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA with Brookfield and Brookfield Guarantors, pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. Upon closing of the transaction, which is expected to occur in the first half of 2022, FirstEnergy will retain an 80.1% equity interest in FET and FirstEnergy's workforce will continue to operate the business. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS. This transaction involves various inherent risks, such as our ability to obtain the necessary regulatory and third-party approvals; the timing of and conditions imposed upon us by regulators in connection with such approvals; and our ability to realize the benefits expected from the transaction. In addition, various factors, including prevailing market conditions, could negatively impact the benefits we receive from this transaction. Our failure to consummate this transaction in a timely manner, including satisfying all closing conditions, could have material adverse effects on our cash flows, liquidity and financial condition.

Complex and Changing Government Regulations and Actions, Including Those Associated with Rates, Could Have a Negative Impact on Our Business, Financial Condition, Results of Operations and Cash Flows

We are subject to comprehensive regulation by various federal, state and local regulatory agencies that significantly influence our operating environment. Changes in, or reinterpretations of, existing laws or regulations, or the imposition of new laws or

regulations, could require us to incur additional costs or change the way we conduct our business, and therefore could have a material adverse impact on our results of operations and financial condition.

Our Utilities and Transmission Companies provide service at rates approved by one or more regulatory commissions. Thus, the rates the Utilities and Transmission Companies are allowed to charge may be decreased as a result of actions taken by FERC or by a state regulatory commission in the states in which our Utilities operate. Also, these rates may not be set to recover such applicable utility's expenses at any given time. Additionally, there may also be a delay between the timing of when costs are incurred and when costs are recovered, if at all. For example, we may be unable to timely recover the costs for our energy efficiency investments or expenses and additional capital or lost revenues resulting from the implementation of aggressive energy efficiency programs. While rate regulation is premised on providing an opportunity to earn a reasonable return on investments and recovery of operating expenses, there can be no assurance that the applicable regulatory commission will determine that all of our costs have been prudently incurred or that the regulatory process in which rates are determined will always result in rates that will produce full recovery of our costs in a timely manner. Further, there can be no assurance that we will retain the expected recovery in future rate cases.

State Rate Regulation May Delay or Deny Full Recovery of Costs and Impose Risks on Our Operations. Any Denial of or Delay in Cost Recovery Could Have an Adverse Effect on Our Business, Results of Operations, Liquidity, Cash Flows and Financial Condition

Each of the Utilities' retail rates are set by its respective regulatory agency for utilities in the state in which it operates - in Maryland by the MDPSC, in New Jersey by the NJBPU, in Ohio by the PUCO, in Pennsylvania by the PPUC, in West Virginia by the WVPSC and in New York by the NYPSC - through traditional, cost-based regulated utility ratemaking. As a result, any of the Utilities may not be permitted to recover its costs and, even if it is able to do so, there may be a significant delay between the time it incurs such costs and the time it is allowed to recover them. Factors that may affect outcomes in the distribution rate cases include: (i) the value of plant in service; (ii) authorized rate of return; (iii) capital structure (including hypothetical capital structures); (iv) depreciation rates; (v) the allocation of shared costs, including consolidated deferred income taxes and income taxes payable across the Utilities; (vi) regulatory approval of rate recovery mechanisms for capital investment spending programs; and (vii) the accuracy of forecasts used for ratemaking purposes in "future test year" cases.

FirstEnergy can provide no assurance that any base rate request filed by any of the Utilities will be granted in whole or in part. Any denial of, or delay in, any base rate request could restrict the applicable utility from fully recovering its costs of service, may impose risks on its operations, and may negatively impact its results of operations, cash flows and financial condition. In addition, to the extent that any of the Utilities seeks rate increases after an extended period of frozen or capped rates, pressure may be exerted on the applicable legislators and regulators to take steps to control rate increases, including through some form of rate increase moderation, reduction or freeze. Any related public discourse and debate can increase uncertainty associated with the regulatory process, the level of rates and revenues that are ultimately obtained, and the ability of the Utility to recover costs. Such uncertainty may restrict operational flexibility and resources, reduce liquidity and increase financing costs.

Federal Rate Regulation May Delay or Deny Full Recovery of Costs and Impose Risks on Our Operations. Any Denial or Reduction of, or Delay in Cost Recovery Could Have an Adverse Effect on Our Business, Results of Operations, Cash Flows and Financial Condition

FERC policy currently permits recovery of prudently incurred costs associated with cost-of-service-based wholesale power rates and the expansion and updating of transmission infrastructure within its jurisdiction. FERC’s policies on recovery of transmission costs continue to evolve, evidenced by ongoing proceedings to determine an appropriate ROE methodology to determine transmission ROEs, and to determine whether FERC’s existing policies on transmission rate incentives should be revised. If FERC were to adopt a different policy regarding recovery of transmission costs or if there is any resulting delay in cost recovery, our strategy of investing in transmission could be affected. If FERC were to lower the rate of return it has authorized for FirstEnergy's cost-based wholesale power rates or transmission investments and facilities, it could reduce future earnings and cash flows, and adversely impact our financial condition.

We Could be Subject to Higher Costs and/or Penalties Related to Mandatory Reliability Standards Set by NERC/FERC or Changes in the Rules of Organized Markets, Which Could Have an Adverse Effect on our Financial Condition

Owners, operators, and users of the bulk electric system are subject to mandatory reliability standards promulgated by NERC and approved by FERC. The standards are based on the functions that need to be performed to ensure that the bulk electric system operates reliably. NERC, RFC and FERC can be expected to continue to refine existing reliability standards as well as develop and adopt new reliability standards. Compliance with modified or new reliability standards may subject us to higher operating costs and/or increased investments. If we were found not to be in compliance with the mandatory reliability standards, we could be subject to sanctions, including substantial monetary penalties. FERC has authority to impose penalties up to and including $1.4 million per day for failure to comply with these mandatory electric reliability standards.

In addition to direct regulation by FERC, we are also subject to rules and terms of participation imposed and administered by various RTOs and ISOs that can have a material adverse impact on our business. For example, the independent market monitors of ISOs and RTOs may impose bidding and scheduling rules to curb the perceived potential for exercise of market

power and to ensure the markets function appropriately. Such actions may materially affect our ability to sell, and the price we receive for, our energy and capacity. In addition, PJM may direct our transmission-owning affiliates to build new transmission facilities to meet PJM's reliability requirements or to provide new or expanded transmission service under the PJM Tariff.

We may be allocated a portion of the cost of transmission facilities built by others due to changes in RTO transmission rate design. We may be required to expand our transmission system according to decisions made by an RTO rather than our own internal planning processes. Various proposals and proceedings before FERC may cause transmission rates to change from time to time. In addition, RTOs have been developing rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial impact on us.

As a member of an RTO, we are subject to certain additional risks, including those associated with the allocation among members of losses caused by unreimbursed defaults of other participants in that RTO's market and those associated with complaint cases filed against the RTO that may seek refunds of revenues previously earned by its members.

Risks Related to Business Operations Generally

Temperature Variations as Well as Severe Weather Conditions or Other Natural Disasters Could Have an Adverse Impact on Our Results of Operations and Financial Condition

Weather conditions directly influence the demand for electric power. Demand for power generally peaks during the summer and winter months, with market prices also typically peaking at that time. Overall operating results may fluctuate based on weather conditions. In addition, we have historically sold less power, and consequently received less revenue, when seasonal weather conditions are milder. In addition, severe weather, such as tornadoes, hurricanes, ice or snowstorms, droughts, high winds or other natural disasters, may cause outages and property damage that may require us to incur additional costs that are generally not insured and that may not be recoverable from customers. The effect of the failure of our facilities to operate as planned under these conditions would be particularly burdensome during a peak demand period and could have an adverse effect on our financial condition and results of operations, which adverse effects could be further exacerbated by an increased frequency of such severe weather events.

Cyber-Attacks, Data Security Breaches and Other Disruptions to Our Information Technology Systems, or Those of Third Parties We Do Business With, Could Compromise Our Business Operations, Critical and Proprietary Information and Employee and Customer Data, Which Could Have a Material Adverse Effect on Our Business, Results of Operations, Financial Condition and Reputation

In the ordinary course of our business, we depend on information technology systems that utilize sophisticated operational systems and network infrastructure to run all facets of our regulated generation, transmission and distribution services. Additionally, we store sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our networks. We may also need to provide sensitive data to vendors and service providers who require access to this information. The secure maintenance of information and information technology systems is critical to our operations.

Over the last several years, there has been an increase in the frequency of cyber-attacks by terrorists, hackers, international activist organizations, countries and individuals. These and other unauthorized parties may attempt to gain access to our network systems or facilities, or those of third parties with whom we do business in many ways, including directly through our network infrastructure or through fraud, trickery, or other forms of deceiving our employees, contractors and temporary staff. Additionally, our information and information technology systems and those of our vendors and service providers may be increasingly vulnerable to data security breaches, damage and/or interruption due to viruses, human error, malfeasance, faulty password management or other malfunctions and disruptions. Further, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information and/or security.

Despite security measures and safeguards we have employed, including certain measures implemented pursuant to mandatory NERC Critical Infrastructure Protection standards, our infrastructure may be increasingly vulnerable to such attacks as a result of the rapidly evolving and increasingly sophisticated means by which attempts to defeat our security measures and gain access to our information technology systems may be made. Also, we may be at an increased risk of a cyber-attack and/or data security breach due to the nature of our business.

Any such cyber-attack, data security breach, damage, interruption and/or defect could: (i) disable our generation, transmission (including our interconnected regional transmission grid) and/or distribution services for a significant period of time; (ii) delay development and construction of new facilities or capital improvement projects; (iii) adversely affect our customer operations; (iv) corrupt data; and/or (v) result in unauthorized access to the information stored in our data centers and on our networks and those of our vendors and service providers, including, company proprietary information, supplier information, employee data, and personal customer data, causing the information to be publicly disclosed, lost or stolen or result in incidents that could result in economic loss and liability and harmful effects on the environment and human health, including loss of life. Additionally, because

our regulated generation, transmission and distribution services are part of an interconnected system, disruption caused by a cybersecurity incident at another utility, electric generator, RTO, or commodity supplier could also adversely affect our operations.

Although we maintain cyber insurance and property and casualty insurance, there can be no assurance that liabilities or losses we may incur, including as a result of cybersecurity-related litigation, will be covered under such policies or that the amount of insurance will be adequate. Further, as cyber threats become more difficult to detect and successfully defend against, there can be no assurance that we can implement adequate preventive measures, accurately assess the likelihood of a cyber-incident or quantify potential liabilities or losses. Also, we may not discover any data security breach and loss of information for a significant period of time after the data security breach occurs particularly those of our vendors and service providers.

For all of these reasons, any such cyber incident could result in significant lost revenue, the inability to conduct critical business functions and serve customers for a significant period of time, the use of significant management resources, legal claims or proceedings, regulatory penalties, significant remediation costs, increased regulation, increased capital costs, increased protection costs for enhanced cybersecurity systems or personnel, damage to our reputation and/or the rendering of our internal controls ineffective, all of which could materially adversely affect our business, results of operations, financial condition and reputation.

If Our "FE Forward" Initiative Does Not Achieve the Expected Benefits, There Could Be Negative Impacts to FirstEnergy's Business, Results of Operations and Financial Condition

We are working to transform how we conduct business and serve our customers, to achieve value potential in a sustainable way. In February 2021, we announced a new initiative to build upon our strong operations and business fundamentals and deliver immediate value and resilience, with substantial working capital improvements and capital efficiencies ramping up through 2024. Called FE Forward, this initiative will play a critical first step in our transformation journey as we look to optimize processes and procedures. FE Forward is projected to generate approximately $380 million in annualized capital expenditure efficiencies by 2024, as well as, approximately $250 million in working capital improvements by 2023. This program includes an estimated $150 million of costs to achieve through 2023, which are expected to be self-funded through these efficiencies. We plan to redeploy the capital expenditure efficiencies in a more diverse capital program that over the long-term, continues to support our strategy, and using 2022 as baseline, operating expenses are projected to naturally decline 1% annually allowing for strategic flexibility and customer affordability. FE Forward is not a downsizing effort and there will not be any involuntary employee reductions in connection with this program. There can be no assurance that FE Forward will provide the anticipated benefits to our business, results of operations and financial condition in a timely manner, if at all.

Additionally, our belief that digital transformation of our business, including system integration, automation, and mobility tools, is key to driving internal efficiencies as well as providing additional capabilities to customers is vital to the success of FE Forward. Our information technology systems are critical to cost-effective, reliable daily operations and our ability to effectively serve our customers. We expect our customers to continue to demand more sophisticated technology-driven solutions and we must enhance or replace our information technology systems in response. This involves significant development and implementation costs to keep pace with changing technologies and customer demand.

Our ability to achieve the anticipated annualized capital expenditure efficiencies, working capital improvements, and other benefits from FE Forward, including failure to successfully implement critical technology, within the expected time frame is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. Further, during and following completion of FE Forward, FirstEnergy could experience unexpected delays and business disruptions resulting from supporting these initiatives, decreased productivity, and higher than anticipated costs, any of which may impair our ability to achieve anticipated results or otherwise harm FirstEnergy's business, results of operations and financial condition.

We Are Subject to Financial Performance Risks from Regional and General Economic Cycles as Well as Heavy Industries such as Shale Gas, Automotive and Steel

Our business follows economic cycles. Economic conditions impact the demand for electricity and declines in the demand for electricity will reduce our revenues. The regional economy in which our Utilities operate is influenced by conditions in industries in our business territories, e.g., shale gas, automotive, chemical, steel and other heavy industries, and as these conditions change, our revenues will be impacted.

We Are Subject to Risks Arising from the Operation of Our Power Plants and Transmission and Distribution Equipment Which Could Reduce Revenues, Increase Expenses and Have a Material Adverse Effect on Our Business, Financial Condition and Results of Operations

Operation of generation, transmission and distribution facilities involves risk, including the risk of potential breakdown or failure of equipment or processes due to aging infrastructure, fuel supply or transportation disruptions, accidents, labor disputes or work stoppages by employees, human error in operations or maintenance, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental

requirements and governmental interventions, and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt generation, transmission and distribution delivery systems. Because our transmission facilities are interconnected with those of third parties, the operation of our facilities could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

Failure to Provide Safe and Reliable Service and Equipment Could Result in Serious Injury or Loss of Life That May Harm Our Business Reputation and Adversely Affect Our Operating Results

We are committed to providing safe and reliable service and equipment in our franchised service territories. Meeting this commitment requires the expenditure of significant capital resources. However, our employees, contractors and the general public may be exposed to dangerous environments due to the nature of our operations. Failure to provide safe and reliable service and equipment due to various factors, including equipment failure, accidents and weather, could result in serious injury or loss of life that may harm our business reputation and adversely affect our operating results through reduced revenues, increased capital and operating costs, litigation or the imposition of penalties/fines or other adverse regulatory outcomes.

Capital Investments and Construction Projects May Not be Completed Within Forecasted Budget, Schedule or Scope Parameters or Could be Canceled Which Could Adversely Affect Our Business and Results of Operations

Our business plan calls for extensive capital investments totaling approximately $17 billion from 2021 through 2025, including but not limited to our *Energizing the Future* transmission expansion program and our distribution grid modernization, resiliency and reliability programs. We may be exposed to the risk of substantial price increases in, or the adequacy or availability of, the costs of labor and materials used in construction, nonperformance of equipment and increased costs due to inflation, delays, including delays relating to the procurement of permits or approvals, adverse weather or environmental matters. We engage numerous contractors and enter into a large number of construction agreements to acquire the necessary materials and/or obtain the required construction-related services. As a result, we are also exposed to the risk that these contractors and other counterparties could breach their obligations to us. Such risk could include our contractors' inabilities to procure sufficient skilled labor as well as potential work stoppages by that labor force. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative arrangements at then-current market prices that may exceed our contractual prices, with resulting delays in those and other projects. Although our agreements are designed to mitigate the consequences of a potential default by the counterparty, our actual exposure may be greater than these mitigation provisions. Also, because we enter into construction agreements for the necessary materials and to obtain the required construction related services, any cancellation by FirstEnergy of a construction agreement could result in significant termination payments or penalties. Any delays, increased costs or losses, or cancellation of a construction project could adversely affect our business and results of operations, particularly if we are not permitted to recover any such costs in rates.

The Outcome of Litigation, Arbitration, Mediation, and Similar Proceedings Involving Our Business, or That of One or More of Our Operating Subsidiaries, Is Unpredictable and an Adverse Decision in Any Material Proceeding Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations

We are involved in a number of litigation, arbitration, mediation, and similar proceedings. These and other matters may divert financial and management resources that would otherwise be used to benefit our operations. Further, no assurances can be given that the resolution of these matters will be favorable to us. If certain matters were ultimately resolved unfavorably to us, the results of operations and financial condition of FirstEnergy could be materially adversely impacted.

In addition, we are sometimes subject to investigations and inquiries by various state and federal regulators due to the heavily regulated nature of our industry. Any material inquiry or investigation could potentially result in an adverse ruling against us, which could have a material adverse impact on our financial condition and operating results.

We Face Certain Human Resource Risks Associated with Potential Labor Disruptions and/or with the Availability of Trained and Qualified Labor to Meet Our Future Staffing Requirements

We are continually challenged to find ways to balance the retention of our aging skilled workforce while recruiting new talent to mitigate losses in critical knowledge and skills due to retirements. Workforce demographic issues challenge employers nationwide and are of particular concern to the electric utility industry. The median age of utility workers is higher than the national average. Over the next three years, 31 percent of our current employees will meet the eligibility requirements to retire. Our costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully recruit and retain an appropriately qualified workforce, our results of operations could be negatively affected.

Additionally, a significant number of our physical workforce are represented by unions. While we believe that our relations with our employees are generally fair, we cannot provide assurances that the company will be completely free of labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, lockouts or that any labor disruption will be favorably resolved. Mitigating these risks could require additional financial commitments and the failure to prevent labor disruptions and retain and/or attract trained and qualified labor could have an adverse effect on our business.

Significant Increases in Our Operation and Maintenance Expenses, Including Our Health Care and Pension Costs, Could Adversely Affect Our Future Earnings and Liquidity

We continually focus on limiting and reducing where possible, our operation and maintenance expenses. However, we expect to continue to face increased cost pressures related to operation and maintenance expenses, including in the areas of health care and pension costs. We have experienced health care cost inflation in recent years, and we expect our cash outlay for health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken requiring employees and retirees to bear a higher portion of the costs of their health care benefits. The measurement of our expected future health care and pension obligations and costs is highly dependent on a variety of assumptions, many of which relate to factors beyond our control. These assumptions include investment returns, interest rates, discount rates, health care cost trends, benefit design changes, salary increases, the demographics of plan participants and regulatory requirements. While we anticipate that our operation and maintenance expenses will continue to increase, if actual results differ materially from our assumptions, our costs could be significantly higher than expected which could adversely affect our results of operations, financial condition and liquidity.

Physical Acts of War, Terrorism or Other Attacks on any of Our Facilities or Other Infrastructure Could Have an Adverse Effect on Our Business, Results of Operations, Cash Flows and Financial Condition

As a result of the continued threat of physical acts of war, terrorism, or other attacks in the United States, our electric generation, fuel storage, transmission and distribution facilities and other infrastructure, including power plants, transformer and high voltage lines and substations, or the facilities or other infrastructure of an interconnected company, could be direct targets of, or indirect casualties of, an act of war, terrorism, or other attack, which could result in disruption of our ability to generate, purchase, transmit or distribute electricity for a significant period of time, otherwise disrupt our customer operations and/or result in incidents that could result in harmful effects on the environment and human health, including loss of life. Any such disruption or incident could result in a significant decrease in revenue, significant additional capital and operating costs, including costs to implement additional security systems or personnel to purchase electricity and to replace or repair our assets over and above any available insurance reimbursement, higher insurance deductibles, higher premiums and more restrictive insurance policies, legal claims or proceedings, greater regulation with higher attendant costs, generally, and significant damage to our reputation, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Changes in Technology and Regulatory Policies May Make Our Facilities Significantly Less Competitive and Adversely Affect Our Results of Operations

Traditionally, electricity is generated at large, central station generation facilities. This method results in economies of scale and lower unit costs than newer generation technologies such as fuel cells, microturbines, windmills and photovoltaic solar cells. It is possible that advances in newer generation technologies will make newer generation technologies more cost-effective, or that legislation addressing climate change at the federal or state level together with changes in regulatory policy will create incentives or benefits that otherwise make these newer generation technologies even more competitive with central station electricity production. To the extent that newer generation technologies are connected directly to load, bypassing the transmission and distribution systems, potential impacts could include decreased transmission and distribution revenues, stranded assets and increased uncertainty in load forecasting and integrated resource planning and could adversely affect our business and results of operations.

Energy Companies are Subject to Adverse Publicity Causing Less Favorable Regulatory and Legislative Outcomes Which Could Have an Adverse Impact on Our Business

Energy companies, including the Utilities and Transmission Companies, have been the subject of criticism on matters including the reliability of their distribution services and the speed with which they are able to respond to power outages, such as those caused by storm damage. Adverse publicity of this nature, as well as negative publicity associated with the operation of coal-fired generation or proceedings seeking regulatory recoveries may cause less favorable legislative and regulatory outcomes and damage our reputation, which could have an adverse impact on our business.

Risks Associated with Environmental Matters

We Have Coal-Fired Generation Capacity, Which Exposes Us to Risk from Regulations Relating to Coal, GHGs and CCRs and Could Lead to Increased Costs or the Need to Spend Significant Resources to Defend Allegations of Violation

Historically, coal-fired generation has greater exposure to the costs of complying with federal, state and local environmental statutes, rules and regulations relating to air emissions, including GHGs and CCR disposal, than other types of electric generation facilities. These legal requirements and any future initiatives could impose substantial additional costs and, in the case of GHG requirements, could raise uncertainty about the future viability of fossil fuels, particularly coal, as an energy source for new and existing electric generation facilities and could require our coal-fired generation to curtail generation or cease to generate. Failure to comply with any such existing or future legal requirements may also result in the assessment of fines and penalties. Significant resources also may be expended to defend against allegations of violations of any such requirements.

Costs of Compliance with Environmental Laws are Significant, and the Cost of Compliance with New Environmental Laws, Including Limitations on GHG Emissions Related to Climate Change, Could Adversely Affect Our Cash Flows and Financial Condition

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations. Compliance with these legal requirements requires us to incur costs for, among other things, installation and operation of pollution control equipment, emissions monitoring and fees, remediation and permitting at our facilities. These expenditures have been significant in the past and may increase in the future. We may be forced to shut down other facilities or change their operating status, either temporarily or permanently, if we are unable to comply with these or other existing or new environmental requirements, or if the expenditures required to comply with such requirements are unreasonable.

Moreover, new environmental laws or regulations including, but not limited to GHG Emissions, CWA effluent limitations imposing more stringent water discharge regulations, or other changes to existing environmental laws or regulations may materially increase our costs of compliance or accelerate the timing of capital expenditures or other capital-like investments. Our compliance strategy, including but not limited to, our assumptions regarding estimated compliance costs, although reasonably based on available information, may not successfully address future relevant standards and interpretations. If we fail to comply with environmental laws and regulations or new interpretations of longstanding requirements, even if caused by factors beyond our control, that failure could result in the assessment of civil or criminal liability and fines. In addition, any alleged violation of environmental laws and regulations may require us to expend significant resources to defend against any such alleged violations. Due to the uncertainty of control technologies available to reduce GHG emissions, any legal obligation that requires substantial reductions of GHG emissions could result in substantial additional costs, adversely affecting cash flows and profitability, and raise uncertainty about the future viability of fossil fuels, particularly coal, as an energy source for new and existing electric generation facilities.

The EPA is Conducting NSR Investigations at Generating Plants that We Currently or Formerly Owned, Which Could Result in the Imposition of Fines

We may be subject to risks from changing or conflicting interpretations of existing laws and regulations, including, for example, the applicability of the EPA's NSR programs. Under the CAA, modification of our existing and former generation facilities in a manner that results in increased emissions could subject our existing generation facilities to the far more stringent new source standards applicable to new generation facilities.

The EPA has taken the view that many companies, including many energy producers, have been modifying emissions sources in violation of NSR standards during work considered by the companies to be routine maintenance. The EPA has investigated alleged violations of the NSR standards at certain of our existing and former generating facilities. We intend to vigorously pursue and defend our position, but we are unable to predict their outcomes, which could include the possible imposition of fines.

We Are or May Be Subject to Environmental Liabilities, Including Costs of Remediation of Environmental Contamination at Current or Formerly Owned Facilities, Which Could Have a Material Adverse effect on Our Results of Operations and Financial Condition

We may be subject to liability under environmental laws for the costs of remediating environmental contamination of property now or formerly owned or operated by us and of property contaminated by hazardous substances that we may have generated regardless of whether the liabilities arose before, during or after the time we owned or operated the facilities. We are currently involved in a number of proceedings relating to sites where hazardous substances have been released and we may be subject to additional proceedings in the future. We also have current or previous ownership interests in sites associated with the production of gas and the production and delivery of electricity for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Remediation activities associated with our former MGP operations are one source of such costs. Citizen groups or others may bring litigation over environmental issues including claims of various types, such as property damage, personal injury, and citizen challenges to compliance decisions on the enforcement of environmental requirements, such as opacity and other air quality standards, which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict the amount and timing of all future expenditures (including the potential or magnitude of fines or penalties) related to such environmental matters, although we expect that they could be material. In addition, there can be no assurance that any liabilities, losses or expenditures we may incur related to such environmental liabilities or contamination will be covered under any applicable insurance policies or that the amount of insurance will be adequate.

In some cases, a third party who has acquired assets including operating and deactivated nuclear power stations from us has assumed the liability we may otherwise have for environmental matters related to the transferred property. If the transferee fails to discharge the assumed liability or disputes its responsibility, a regulatory authority or injured person could attempt to hold us responsible, and our remedies against the transferee may be limited by the financial resources of the transferee.

We Could be Exposed to Private Rights of Action Relating to Environmental Matters Seeking Damages Under Various State and Federal Law Theories Which Could Have an Adverse Impact on Our Results of Operations, Financial Condition, Cash Flows and Business Operations

Private individuals may seek to enforce environmental laws and regulations against us and could allege personal injury, property damages or other relief. For example, claims have been made against certain energy companies alleging that CO_2 emissions from power generating facilities constitute a public nuisance under federal and/or state common law. While FirstEnergy is not a party to this litigation, it, and/or one of its subsidiaries, could be named in other actions making similar allegations. An unfavorable ruling in any such case could result in the need to make modifications to our coal-fired generation or reduce emissions, suspend operations or pay money damages or penalties. Adverse rulings in these or other types of actions could have an adverse impact on our results of operations, cash flows and financial condition and could significantly impact our business operations.

We Are and May Become Subject to Legal Claims Arising from the Presence of Asbestos or Other Regulated Substances at Some of Our Facilities that May Have an Adverse Impact on Our Business Operations, Financial Condition and Cash Flows

We have been named as a defendant in pending asbestos litigations involving multiple plaintiffs and multiple defendants, in several states. The majority of these claims arise out of alleged past exposures by contractors (and in Pennsylvania, former employees) at both currently and formerly owned electric generation plants. In addition, asbestos and other regulated substances are, and may continue to be, present at currently owned facilities where suitable alternative materials are not available. We believe that any remaining asbestos at our facilities is contained and properly identified in accordance with applicable governmental regulations, including OSHA. The continued presence of asbestos and other regulated substances at these facilities, however, could result in additional actions being brought against us. This is further complicated by the fact that many diseases, such as mesothelioma and cancer, have long latency periods in which the disease process develops, thus making it impossible to accurately predict the types and numbers of such claims in the near future. While insurance coverages exist for many of these pending asbestos litigations, others have no such coverages, resulting in FirstEnergy being responsible for all defense expenditures, as well as any settlements or verdict payouts.

Risks Associated with Climate Change Matters

Transition Risks Associated with Climate Change, Including Those Related to Regulatory Mandates Could Negatively Impact Our Financial Results

Where federal or state legislation mandates the use of renewable fuel sources, such as wind and solar and such legislation does not also provide for adequate cost recovery, it could result in significant changes in our business, including material increases in REC purchase costs, purchased power costs and capital investments. Such mandatory renewable portfolio requirements may have an adverse effect on our financial condition and results of operations.

A number of regulatory and legislative bodies have introduced requirements and/or incentives to reduce peak demand and energy consumption. Such conservation programs could result in load reduction and adversely impact our financial results in different ways. We currently have energy efficiency riders in place in certain of our states to recover the cost of these programs either at or near a current recovery time frame in the states where we operate.

In our regulated operations, energy conservation could negatively impact us depending on the regulatory treatment of the associated impacts. Should we be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact. In the past, we have been adversely impacted by reduced electric usage due in part to energy conservation efforts such as the use of efficient lighting products such as CFLs, halogens and LEDs. We are unable to determine what impact, if any, conservation will have on our financial condition or results of operations.

Additionally, failure to meet regulatory or legislative requirements to reduce energy consumption or otherwise increase energy efficiency could result in penalties that could adversely affect our financial results.

Financial and Reputational Risks Associated with Owning Coal-Fired Generation and a Minority-Interest in a Coal Mine May Have an Adverse Impact on Our Business Operations, Financial Condition and Cash Flows

MP's fleet consists of 3,093 MWs of coal-fired generation and 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. Certain members of the investment community have adopted investment policies promoting the divestment of, or otherwise limiting new investments in, coal-fired generation and coal mining. The impact of such efforts may adversely affect the demand for and price of our common stock and impact our and MP's access to the capital and financial markets. Further, certain insurance companies have established policies limiting coal-related underwriting and investment. Consequently, these policies aimed at coal-fired generation could have a material adverse impact on our reputation, business operations, financial condition, and cash flows.

The Physical Risks Associated with Climate Change May Have an Adverse Impact on Our Business Operations, Financial Condition and Cash Flows

Physical risks of climate change, such as more frequent or more extreme weather events, changes in temperature and precipitation patterns, and other related phenomena, could affect some, or all, of our operations. Severe weather or other natural disasters could be destructive, which could result in increased costs, including supply chain costs. An extreme weather event within the Utilities' service areas can also directly affect their capital assets, causing disruption in service to customers due to downed wires and poles or damage to other operating equipment. Further, as extreme weather conditions increase system stress, we may incur costs relating to additional system backup or service interruptions, and in some instances, we may be unable to recover such costs. For all of these reasons, these physical risks could have an adverse financial impact on our business operations, financial condition and cash flows. Climate change poses other financial risks as well. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of the changes. Increased energy use due to weather changes may require us to invest in additional system assets and purchase additional power. Additionally, decreased energy use due to weather changes may affect our financial condition through decreased rates, revenues, margins or earnings.

Risks Associated with Markets and Financial Matters

Failure to Comply with Debt Covenants in Our Credit Agreements or Conditions Could Adversely Affect Our Ability to Execute Future Borrowings and/or Require Early Repayment, and Could Restrict our Ability to Obtain Additional or Replacement Financing on Acceptable Terms or at All

Our debt and credit agreements contain various financial and other covenants including a requirement for FE to maintain a consolidated interest coverage ratio of not less than 2.50 times, measured at the end of each fiscal quarter for the last four fiscal quarters beginning with the quarter ending December 31, 2021, and that each other borrower maintain a consolidated debt to total capitalization ratio of no more than 65%, and 75% for FET, measured at the end of each fiscal quarter.

Our credit agreements contain certain negative and affirmative covenants. Our ability to comply with the covenants and restrictions contained in 2021 Credit Facilities has been and may, in the future, be affected by events related to the ongoing government investigations or otherwise, including a failure to comply with the terms of the DPA.

A breach of any of the covenants contained in our credit agreements, including any breach related to alleged failures to comply with anti-corruption and anti-bribery laws, could result in an event of default under such agreements, and we would not be able to access our credit facilities for additional borrowings and letters of credit while any default exists. Upon the occurrence of such an event of default, any amounts outstanding under our credit facilities could be declared to be immediately due and payable and all applicable commitments to extend further credit could be terminated. If indebtedness under our credit facilities is accelerated, there can be no assurance that we will have sufficient assets to repay the indebtedness. In addition, certain events, including but not limited to any covenant breach related to alleged failures to comply with anti-corruption and anti-bribery laws, an event of default under our credit agreements, and the acceleration of applicable commitments under such facilities could restrict our ability to obtain additional or replacement financing on acceptable terms or at all. The operating and financial restrictions and covenants in our credit facilities and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

Interest Rates and/or a Credit Rating Downgrade Could Negatively Affect Our or Our Subsidiaries' Financing Costs, Ability to Access Capital and Requirement to Post Collateral

We have near-term exposure to interest rates from outstanding indebtedness indexed to variable interest rates, and we have exposure to future interest rates to the extent we seek to raise debt in the capital markets to meet maturing debt obligations and fund construction or other investment opportunities. Past disruptions in capital and credit markets have resulted in higher interest rates on new publicly issued debt securities, increased costs for variable interest rate debt securities and failed remarketing of variable interest rate tax-exempt debt issued to finance certain of our former facilities. Disruptions in capital and credit markets could result in higher interest rates on new publicly issued debt securities and increase our financing costs and adversely affect our results of operations. Also, interest rates could change as a result of economic or other events that are beyond our risk management processes. As a result, we cannot always predict the impact that our risk management decisions may have if actual events lead to greater losses or costs than our risk management positions were intended to hedge. Although we employ risk management techniques to hedge against interest rate volatility, significant and sustained increases in market interest rates could materially increase our financing costs and negatively impact our reported results of operations.

We rely on access to bank and capital markets as sources of liquidity for cash requirements not satisfied by cash from operations. Additional downgrades in FirstEnergy or FirstEnergy subsidiaries' credit ratings from the nationally recognized credit rating agencies, particularly to levels below investment grade, could negatively affect our ability to access the bank and capital markets, especially in a time of uncertainty in either of those markets, and may require us to post cash collateral to support outstanding commodity positions in the wholesale market, as well as available letters of credit and other guarantees. Furthermore, additional downgrades could increase the cost of such capital by causing us to incur higher interest rates and fees associated with such capital. Additional rating downgrades would further increase our interest expense on certain of

FirstEnergy's long-term debt obligations and would also further increase the fees we pay on our various existing credit facilities, thus increasing the cost of our working capital. Such additional rating downgrades could also negatively impact our ability to grow our regulated businesses or execute our business strategies by substantially increasing the cost of, or limiting access to, capital.

In addition, events related to the ongoing government investigations may expose us to higher interest rates for additional indebtedness, whether as a result of ratings downgrades or otherwise, and could restrict our ability to obtain additional or replacement financing on acceptable terms or at all. See *"Failure to Comply with Debt Covenants in our Credit Agreements or Conditions Could Adversely Affect our Ability to Execute Future Borrowings and/or Require Early Repayment, and Could Restrict our Ability to Obtain Additional or Replacement Financing on Acceptable Terms or at All."*

Our Results of Operations and Financial Condition May be Adversely Affected by the Volatility in Pension and OPEB Expenses Due to Capital Market Performance and Other Changes

FirstEnergy recognizes in income the change in the fair value of plan assets and net actuarial gains and losses for its pension and OPEB plans. This adjustment is recognized in the fourth quarter of each year and whenever a plan is determined to qualify for a remeasurement, resulting in greater volatility in pension and OPEB expenses and may materially impact our results of operations.

Our financial statements reflect the values of the assets held in trust to satisfy our obligations under pension and OPEB plans. Certain of the assets held in these trusts do not have readily determinable market values. Changes in the estimates and assumptions inherent in the value of these assets could affect the value of the trusts. If the value of the assets held by the trusts declines by a material amount, our funding obligation to the trusts could materially increase. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected return rates. Forecasting investment earnings and costs to pay future pension and other obligations requires significant judgment and actual results may differ significantly from current estimates. Capital market conditions that generate investment losses or that negatively impact the discount rate and increase the present value of liabilities may have significant impacts on the value of the pension and other trust funds, which could require significant additional funding and negatively impact our results of operations and financial position.

In the Event of Volatility or Unfavorable Conditions in the Capital and Credit Markets, Our Business, Including the Immediate Availability and Cost of Short-Term Funds for Liquidity Requirements, Our Ability to Meet Long-Term Commitments and the Competitiveness and Liquidity of Energy Markets May be Adversely Affected, Which Could Negatively Impact Our Results of Operations, Cash Flows and Financial Condition

We rely on the capital markets to meet our financial commitments and short-term liquidity needs if internal funds are not available from our operations. We also use LOCs provided by various financial institutions to support our hedging operations. We also deposit cash in short-term investments. In the event of volatility in the capital and credit markets, our ability to draw on our credit facilities and cash may be adversely affected. Our access to funds under those credit facilities is dependent on the ability of the financial institutions that are parties to the facilities to meet their funding commitments. Those institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Any delay in our ability to access those funds, even for a short period of time, could have a material adverse effect on our results of operations and financial condition.

Should there be fluctuations in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant foreign or domestic financial institutions or foreign governments, our access to liquidity needed for our business could be adversely affected. Unfavorable conditions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures or other capital-like investments, changing hedging strategies to reduce collateral-posting requirements, and reducing or eliminating future dividend payments or other discretionary uses of cash.

Energy markets depend heavily on active participation by multiple counterparties, which could be adversely affected should there be disruptions in the capital and credit markets. Reduced capital and liquidity and failures of significant institutions that participate in the energy markets could diminish the liquidity and competitiveness of energy markets that are important to our business. Perceived weaknesses in the competitive strength of the energy markets could lead to pressures for greater regulation of those markets or attempts to replace those market structures with other mechanisms for the sale of power, including the requirement of long-term contracts, which could have a material adverse effect on our results of operations and cash flows.

Our Use of Non-Derivative and Derivative Contracts to Mitigate Risks Could Result in Financial Losses That May Negatively Impact Our Financial Results

We may use a variety of non-derivative and derivative instruments, such as swaps, options, futures and forwards, to manage our financial market risks. In the absence of actively quoted market prices and pricing information from external sources, the valuation of some of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of some of these

contracts. Also, we could recognize financial losses as a result of volatility in the market value of these contracts if a counterparty fails to perform or if there is limited liquidity of these contracts in the market.

Changes in Local, State or Federal Tax Laws Applicable to Us or Adverse Audit Results or Tax Rulings, and Any Resulting Increases in Taxes and Fees, May Adversely Affect Our Results of Operations, Financial Condition and Cash Flows

FirstEnergy is subject to various local, state and federal taxes, including income, franchise, real estate, sales and use and employment-related taxes. We exercise significant judgment in calculating such tax obligations, booking reserves as necessary to reflect potential adverse outcomes regarding tax positions we have taken and utilizing tax benefits, such as carryforwards and credits. Additionally, various tax rate and fee increases may be proposed or considered in connection with such changes in local, state or federal tax law. We cannot predict whether legislation or regulation will be introduced, the form of any legislation or regulation, or whether any such legislation or regulation will be passed by legislatures or regulatory bodies. Any such changes, or any adverse tax audit results or adverse tax rulings on positions taken by FirstEnergy or its subsidiaries could have a negative impact on its results of operations, financial condition and cash flows.

In addition, the U.S. President and the majority political party of the U.S. Congress have announced a potential reform of U.S. tax laws. The details of the President's comprehensive tax plan have not yet emerged but has outlined several proposed changes to corporate taxes including a corporate minimum tax based on adjusted financial statement income.

We cannot predict whether, when or to what extent new U.S. tax laws, regulations, interpretations or rulings will be issued, nor is the long-term impact of proposed tax reform clear. A reform of U.S. tax laws may be enacted in a manner that negatively impacts our cash flow, results of operations, and financial condition.

The Phasing Out of LIBOR Could Adversely Affect our Financial Results

A portion of FirstEnergy's indebtedness bears interest at fluctuating interest rates, primarily based on LIBOR. LIBOR tends to fluctuate based on general interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. FirstEnergy has not hedged its interest rate exposure with respect to its floating rate debt. Accordingly, FirstEnergy's interest expense for any particular period will fluctuate based on LIBOR and other variable interest rates. On July 27, 2017, the FCA (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. LIBOR is not expected to be phased out entirely until 2023 and it is unclear whether new methods of calculating LIBOR will be established in the interim. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is considering replacing U.S. dollar LIBOR with a newly created index (the secured overnight financing rate or SOFR), calculated based on repurchase agreements backed by treasury securities. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere. To the extent these interest rates increase, interest expense will increase. If sources of capital for FirstEnergy are reduced, capital costs could increase materially. Restricted access to capital markets and/or increased borrowing costs could have an adverse effect on our results of operations, cash flows, financial condition and liquidity.

We Must Rely on Cash from Our Subsidiaries and Any Restrictions on the Utilities and Transmission Companies' Ability to Pay Dividends or Make Cash Payments to Us May Adversely Affect Our Cash Flows and Financial Condition

We are a holding company and our investments in our subsidiaries are our primary assets. Substantially all of our business is conducted by our subsidiaries. Consequently, our cash flow, including our ability to pay dividends and service debt, is dependent on the operating cash flows of our subsidiaries and their ability to upstream cash to the holding company. Any inability of our subsidiaries to pay dividends or make cash payments to us may adversely affect our cash flows and financial condition.

Additionally, the Utilities and Transmission Companies are regulated by various state utility and federal commissions that generally possess broad powers to ensure that the needs of utility customers are being met. Those state and federal commissions could attempt to impose restrictions on the ability of the Utilities and Transmission Companies to pay dividends or otherwise restrict cash payments to us.

We Cannot Assure Common Shareholders that Future Dividend Payments Will be Made, or if Made, in What Amounts They May be Paid

The FE Board will continue to regularly evaluate our common stock dividend and determine whether to declare a dividend, and an appropriate amount thereof, each quarter taking into account such factors as, among other things, our earnings, financial condition and cash flows from subsidiaries, as well as general economic and competitive conditions. We cannot assure common shareholders that dividends will be paid in the future, or that, if paid, dividends will be at the same amount or with the same frequency as in the past.

The Tax Characterization of Our Distributions to Shareholders Will Fluctuate

When we make distributions to shareholders, we are required to subsequently determine and report the tax characterization of those distributions for purposes of shareholders' income taxes. Whether a distribution is characterized as a dividend or a return of capital (and possible capital gain) depends upon an internal tax calculation to determine earnings and profits for income tax purposes (E&P). E&P should not be confused with earnings or net income under GAAP. Further, after we report the expected tax characterization of distributions we have paid, the actual characterization could vary from our expectation with the result that holders of our common stock could incur different income tax liabilities than expected.

In general, distributions are characterized as dividends to the extent the amount of such distributions do not exceed our calculation of current or accumulated E&P. Distributions in excess of current and accumulated E&P may be treated as a non-taxable return of capital. Generally, a non-taxable return of capital will reduce an investor's basis in our stock for federal tax purposes, which will impact the calculation of gain or loss when the stock is sold.

Our internal calculation of E&P can be impacted by a variety of factors. FirstEnergy exhausted its accumulated E&P in the second half of the 2019 tax year. This elimination of accumulated E&P will make it more likely that at least a portion of our current or future distributions will be characterized for shareholders' tax purposes as a return of capital. Upon such characterization, shareholders are urged to consult their own tax advisors regarding the income tax treatment of our distributions to them.

Risks Associated with the Global Pandemic

The Continuing Impact of the COVID-19 Pandemic is Highly Unpredictable and Could Have an Adverse Effect on Our Business, Results of Operations, Cash Flows and Financial Condition

The extent to which the COVID-19 pandemic impacts FirstEnergy going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including inflation, and the possibility of recession or financial market instability. This uncertainty is expected to continue to impact our business in 2022.

While most of the moratoriums on utility disconnections imposed across FirstEnergy's five-state service territory have been rescinded, similar actions could occur in the future. We have also incurred increased expenses related to safety and cleaning protocols that were implemented to protect the health and safety of our employees, contractors, and customers and to support social distancing requirements, which expenses include new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, the initiation of programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible. While FirstEnergy believes that all these measures have been necessary or appropriate, they have resulted in additional costs and may adversely impact its business and results of operation in the future or expose it to additional unknown risks.

Although it is not possible to predict the ultimate impact of COVID-19, including on FirstEnergy's business, results of operations, cash flows or financial positions, such impacts that may be material include, but are not limited to: (i) lower commercial and industrial customer demand for electricity, (ii) impacts of rapidly-changing governmental and public health directives to contain and combat the pandemic together with executive and legislative initiatives imposing, among other things, required COVID-19 testing or workforce COVID-19 vaccination mandates, which could affect the retention and recruitment of our current and prospective employees, respectively, (iii) increased credit risk, including increased failure or delay by customers to make their utility payments, (iv) reduced availability and productivity of its employees, (v) increased operational risks as a result of remote work arrangements, including the potential effects on internal controls, as well as cybersecurity risks and increased vulnerability to security breaches, information technology disruptions and other similar events, and (vi) delays and disruptions in the availability of contracted labor and the timely delivery of materials and components used in its operations, as well as increased costs for such materials and components. To the extent the duration of any of these conditions extends for a longer period of time, the adverse impact will generally be more severe.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The first mortgage indentures for the Ohio Companies, Penn, MP, PE and WP constitute direct first liens on substantially all of the respective physical property, subject only to excepted encumbrances, as defined in the first mortgage indentures. See Note 9, "Capitalization," of the Notes to Consolidated Financial Statements for information concerning financing encumbrances affecting certain of the Utilities' properties.

FirstEnergy controls the following generation sources as of December 31, 2021, shown in the table below, and operates in PJM. Except for the OVEC participation referenced in the footnotes to the table, the Regulated Distribution segment generating units are owned by MP.

Plant (Location)	Unit	Total	Corp/Other	Regulated Distribution
		Net Demonstrated Capacity (MW)		
Super-critical Coal-fired:				
Harrison (Haywood, WV)	1-3	1,984	—	1,984
Fort Martin (Maidsville, WV)	1-2	1,098	—	1,098
		3,082	—	3,082
Sub-critical and Other Coal-fired:				
OVEC (Cheshire, OH) (Madison, IN)	1-11	78 (1)	67	11
Pumped-storage Hydro:				
Bath County (Warm Springs, VA)	1-6	487 (2)	—	487
Total		**3,647**	**67**	**3,580**

(1) Represents AE Supply's 3.01% and MP's 0.49% entitlement based on their participation in OVEC.
(2) Represents AGC's 16.25% undivided interest in Bath County. The station is operated by VEPCO.

As of December 31, 2021, FirstEnergy's distribution and transmission circuit miles are located in PJM and were as follows:

	Distribution Line Miles(1)	Transmission Line Miles
ATSI	—	7,916
CEI	33,066	—
JCP&L	23,950	2,601
MAIT	—	4,267
ME	19,072	—
MP	22,707	2,619
OE	68,002	—
PE	20,696	2,087
Penn	13,673	—
PN	27,766	—
TE	19,189	—
TrAIL	—	262
WP	25,174	4,322
Total	273,295	24,074

(1) Includes overhead pole line and underground conduit carrying primary, secondary and street lighting circuits

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note 12, "Regulatory Matters," and Note 13, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements for a description of certain legal proceedings involving FirstEnergy.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK

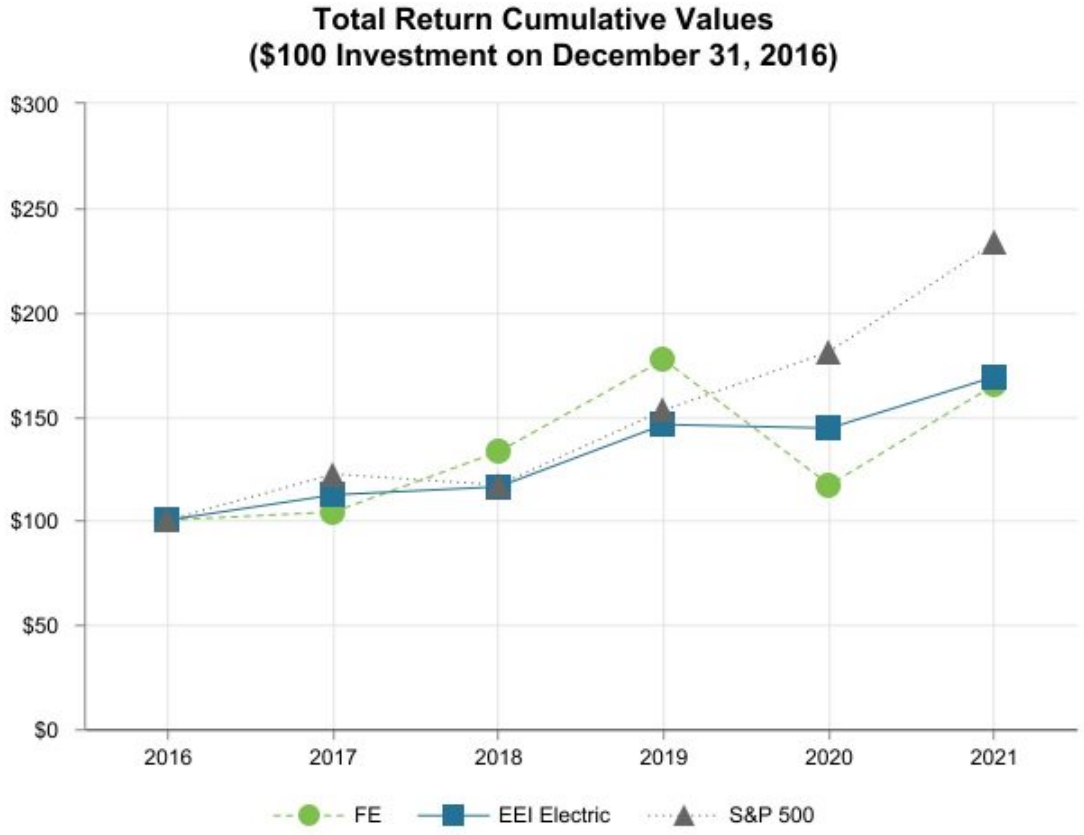
The common stock of FirstEnergy Corp. is listed on the New York Stock Exchange under the symbol "FE" and is traded on other registered exchanges.

HOLDERS OF COMMON STOCK

There were 63,973 holders of 570,261,104 shares of FE's common stock as of December 31, 2021, and 63,715 holders of 570,344,389 shares of FE's common stock as of January 31, 2022. FE has historically paid quarterly cash dividends on its common stock. Dividend payments are subject to declaration by the FE Board and future dividend decisions determined by the Board may be impacted by earnings growth, cash flows, credit metrics, risks and uncertainties of the government investigations and other business conditions. Information regarding retained earnings available for payment of cash dividends is given in Note 9, "Capitalization," of the Notes to Consolidated Financial Statements.

SHAREHOLDER RETURN

The following graph shows the total cumulative return from a $100 investment on December 31, 2016, in FE's common stock compared with the total cumulative returns of EEI's Index of Investor-Owned Electric Utility Companies and the S&P 500.



FirstEnergy had no transactions regarding purchases of FE common stock during the fourth quarter of 2021.

FirstEnergy does not have any publicly announced plan or program for share purchases.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements: This Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 based on information currently available to management. Such statements are subject to certain risks and uncertainties and readers are cautioned not to place undue reliance on these forward-looking statements. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "forecast," "target," "will," "intend," "believe," "project," "estimate," "plan" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following (see Glossary of Terms for definitions of capitalized terms):

- The potential liabilities, increased costs and unanticipated developments resulting from government investigations and agreements, including those associated with compliance with or failure to comply with the DPA.
- The risks and uncertainties associated with government investigations and audits regarding HB 6 and related matters, including potential adverse impacts on federal or state regulatory matters, including, but not limited to, matters relating to rates.
- The risks and uncertainties associated with litigation, arbitration, mediation, and similar proceedings, particularly regarding HB 6 related matters, including risks associated with obtaining court approval of the definitive settlement agreement in the derivative shareholder lawsuits.
- Weather conditions, such as temperature variations and severe weather conditions, or other natural disasters affecting future operating results and associated regulatory actions or outcomes in response to such conditions.
- Legislative and regulatory developments, including, but not limited to, matters related to rates, compliance and enforcement activity.
- The ability to accomplish or realize anticipated benefits from our FE Forward initiative and our other strategic and financial goals, including, but not limited to, overcoming current uncertainties and challenges associated with the ongoing government investigations, executing our transmission and distribution investment plans, greenhouse gas reduction goals, controlling costs, improving our credit metrics, growing earnings, strengthening our balance sheet, and satisfying the conditions necessary to close the sale of the minority interest in FET.
- The risks associated with cyber-attacks and other disruptions to our, or our vendors', information technology system, which may compromise our operations, and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information.
- Mitigating exposure for remedial activities associated with retired and formerly owned electric generation assets.
- The ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us, including the increasing number of financial institutions evaluating the impact of climate change on their investment decisions.
- The extent and duration of the COVID-19 pandemic and the related impacts to our business, operations and financial condition resulting from the outbreak of COVID-19 including, but not limited to, disruption of businesses in our territories, additional costs, workforce impacts and governmental and regulatory responses to the pandemic, such as moratoriums on utility disconnections and workforce vaccination mandates.
- The effectiveness of our pandemic and business continuity plans, the precautionary measures we are taking on behalf of our customers, contractors and employees, our customers' ability to make their utility payment and the potential for supply-chain disruptions.
- Actions that may be taken by credit rating agencies that could negatively affect either our access to or terms of financing or our financial condition and liquidity.
- Changes in assumptions regarding factors such as economic conditions within our territories, the reliability of our transmission and distribution system, or the availability of capital or other resources supporting identified transmission and distribution investment opportunities.
- Changes in customers' demand for power, including, but not limited to, the impact of climate change or energy efficiency and peak demand reduction mandates.
- Changes in national and regional economic conditions, including recession and inflationary pressure, affecting us and/or our customers and those vendors with which we do business.
- The potential of non-compliance with debt covenants in our credit facilities.
- The ability to comply with applicable reliability standards and energy efficiency and peak demand reduction mandates.
- Changes to environmental laws and regulations, including, but not limited to, those related to climate change.
- Changing market conditions affecting the measurement of certain liabilities and the value of assets held in our pension trusts, or causing us to make contributions sooner, or in amounts that are larger, than currently anticipated.
- Labor disruptions by our unionized workforce.
- Changes to significant accounting policies.
- Any changes in tax laws or regulations, or adverse tax audit results or rulings.
- The risks and other factors discussed from time to time in our SEC filings.

Dividends declared from time to time on our common stock during any period may in the aggregate vary from prior periods due to circumstances considered by the FE Board at the time of the actual declarations. A security rating is not a recommendation to

buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

These forward-looking statements are also qualified by, and should be read together with, the risk factors included in (a) Item 1A. Risk Factors, (b) Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and (c) other factors discussed herein and in FirstEnergy's other filings with the SEC. The foregoing review of factors also should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. We expressly disclaim any obligation to update or revise, except as required by law, any forward-looking statements contained herein or in the information incorporated by reference as a result of new information, future events or otherwise.

FIRSTENERGY'S BUSINESS

FE and its subsidiaries are principally involved in the transmission, distribution and generation of electricity through its reportable segments, Regulated Distribution and Regulated Transmission.

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies, serving approximately six million customers within 65,000 square miles of Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York, and purchases power for its POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey, and Maryland. This segment also controls 3,580 MWs of regulated electric generation capacity located primarily in West Virginia and Virginia. The segment's results reflect the costs of securing and delivering electric generation from transmission facilities to customers, including the deferral and amortization of certain related costs.

The service areas of, and customers served by, FirstEnergy's regulated distribution utilities as of December 31, 2021, are summarized below:

Company	Area Served	Customers Served
		(In thousands)
JCP&L	Northern, Western and East Central New Jersey	1,152
OE	Central and Northeastern Ohio	1,064
CEI	Northeastern Ohio	756
WP	Southwest, South Central and Northern Pennsylvania	735
PN	Western Pennsylvania and Western New York	589
ME	Eastern Pennsylvania	583
PE	Western Maryland and Eastern West Virginia	432
MP	Northern, Central and Southeastern West Virginia	396
TE	Northwestern Ohio	315
Penn	Western Pennsylvania	170
		6,192

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual rate base and costs. The segment's results also reflect the net transmission expenses related to the delivery of electricity on FirstEnergy's transmission facilities. On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA, with Brookfield and Brookfield Guarantors pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS.

Corporate/Other reflects corporate support and other costs not charged or attributable to the Utilities or Transmission Companies, including FE's retained Pension and OPEB assets and liabilities of the FES Debtors, interest expense on FE's holding company debt and other businesses that do not constitute an operating segment. Additionally, reconciling adjustments for the elimination of inter-segment transactions are included in Corporate/Other. As of December 31, 2021, 67 MWs of electric generating capacity, representing AE Supply's OVEC capacity entitlement, is included in Corporate/Other. As of December 31, 2021, Corporate/Other had approximately $7.9 billion of FE holding company debt.

EXECUTIVE SUMMARY

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

FirstEnergy's core values encompass what matters most to the company. They guide the decisions we make and the actions we take. FirstEnergy's core values should inspire our actions today and shine a light on who we aspire to be in the future.

FirstEnergy Core Values:

- **Integrity:** We always act ethically with honesty, humility and accountability.
- **Safety:** We keep ourselves and others safe.
- **Diversity, Equity and Inclusion:** We embrace differences, ensure every employee is treated fairly and create a culture where everyone feels they belong.
- **Performance Excellence:** We pursue excellence and seek opportunities for growth, innovation and continuous improvement.
- **Stewardship:** We positively impact our customers, communities and other stakeholders, and strive to protect the environment.

Employees are encouraged and expected to have conversations with their leaders and peers about the core values and FirstEnergy's commitment to building a culture centered on integrity.

At FirstEnergy, we are dedicated to staying true to our mission and core values. We understand the impact our company can make in the world around us, which means pursuing initiatives and goals that align with our foundational principles, support our ESG priorities, and positively impact our stakeholders.

To solidify our role as an industry leader, we have developed a long-term strategy with priorities that are centered on our mission statement. These priorities reflect a strong foundation with an unrelenting customer focus that emphasizes modern experiences, new growth and affordable energy bills, and is leading and enabling the energy transition to a clean, resilient and secure electric grid.

We are proud of the steps we've already taken to demonstrate our commitment to our strategy and look forward to improving our performance and executing on these strategic priorities.

FirstEnergy's Business

As a fully regulated electric utility, FirstEnergy is focused on stable and predictable earnings and cash flow from its Regulated Distribution and Regulated Transmission businesses that deliver enhanced customer service and reliability.

FirstEnergy's Regulated Distribution business is comprised of a geographically and regulatory diverse collection of electric utilities delivering customer-focused sustainable growth. This business operates in a territory of 65,000 square miles, across the Midwest & Mid-Atlantic regions, one of the largest contiguous territories in the United States, and allows the Utilities to be uniquely positioned for growth through investments that strengthen the grid and enable the clean energy transition, with approximately $9 billion in investment plans (or 53% of the total FirstEnergy investment plan) from 2021 to 2025. Through its investment plan, Regulated Distribution has improved reliability and added operating flexibility to the distribution infrastructure, which provide benefits to the customers and communities those Utilities serve.

In addition to our investments to rebuild critical infrastructure and improve reliability, current and future distribution investment opportunities that support our ESG and strategic priorities include:

- Advanced Metering Infrastructure – install smart meters and related infrastructure;
- Grid Modernization Investments that support distribution automation and voltage and var optimization;
- Installation of electric vehicle charging stations;
- Connected LED Streetlights – strategic goal to convert 100% of streetlights owned by the Utilities to smart LEDs by 2030;
- Alternative Generation that lowers our carbon footprint;
- Information Systems – enhance our core information infrastructure of our distribution systems; and
- Supporting economic development to attract new business.

FirstEnergy's Regulated Transmission business is a premier, high quality transmission business, with over 24,000 miles of transmission lines in operation and one of the largest transmission systems in PJM. The Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) are focused on "Energizing the Future" with investments that support clean-

energy, improve grid reliability and resiliency and support a carbon neutral future. "Energizing the Future" is the centerpiece of FirstEnergy's regulated investment strategy with all investments recovered under FERC-regulated forward-looking formula rates, and approximately $8 billion in investment plans (or 45% of the total FirstEnergy investment plan) from 2021 to 2025. FirstEnergy believes there are incremental investment opportunities for its existing transmission infrastructure of over $20 billion beyond those identified through 2025, which are expected to strengthen grid and cyber-security and make the transmission system more reliable, robust, secure and resistant to extreme weather events, with improved operational flexibility.

In addition to our Energizing the Future investments, current and future transmission investment opportunities that support our ESG and strategic priorities include:

- Transmission Asset Health Center: real-time monitoring to reduce outages and lower expenses;
- Integrating digital technology to enhance equipment monitoring and lower costs;
- Exploring real-time technologies: emerging technologies to enhance data collection; and
- Making smart investments to modernize the grid to integrate future renewables.

On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA with Brookfield and the Brookfield Guarantors, pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS and is expected to close in the second quarter of 2022.

On December 13, 2021, FE privately issued to BIP Securities II-B L.P., an affiliate of Blackstone Infrastructure Partners L.P., 25,588,535 shares of FE's common stock, par value $0.10 per share, at a price of $39.08 per share, representing an investment of $1.0 billion. In addition, subject to certain regulatory approvals, FE will appoint a Blackstone Infrastructure Partners-selected representative to the FE Board no later than the 2022 annual shareholders' meeting.

On October 18, 2021, FE, FET, the Utilities, and the Transmission Companies entered into six separate senior unsecured five-year syndicated revolving credit facilities. These new credit facilities provide substantial liquidity to support the Regulated Distribution and Regulated Transmission businesses, and each of the operating companies within the businesses. See "Capital Resources and Liquidity" below for additional details.

Together, these transactions enhance FirstEnergy's credit profile, provide funding for the strategic investments discussed above, and address all of FirstEnergy's equity plans, with the exception of annual issuances of up to $100 million under regular dividend reinvestment plans and employee benefit stock investment plans, through at least 2025.

FE Forward

FirstEnergy is also working to transform how it conducts business and serves its customers, to achieve value potential in a sustainable way and help FirstEnergy achieve its strategic priorities. In February 2021, FirstEnergy announced a new initiative to build upon FirstEnergy's strong operations and business fundamentals and deliver immediate value and resilience, with substantial working capital improvements and capital efficiencies ramping up through 2024. Called "FE Forward," the initiative plays a critical first step in FirstEnergy's transformation journey as it looks to enhance the organization, focus on performance excellence, and refocus the investment strategy through a range of opportunities, including:

- Align and centralize the organization into 5 strategic areas, optimize distribution operations by transitioning to 5 state-aligned business units with fewer management layers and implement centrally-driven best practices and processes in the areas of planning, scheduling and work management to safely improve frontline productivity and reducing the need for contracted resources;
- Formation of a Senior Vice President of Customer Experience position to drive key digital and productivity initiatives and programs, such as self-service options that enhance and streamline the customer experience reducing call volume by 30-40%;
- Deliver digital and data driven solutions through a 'Digital Factory and Innovation Center' and utilize advanced analytics to optimize decision-making in operating expense and capital deployment;
- Create a company-wide, cultural change roadmap to strengthen behaviors around FirstEnergy's core values;
- Deliver leadership and functional capability training to drive performance excellence and innovation;
- Creation of a Vice President of Transformation Office to drive performance excellence; and
- Optimize spend strategies by expanding resources and capabilities in Supply Chain areas such as strategic sourcing, inventory management and optimized contract terms;

Since launching FE Forward in February 2021, which initially reviewed existing policies and practices, as well as the structure and processes around how decisions are made, the initiative has since reviewed further improvement opportunities and developed detailed, executable plans focusing on who, when, how and at what cost opportunities can be realized. In June 2021, FE Forward began the implementation phase that focused on executing and implementing these findings and opportunities with full-scale effort to drive value. By 2024, FE Forward is projected to generate approximately $380 million in annualized capital expenditure efficiencies, as well as, approximately $250 million in working capital improvements by 2023. This program includes an estimated $150 million of costs to achieve through 2023, which are expected to be self-funded through these efficiencies.

FirstEnergy plans to redeploy the capital expenditure efficiencies in a more diverse capital program that over the long-term, continues to support our strategy as discussed above and using 2022 as baseline, operating expenses are projected to naturally decline 1% annually allowing for strategic flexibility and customer affordability. FE Forward is not a downsizing effort and there will not be any involuntary employee reductions in connection with this program. FirstEnergy expects that FE Forward will be a significant catalyst to augment its growth potential by taking a more strategic approach to operating expenditures and reinvesting in a more diverse capital program that over the long-term continues to support a smarter and cleaner electric grid, and maintain affordable customer bills. Specifically, FirstEnergy currently expects to redeploy these capital efficiencies into several projects, including, grid modernization, energy efficiency programs, smart meter and electric vehicle charging, and solar generation investments. As part of these efforts, FirstEnergy will evaluate the appropriate cadence to initiate rates cases on a state-by-state basis to best support FirstEnergy's customer-focused strategic priorities.

	For the Years Ended December 31,					
FE Forward Expected Capital Efficiencies and Working Capital Improvements	**2021 Actual**	**2022 Forecast**	**2023 Forecast**	**2024 Forecast**	**2025 Forecast**	**Total**
			(In millions)			
Gross Capital Expenditure Efficiencies	$ 210	$ 280	$ 380	$ 380	$ 380	$ 1,630
Cost to Achieve (+/- 10%)	(40)	(80)	(30)	—	—	(150)
Net Capital Expenditure Efficiencies	**$ 170**	**$ 200**	**$ 350**	**$ 380**	**$ 380**	**$ 1,480**
Working Capital Improvements	130	120	—	—	—	250
Total Cash Flow Improvements	**$ 300**	**$ 320**	**$ 350**	**$ 380**	**$ 380**	**$ 1,730**

Climate Story

Our long-term strategy reiterates and supports our position that climate change is among the most important issues of our time, and our commitment to doing our part to ensure a bright and sustainable future for the communities we serve. As part of our Climate Strategy, we're focused on enabling our customers to live more sustainably and thrive in a carbon-neutral future. This includes transmission and distribution investments discussed above, investments in solar generation and supporting clean energy options, our efforts towards electrifying the economy, and driving energy efficiency.

Additionally, we plan to reduce our company-wide GHG emissions within our direct operational control (Scope 1) by 30% by 2030 (from our 2019 baseline), as we work toward carbon neutrality by 2050. Key steps in reducing our emissions and improving the sustainability of our operations include:

- *Replacing Aging Equipment*: We are responsibly replacing aging equipment on our transmission system that contains SF_6, a greenhouse gas commonly used in electric utility equipment;
- *Electrifying our Vehicle Fleet*: We are targeting 30% electrification of our light-duty and aerial truck fleet by 2030 and 100% electrification by 2050. To reach our electrification goal, we've committed to 100% electric or hybrid vehicle purchases for our light-duty and aerial truck fleet moving forward, beginning with the first hybrid electric vehicle additions to the fleet in 2021;
- *Using Generation Efficiencies and Flexibility*: We are utilizing operational flexibilities, such as heat rate improvements through equipment upgrades, operational monitoring systems, and auxiliary power reductions at our generation facilities that will enable us to reach our interim 2030 goal of a 30% GHG reduction from 2019 levels, while continuing to provide customers with safe and reliable electricity; and
- *Transitioning Away from Coal Generation*: We expect to thoughtfully transition away from our regulated coal generation fleet no later than 2050 and in 2021, FirstEnergy sought approval to construct a solar generation source of at least 50 MWs in West Virginia. Also in 2021, FirstEnergy filed plans with the WVPSC to comply with EPA ELG rules that would keep MP's generation plants responsibly operating beyond 2028, however, intends to begin a broad stakeholder dialogue regarding planned operational end dates of 2035 and 2040 for Ft. Martin and Harrison, respectively, which further supports our Climate Strategy.

Future resource plans to achieve carbon reductions, including potential changes in operations or any determination of retirement dates of the regulated coal-fired generating facilities, will be developed by working collaboratively with regulators in West Virginia. Determination of the useful life of the regulated coal-fired generating facilities 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.

HB 6 and Related Investigations

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves the U.S. Attorney's Office investigation into FirstEnergy relating to FirstEnergy's lobbying and governmental affairs activities concerning HB 6, which, among other things required FE to pay a monetary penalty of $230 million, which FE paid in the third quarter of 2021. Under the DPA, FE agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. 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. Under the terms of the DPA, the criminal information will be dismissed after FirstEnergy fully complies with its obligations under the DPA.

In addition to the subpoenas referenced above, the OAG, certain FE shareholders and FE customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, each relating to the allegations against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. On February 9, 2022, FE, acting through the SLC, agreed to a settlement term sheet to resolve multiple shareholder derivative lawsuits that were filed in the S.D. Ohio, the N.D. Ohio, and the Ohio Court of Common Pleas, Summit County. The proposed settlement, which is subject to court approval, will fully resolve these shareholder derivative lawsuits and includes a series of corporate governance enhancements, that is expected to result in the following:

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

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

In addition, 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. Subsequently, on April 28, 2021, the SEC issued an additional subpoena to FE. Further, in letters dated January 26, and February 22, 2021, staff of FERC's Division of Investigations notified FirstEnergy that it is investigating FirstEnergy's lobbying and governmental affairs activities concerning HB 6.

A committee of independent members of the FE Board was put in place to direct an internal investigation related to the ongoing government investigations. In addition, the FE Board formed a sub-committee of the Audit Committee to, together with the FE Board, assess FirstEnergy's compliance program and implement potential changes, as appropriate. FirstEnergy has taken numerous steps to address challenges posed by the HB 6 investigations and improve its compliance culture, including the termination and separation of certain senior executives, including FirstEnergy's former Chief Executive Officer, for violations of certain FirstEnergy policies and its code of business conduct, appointment of five new, independent directors to the FE Board in 2021, the hiring of key senior executives committed to supporting transparency and integrity, and strengthening and enhancing FirstEnergy's compliance culture through the following initiatives:

- In March 2021, certain members of the FE Board met with FirstEnergy's top 140 leaders to discuss expectations regarding compliance and ethics.
- Performed training on up-the-ladder reporting for the FirstEnergy Legal Department in March 2021.
- In July 2021, enhanced new employee and third-party on-boarding processes to include expectations of FirstEnergy's code of conduct.
- On July 20, 2021, the FE Board approved and adopted a new Code of Business Conduct, which:
    - Promotes and emphasizes FirstEnergy's commitment to compliance and ethics;

- Establishes a “speak up” culture in which stakeholders are encouraged to report actual or suspected Code of Business Conduct violations without fear of retaliation;
- Conforms to applicable compliance standards; and
- Improves readability.

- FirstEnergy completed additional steps toward enhancing the overall compliance program, including:
  - Completion of the Office of Ethics & Compliance charter;
  - Delivered a Chief Ethics & Compliance Officer-led Code Awareness training to senior leaders and individuals with significant roles in FirstEnergy’s control environment;
  - Conducted leader-led training on the Code of Business Conduct for all leaders;
  - Published an Ethics & Compliance Communication Plan; and
  - Selected and began implementation planning for a Governance, Risk and Compliance tool.

Although the outcome of the HB 6 investigations and state regulatory audits remain unknown, FirstEnergy took several proactive steps to reduce regulatory uncertainty affecting the Ohio Companies:

- On January 31, 2021, FirstEnergy reached a partial settlement with the OAG and other parties regarding decoupling. While the partial settlement with the OAG focused specifically on decoupling, the Ohio Companies elected to forego recovery of lost distribution revenue.

- On March 31, 2021, FirstEnergy announced that the Ohio Companies would refund to customers amounts previously collected under the decoupling mechanism, with interest, which totals approximately $27 million. On July 7, 2021, the PUCO approved the Ohio Companies’ proposal, and the amounts previously collected were refunded to customers in August 2021.

- Also on March 31, 2021, the Ohio Governor signed HB 128, which, among other things, repealed parts of HB 6, the legislation that established support for nuclear energy supply in Ohio, provided for a decoupling mechanism for electric utilities, and provided for the ending of current energy efficiency program mandates.

- On November 1, 2021, the Ohio Companies, together with the OCC, PUCO Staff, and several other signatories, entered into a unanimous Stipulation and Recommendation (Ohio Stipulation) with the intent of resolving the ongoing energy efficiency rider audits, various SEET proceedings, including the Ohio Companies’ 2017 SEET proceeding, and the Ohio Companies’ quadrennial ESP review, each of which was pending before the PUCO. Specifically, the Ohio Stipulation provides that the Ohio Companies’ current ESP IV passes the required statutory test for their prospective SEET review as part of the Quadrennial Review of ESP IV, and except for limited circumstances, the signatory parties have agreed not to challenge the Ohio Companies’ SEET return on equity calculation methodology for their 2021-2024 SEET proceedings. The Ohio Stipulation additionally affirms that: (i) the Ohio Companies’ ESP IV shall continue through its previously authorized term of May 31, 2024; and (ii) the Ohio Companies will file their next base rate case in May 2024, and further, no signatory party will seek to adjust the Ohio Companies’ base distribution rates before that time, except in limited circumstances. The Ohio Companies further agreed to refund $96 million to customers in connection with the 2017-2019 SEET cases, and to provide $210 million in future rate reductions for all customers, including $80 million in 2022, $60 million in 2023, $45 million in 2024, and $25 million in 2025. The PUCO approved the 2017-2019 SEET refunds and 2022 rate reductions on December 1, 2021, and refunds began in January 2022.

Despite the many disruptions FirstEnergy is currently facing, the leadership team remains committed and focused on executing its strategy and running the business. See “Outlook - Other Legal Proceedings” below for additional details on the government investigations, the DPA, and subsequent litigation surrounding the investigation of HB 6. See also “Outlook - State Regulation - Ohio” below for details on the PUCO proceeding reviewing political and charitable spending and legislative activity in response to the investigation of HB 6. The outcome of the government investigations, PUCO proceedings, legislative activity, and any of these lawsuits is uncertain and could have a material adverse effect on FirstEnergy’s financial condition, results of operations and cash flows.

The Form 10-K discusses 2021 and 2020 items and year-over-year comparisons between 2021 and 2020. Discussions of 2019 items and year-over-year comparisons between 2020 and 2019 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of FirstEnergy’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 10, 2021.

RESULTS OF OPERATIONS

The financial results discussed below include revenues and expenses from transactions among FirstEnergy's business segments. A reconciliation of segment financial results is provided in Note 15, "Segment Information," of the Notes to Consolidated Financial Statements.

Net income by business segment was as follows:

(In millions, except per share amounts)	For the Years Ended December 31,			Increase (Decrease)			
	2021	2020	2019	2021 vs 2020		2020 vs 2019	
Net Income By Business Segment:							
Regulated Distribution	$ 1,288	$ 959	$ 1,076	$ 329		$ (117)	
Regulated Transmission	408	464	447	(56)		17	
Corporate/Other	(457)	(420)	(619)	(37)		199	
Income from Continuing Operations	$ 1,239	$ 1,003	$ 904	$ 236		$ 99	
Discontinued Operations	44	76	8	(32)		68	
Net Income	$ 1,283	$ 1,079	$ 912	$ 204	18.9 %	$ 167	18.3 %
Earnings per share of common stock							
Basic - Continuing Operations	$ 2.27	$ 1.85	$ 1.69	$ 0.42		$ 0.16	
Basic - Discontinued Operations	0.08	0.14	0.01	(0.06)		0.13	
Basic - Net Income Attributable to Common Stockholders	$ 2.35	$ 1.99	$ 1.70	$ 0.36	18.1 %	$ 0.29	17.1 %
Earnings per share of common stock							
Diluted - Continuing Operations	$ 2.27	$ 1.85	$ 1.67	$ 0.42		$ 0.18	
Diluted - Discontinued Operations	0.08	0.14	0.01	(0.06)		0.13	
Diluted - Net Income Attributable to Common Stockholders	$ 2.35	$ 1.99	$ 1.68	$ 0.36	18.1 %	$ 0.31	18.5 %

Summary of Results of Operations — 2021 Compared with 2020

Financial results for FirstEnergy's business segments for the years ended December 31, 2021 and 2020, were as follows:

2021 Financial Results	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments	FirstEnergy Consolidated
		(In millions)		
Revenues:				
Electric	$ 9,498	$ 1,608	$ (140)	$ 10,966
Other	213	10	(57)	166
Total Revenues	9,711	1,618	(197)	11,132
Operating Expenses:				
Fuel	481	—	—	481
Purchased power	2,947	—	17	2,964
Other operating expenses	2,967	358	(129)	3,196
Provision for depreciation	911	325	66	1,302
Amortization of regulatory assets, net	260	9	—	269
General taxes	789	248	36	1,073
DPA penalty	—	—	230	230
Gain on sale of Yards Creek	(109)	—	—	(109)
Total Operating Expenses	8,246	940	220	9,406
Operating Income (Loss)	1,465	678	(417)	1,726
Other Income (Expense):				
Miscellaneous income, net	399	41	77	517
Pension and OPEB mark-to-market adjustment	270	31	81	382
Interest expense	(523)	(248)	(370)	(1,141)
Capitalized financing costs	41	33	1	75
Total Other Expense	187	(143)	(211)	(167)
Income (Loss) Before Income Taxes (Benefits)	1,652	535	(628)	1,559
Income taxes (benefits)	364	127	(171)	320
Income (Loss) From Continuing Operations	1,288	408	(457)	1,239
Discontinued Operations, net of tax	—	—	44	44
Net Income (Loss)	$ 1,288	$ 408	$ (413)	$ 1,283

2020 Financial Results	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments	FirstEnergy Consolidated
		(In millions)		
Revenues:				
Electric	$ 9,130	$ 1,613	$ (139)	$ 10,604
Other	233	17	(64)	186
Total Revenues	9,363	1,630	(203)	10,790
Operating Expenses:				
Fuel	369	—	—	369
Purchased power	2,687	—	14	2,701
Other operating expenses	3,178	282	(169)	3,291
Provision for depreciation	896	313	65	1,274
Amortization (deferral) of regulatory assets, net	(64)	11	—	(53)
General taxes	770	232	44	1,046
Total Operating Expenses	7,836	838	(46)	8,628
Operating Income (Loss)	1,527	792	(157)	2,162
Other Income (Expense):				
Miscellaneous income, net	332	30	70	432
Pension and OPEB mark-to-market adjustment	(323)	(40)	(114)	(477)
Interest expense	(501)	(219)	(345)	(1,065)
Capitalized financing costs	37	39	1	77
Total Other Expense	(455)	(190)	(388)	(1,033)
Income (Loss) Before Income Taxes (Benefits)	1,072	602	(545)	1,129
Income taxes (benefits)	113	138	(125)	126
Income (Loss) From Continuing Operations	959	464	(420)	1,003
Discontinued Operations, net of tax	—	—	76	76
Net Income (Loss)	$ 959	$ 464	$ (344)	$ 1,079

Changes Between 2021 and Financial Results Increase (Decrease)	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments	FirstEnergy Consolidated
		(In millions)		
Revenues:				
Electric	$ 368	$ (5)	$ (1)	$ 362
Other	(20)	(7)	7	(20)
Total Revenues	348	(12)	6	342
Operating Expenses:				
Fuel	112	—	—	112
Purchased power	260	—	3	263
Other operating expenses	(211)	76	40	(95)
Provision for depreciation	15	12	1	28
Amortization (deferral) of regulatory assets, net	324	(2)	—	322
General taxes	19	16	(8)	27
DPA penalty	—	—	230	230
Gain on sale of Yards Creek	(109)	—	—	(109)
Total Operating Expenses	410	102	266	778
Operating Income (Loss)	(62)	(114)	(260)	(436)
Other Income (Expense):				
Miscellaneous income, net	67	11	7	85
Pension and OPEB mark-to-market adjustment	593	71	195	859
Interest expense	(22)	(29)	(25)	(76)
Capitalized financing costs	4	(6)	—	(2)
Total Other Expense	642	47	177	866
Income (Loss) Before Income Taxes (Benefits)	580	(67)	(83)	430
Income taxes (benefits)	251	(11)	(46)	194
Income (Loss) From Continuing Operations	329	(56)	(37)	236
Discontinued Operations, net of tax	—	—	(32)	(32)
Net Income (Loss)	$ 329	$ (56)	$ (69)	$ 204

Regulated Distribution — 2021 Compared with 2020

Regulated Distribution's net income increased $329 million in 2021, as compared to 2020, primarily resulting from the change in pension and OPEB mark-to-market adjustments, higher customer demand, earnings benefits from capital investment-related riders in Ohio and Pennsylvania and the implementation of the base distribution rate case in New Jersey, lower pension and OPEB expenses and a reduction to a reserve previously recorded in 2010, partially offset by the refund and absence of Ohio decoupling revenues, customer refunds associated with the PUCO-approved Ohio Stipulation, establishment of a regulatory liability to return certain additional Tax Act savings to Pennsylvania customers, higher interest expense, and the absence of deferred gain tax benefits recognized in 2020 that were triggered by the FES Debtors' emergence from bankruptcy.

Revenues —

The $348 million increase in total revenues resulted from the following sources:

	For the Years Ended December 31,		
Revenues by Type of Service	**2021**	**2020**	**Increase (Decrease)**
		(In millions)	
Distribution services [1]	$ 5,406	$ 5,302	$ 104
Generation sales:			
Retail	3,730	3,577	153
Wholesale	362	251	111
Total generation sales	4,092	3,828	264
Other	213	233	(20)
Total Revenues	$ 9,711	$ 9,363	$ 348

[1] Includes $(27) million and $43 million of ARP revenues for the years ended December 31, 2021 and 2020. Amounts for 2021 reflect amounts the Ohio Companies refunded to customers that was previously collected under decoupling mechanisms, with interest. See "Outlook," below for further discussion on Ohio decoupling rates.

Distribution services revenues increased $104 million in 2021, as compared to 2020, primarily resulting from higher customer demand and higher rates associated with riders in Ohio and Pennsylvania including the recovery of capital investment programs and transmission expenses, partially offset by the refund and absence of Ohio decoupling revenues, the elimination of energy efficiency mandates and energy efficiency programs in Ohio, customer refunds associated with the Ohio Stipulation, and the expiration of a NUG contract. Distribution services' electric distribution deliveries by customer class are summarized in the following table:

	For the Years Ended December 31,					
(In thousands)	**Actual**			**Weather-Adjusted and Leap Year-Adjusted**		
Electric Distribution MWH Deliveries	**2021**	**2020**	**Increase**	**2021**	**2020**	**Increase (Decrease)**
Residential	55,624	54,978	1.2 %	55,678	56,142	(0.8) %
Commercial[1]	35,599	34,811	2.3 %	35,744	35,213	1.5 %
Industrial	54,027	52,034	3.8 %	54,027	51,981	3.9 %
Total Electric Distribution MWH Deliveries	145,250	141,823	2.4 %	145,449	143,336	1.5 %

[1] Includes street lighting.

Distribution deliveries to residential, commercial and industrial customers reflects the cancellation of the state mandated COVID-19 stay-at-home orders and a trend in customer usage back to pre-COVID-19 levels. Residential and commercial deliveries were also impacted by higher weather-related customer usage. Cooling degree days were 4% above 2020 and 17% above normal, while heating degree days were flat to 2020 and 9% below normal. Increases in industrial deliveries were primarily from the steel, manufacturing, and educational sectors.

The following table summarizes weather-adjusted distribution services' electric distribution deliveries compared to pre-pandemic levels in 2019:

(In thousands)	For the Years Ended December 31, Weather-Adjusted		
Electric Distribution MWH Deliveries	**2021**	**2019**	**Increase (Decrease)**
Residential	55,678	53,613	3.9 %
Commercial[1]	35,744	37,720	(5.2) %
Industrial	54,027	55,647	(2.9) %
Total Electric Distribution MWH Deliveries	145,449	146,980	(1.0) %

The following table summarizes the price and volume factors contributing to the $264 million increase in generation revenues in 2021, as compared to 2020:

Source of Change in Generation Revenues	**Increase**
	(In millions)
Retail:	
Change in sales volumes	$ 124
Change in prices	29
	153
Wholesale:	
Change in sales volumes	5
Change in prices	77
Capacity revenue	29
	111
Change in Generation Revenues	$ 264

The increase in retail generation sales volumes was primarily due to higher weather-related usage and decreased customer shopping in New Jersey and Pennsylvania. Total generation provided by alternative suppliers as a percentage of total MWH deliveries in 2021, as compared to 2020, decreased to 46% from 47% in New Jersey and to 63% from 64% in Pennsylvania. The increase in retail generation prices primarily resulted from higher non-shopping generation auction rates in Pennsylvania and New Jersey, partially offset by a lower ENEC rate in West Virginia.

Wholesale generation revenues increased $111 million in 2021, as compared to 2020, primarily due to an increase in spot market energy prices and higher capacity revenues. The difference between current wholesale generation revenues and certain energy costs incurred are deferred for future recovery or refund, with no material impact to earnings.

Other revenues decreased $20 million in 2021, as compared to 2020, primarily due to lower pole attachment revenue and the lower recovery of refinancing costs associated with the Ohio PIR. Costs associated with the Ohio PIR are deferred for future recovery resulting in no material impact on earnings.

Operating Expenses —

Total operating expenses increased $410 million primarily due to the following:

- Fuel expense increased $112 million in 2021, as compared to 2020, primarily due to higher unit costs and increased generation output. Due to the ENEC, fuel expense has no material impact on current earnings.

- Purchased power costs increased $260 million in 2021, as compared to 2020, primarily due to increased volumes as described above, higher unit costs and increased capacity expenses, partially offset by the expiration of a NUG contract.

Source of Change in Purchased Power	Increase
	(In millions)
Purchases	
Change due to unit costs	$ 42
Change due to volumes	109
	151
Capacity expense	109
Change in Purchased Power Costs	$ 260

- Other operating expenses decreased $211 million in 2021, as compared to 2020, primarily due to:
    - Lower storm restoration costs of $184 million, which were mostly deferred for future recovery, resulting in no material impact on earnings.
    - Lower uncollectible expense of $123 million, of which $93 million was deferred for future recovery.
    - Lower West Virginia vegetation management spend and energy efficiency program costs of $50 million, which are deferred for future recovery, resulting in no material impact on earnings.
    - Lower COVID-19 related expenses of $42 million, of which $12 million was deferred for future recovery.
    - Lower expense due to a $27 million reduction to a reserve previously recorded in 2010.
    - Higher network transmission expenses of $130 million, which are deferred for future recovery, resulting in no material impact on earnings.
    - Higher operating and maintenance expenses in 2021 due to $25 million in incremental strategic spend incurred to enhance customer reliability.
    - Higher vegetation management expenses of $26 million in Ohio and Pennsylvania.
    - Higher other operating and maintenance expenses of $34 million, primarily due to higher labor costs and lower capital work as compared to 2020, partially offset by fewer planned outages at the regulated generation facilities.

- Depreciation expense increased $15 million in 2021, as compared to 2020, primarily due to a higher asset base, partially offset by a reduction in accretion expense as a result of the TMI-2 transfer, which has no impact to earnings.

- Net amortization of regulatory assets increased $324 million in 2021, as compared to 2020, primarily due to:
    - The $109 million reduction of the New Jersey deferred storm cost regulatory asset as a result of the Yards Creek sale,
    - Lower deferrals of storm restoration of $174 million,
    - Lower uncollectible and COVID-19 related costs of $139 million,
    - A $96 million charge for customer refunds associated with the Ohio Stipulation,
    - A $61 million charge to establish a regulatory liability to return certain Tax Act savings to Pennsylvania customers,
    - A $37 million decrease in deferral of accretion expense as a result of the TMI-2 transfer, partially offset by
    - $83 million amortization of a regulatory liability as part of the New Jersey base rate case implementation in 2021,
    - $61 million in higher generation-related and transmission-related deferrals,
    - $76 million in lower Pennsylvania smart meter amortization, and
    - $72 million related to lower other amortization.

- General taxes increased $19 million in 2021, as compared to 2020, primarily due to higher Ohio property and sales-related taxes.

- Gain on sale of the Yards Creek Generating Facility of $109 million was netted against the New Jersey storm deferral, as described above, resulting in no impact to earnings.

Other Expense —

Other expense decreased $642 million in 2021, as compared to 2020, primarily due to a $593 million change in pension and OPEB mark-to-market adjustments and higher net miscellaneous income resulting from lower pension and OPEB non-service costs, partially offset by higher interest expense from increased short-term borrowings under the former FE Revolving Facility and long-term debt issuances since 2020.

Income Taxes

Regulated Distribution's effective tax rate was 22.0% and 10.5% for 2021 and 2020, respectively. The change in the effective tax rate was primarily due to the recognition of $52 million in deferred gains relating to prior intercompany transfers of generation assets that were triggered by the deconsolidation of the FES Debtors from FirstEnergy's consolidated federal income tax group as a result of their emergence from bankruptcy in the first quarter of 2020.

Regulated Transmission — 2021 Compared with 2020

Regulated Transmission's net income decreased $56 million in 2021, as compared to 2020, primarily due to a charge resulting from the filed ATSI settlement, higher interest expense associated with new debt issuances at FET, increased borrowings under the former FET Revolving Facility, formula rate true-up adjustments and lower rate base at TrAIL, partially offset by the impact of a higher rate base at ATSI and MAIT.

Revenues —

Total revenues decreased $12 million in 2021, as compared to 2020, primarily due to lower pension and OPEB expense recovery and lower rate base at TrAIL, partially offset by the recovery of incremental operating expenses and a higher rate base at ATSI and MAIT.

Revenues by transmission asset owner are shown in the following table:

	For the Years Ended December 31,		
Revenues by Transmission Asset Owner	**2021**	**2020**	**Increase (Decrease)**
		(In millions)	
ATSI	$ 801	$ 809	$ (8)
TrAIL	240	255	(15)
MAIT	289	254	35
JCP&L	164	178	(14)
MP, PE and WP	124	134	(10)
Total Revenues	$ 1,618	$ 1,630	$ (12)

Operating Expenses —

Total operating expenses increased $102 million in 2021, as compared to 2020, primarily due to a non-recoverable charge resulting from the filed ATSI settlement, higher operation and maintenance costs and increased property taxes and depreciation due to a higher asset base. Nearly all operating expenses are recovered through formula rates, resulting in no material impact on current period earnings.

Other Expense —

Total other expense decreased $47 million in 2021, as compared to 2020, primarily due to a $71 million change in pension and OPEB mark-to-market adjustment, partially offset by higher interest expense associated with new debt issuances at FET and increased borrowings under the former FET Revolving Facility.

Income Taxes —

Regulated Transmission's effective tax rate was 23.7% and 22.9% for 2021 and 2020, respectively.

Corporate/Other — 2021 Compared with 2020

Financial results from Corporate/Other and reconciling adjustments resulted in a $69 million increase in net loss for 2021 compared to 2020, primarily due to the $230 million DPA monetary penalty, higher interest expense from a higher rate on certain FE holding company debt, higher investigation and other related costs, including a litigation reserve, lower tax benefits from the remeasurement of West Virginia deferred income taxes resulting from a state tax law change passed in 2021, the absence of tax benefits from accelerated amortization of certain investment tax credits recognized in 2020 and a lower gain from discontinued operations, partially offset by a $195 million change in the pension and OPEB mark-to-market adjustment, higher returns on investments and higher other discrete income tax benefits.

For the year ended December 31, 2021, FirstEnergy recorded a gain from discontinued operations, net of tax, of $44 million. The gain was primarily due to income tax benefits from the final true-up to the worthless stock deduction and a final federal NOL allocation between the FES Debtors and FirstEnergy resulting from the filing of the 2020 FirstEnergy federal income tax return during 2021.

REGULATORY ASSETS AND LIABILITIES

Regulatory assets represent incurred costs that have been deferred because of their probable future recovery from customers through regulated rates. Regulatory liabilities represent amounts that are expected to be credited to customers through future regulated rates or amounts collected from customers for costs not yet incurred. FirstEnergy, the Utilities and the Transmission Companies net their regulatory assets and liabilities based on federal and state jurisdictions.

Management assesses 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 relate to changes in the regulatory environment, issuance of a regulatory commission order or passage of new legislation. Upon material changes to these factors, where applicable, FirstEnergy will record new regulatory assets and liabilities and will assess whether it is probable that currently recorded regulatory assets and liabilities will be recovered or settled in future rates.

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

	As of December 31,		
Net Regulatory Assets (Liabilities) by Source	**2021**	**2020**	**Change**
		(In millions)	
Customer payables for future income taxes	$ (2,345)	$ (2,369)	$ 24
Spent nuclear fuel disposal costs	(101)	(102)	1
Asset removal costs	(646)	(721)	75
Deferred transmission costs	(3)	319	(322)
Deferred generation costs	118	17	101
Deferred distribution costs	49	79	(30)
Contract valuations	7	41	(34)
Storm-related costs	660	748	(88)
Uncollectible and COVID-19 related costs	56	97	(41)
Energy efficiency program costs	47	42	5
New Jersey societal benefit costs	109	112	(3)
Regulatory transition costs	(18)	(20)	2
Vegetation management	33	22	11
Other	(19)	(9)	(10)
Net Regulatory Liabilities included on the Consolidated Balance Sheets	$ (2,053)	$ (1,744)	$ (309)

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

Customer payables for future income taxes - Reflects amounts to be recovered or refunded through future rates to pay income taxes that become payable when rate revenue is provided to recover items such as AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to tax rate changes such as the Tax Act. These amounts are being amortized over the period in which the related deferred tax assets reverse, which is generally over the expected life of the underlying asset.

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

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

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

Deferred generation costs - Primarily relates to regulatory assets associated with the securitized recovery of certain fuel and purchased power regulatory assets at the Ohio Companies (amortized through 2034) as well as the ENEC at MP and PE. 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. The ENEC rate is updated annually.

Deferred distribution costs - Primarily relates to the Ohio Companies' deferral of certain expenses resulting from distribution and reliability related expenditures, including interest (amortized through 2036) in subsequent periods as well as refunds owed to customers associated with the PUCO-approved Ohio Stipulation discussed below.

Contract valuations - Includes the amortization of purchase accounting adjustments at PE which were recorded in connection with the Allegheny Energy, Inc. merger representing the fair value of NUG purchased power contracts (amortized over the life of the contracts through 2030).

Storm-related costs - Relates to the deferral of storm costs, which vary by jurisdiction. Approximately $148 million and $167 million are currently being recovered through rates as of December 31, 2021 and 2020, respectively.

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

Energy efficiency program costs - Relates to the recovery of costs in excess of revenues associated with energy efficiency programs including, New Jersey energy efficiency and renewable energy programs, the Pennsylvania Companies' EE&C programs, the Ohio Companies' Demand Side Management and Energy Efficiency Rider, and PE's EmPOWER Maryland Surcharge. Investments in certain of these energy efficiency programs earn a long-term return.

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

Regulatory transition costs - Includes the recovery of PN above-market NUG costs; and JCP&L costs associated with BGS, capacity and ancillary services, net of revenues from the sale of the committed supply in the wholesale market.

Vegetation management - Relates to regulatory assets in New Jersey and West Virginia associated with the recovery of certain distribution vegetation management costs as well as MAIT vegetation management costs (amortized through 2024).

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2021 and 2020, of which approximately $228 million and $195 million, respectively, are currently being recovered through rates over varying periods, through 2068, depending on the nature of the deferral and the jurisdiction:

Regulatory Assets by Source Not Earning a Current Return	As of December 31, 2021	2020	Change
		(in millions)	
Deferred transmission costs	$ 13	$ 17	$ (4)
Deferred generation costs	50	5	45
Storm-related costs	549	654	(105)
COVID-19 related costs	65	66	(1)
Regulatory transition costs	13	16	(3)
Vegetation management	31	22	9
Other	11	9	2
Regulatory Assets Not Earning a Current Return	$ 732	$ 789	$ (57)

CAPITAL RESOURCES AND LIQUIDITY

FirstEnergy's business is capital intensive, requiring significant resources to fund operating expenses, construction and other investment expenditures, scheduled debt maturities and interest payments, dividend payments, and potential contributions to its pension plan.

FE and its distribution and transmission subsidiaries expect their existing sources of liquidity to remain sufficient to meet their respective anticipated obligations. In addition to internal sources to fund liquidity and capital requirements for 2022 and beyond, FE and its distribution and transmission subsidiaries expect to rely on external sources of funds. Short-term cash requirements

not met by cash provided from operations are generally satisfied through short-term borrowings. Long-term cash needs may be met through the issuance of long-term debt by FE and certain of its distribution and transmission subsidiaries to, among other things, fund capital expenditures and other capital-like investments, and refinance short-term and maturing long-term debt, subject to market conditions and other factors.

Investments for 2021 and forecasts for 2022, 2023, 2024, and 2025 by business segment are included below:

Business Segment	2021 Actual	2022 Forecast	2023 Forecast[2]	2024 Forecast[2]	2025 Forecast[2]
			(In millions)		
Regulated Distribution [1]	$ 1,733	$ 1,780	$ 1,725	$ 1,775	$ 1,825
Regulated Transmission	1,055	1,500	1,600	1,700	1,750
Corporate/Other	86	70	50	50	50
Total	$ 2,874	$ 3,350	$ 3,375	$ 3,525	$ 3,625

[1] Includes capital expenditures and capital-like investments that earn a return.

[2] FirstEnergy expects to update the forecast over the period for items such as regulatory filings and approvals and other changes.

In alignment with FirstEnergy's strategy to invest in its Regulated Distribution and Regulated Transmission segments as a fully regulated company, FirstEnergy is focused on maintaining balance sheet strength and flexibility. Specifically, at the regulated businesses, regulatory authority has been obtained for various regulated distribution and transmission subsidiaries to issue and/or refinance debt.

Any financing plans by FE or any of its consolidated subsidiaries, including the issuance of equity and debt, and the refinancing of short-term and maturing long-term debt are subject to market conditions and other factors. No assurance can be given that any such issuances, financing or refinancing, as the case may be, will be completed as anticipated or at all. Any delay in the completion of financing plans could require FE or any of its consolidated subsidiaries to utilize short-term borrowing capacity, which could impact available liquidity. In addition, FE and its consolidated subsidiaries expect to continually evaluate any planned financings, which may result in changes from time to time.

On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA with Brookfield and the Brookfield Guarantors, pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS and is expected to close in the second quarter of 2022.

On December 13, 2021, FE privately issued to BIP Securities II-B L.P., an affiliate of Blackstone Infrastructure Partners L.P., 25,588,535 shares of FE's common stock, par value $0.10 per share, at a price of $39.08 per share, representing an investment of $1.0 billion. In addition, subject to certain regulatory approvals, FE will appoint a Blackstone Infrastructure Partners-selected representative to the FE Board no later than the 2022 annual shareholders' meeting.

On October 18, 2021, FE, FET, the Utilities, and the Transmission Companies entered into six separate senior unsecured five-year syndicated revolving credit facilities. These new credit facilities provide substantial liquidity to support the Regulated Distribution and Regulated Transmission businesses, and each of the operating companies within the businesses. See "Capital Resources and Liquidity" below for additional details.

Together, these transactions enhance FirstEnergy's credit profile, provide funding for the strategic investments discussed above, and address all of FirstEnergy's equity plans, with the exception of annual issuances of up to $100 million under regular dividend reinvestment plans and employee benefit stock investment plans, through at least 2025.

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

FirstEnergy does not currently expect disruptions in its ability to deliver service to customers or any material impact on its capital investment spending plan.

FirstEnergy continues to effectively manage operations during the pandemic in order to provide critical service to customers and believes it is well positioned to manage through the economic slowdown. FirstEnergy Distribution and Transmission revenues benefit from geographic and economic diversity across a five-state service territory, which also allows for flexibility with capital investments and measures to maintain sufficient liquidity over the next twelve months. However, the situation remains fluid and future impacts to FirstEnergy that are presently unknown or unanticipated may occur. Furthermore, the likelihood of an impact to FirstEnergy, and the severity of any impact that does occur, could increase the longer the global pandemic persists.

As of December 31, 2021, FirstEnergy's net deficit in working capital (current assets less current liabilities) was primarily due to accounts payable, current portion of long-term debt and accrued interest, taxes, and compensation and benefits. FirstEnergy believes its cash from operations and available liquidity will be sufficient to meet its current working capital needs.

Short-Term Borrowings / 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. The 2021 Credit Facilities are available until October 18, 2026, as follows:

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

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

Borrowings under the 2021 Credit Facilities may be used for working capital and other general corporate purposes. Generally, borrowings under each of the credit facilities are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. Each of the 2021 Credit Facilities contain financial covenants requiring each borrower, with the exception of FE, to maintain a consolidated debt-to-total-capitalization ratio (as defined under each of the 2021 Credit Facilities) of no more than 65%, and 75% for FET, measured at the end of each fiscal quarter. FE is required under its 2021 Credit Facility to maintain a consolidated interest coverage ratio of not less than 2.50 times, measured at the end of each fiscal quarter for the last four fiscal quarters beginning with the quarter ending December 31, 2021.

FirstEnergy's 2021 Credit Facilities bear interest at fluctuating interest rates, primarily based on LIBOR. LIBOR tends to fluctuate based on general interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. FirstEnergy has not hedged its interest rate exposure with respect to its floating rate debt. Accordingly, FirstEnergy's interest expense for any particular period will fluctuate based on LIBOR and other variable interest rates. On July 27, 2017, the FCA (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Subsequently, on March 5, 2021, IBA (the entity that calculates and publishes LIBOR) and FCA made public statements regarding the future cessation of LIBOR. According to the FCA, IBA will permanently cease to publish each of the LIBOR settings on either December 31, 2021 or June 30, 2023. IBA did not identify any successor administrator in its announcement. The announced final publication date for 1-week and 2-month LIBOR settings and all settings for non-USD LIBOR was December 31, 2021. The announced final publication date for overnight, 1-month, 3-month, 6-month and 12-month LIBOR settings is June 30, 2023. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after such end dates, and there is considerable uncertainty regarding the publication or representativeness of LIBOR beyond such end dates. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is seeking to replace U.S. dollar LIBOR with a newly created index, SOFR, calculated based on repurchase agreements backed by treasury securities. FirstEnergy's 2021 Credit Facilities provide a mechanism to automatically transition to a SOFR-based benchmark when all United States dollar LIBOR settings are no longer provided or are no longer representative. In addition, FirstEnergy's 2021 Credit Facilities provide an option for the applicable borrower and lender to jointly elect to transition early to a SOFR-based benchmark, or in certain circumstances, an alternative benchmark replacement. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere. To the extent these interest rates increase, interest expense will increase. If sources of capital for us are reduced, capital costs could increase materially. Restricted access to capital markets and/or increased borrowing costs could have an adverse effect on FirstEnergy's results of operations, cash flows, financial condition and liquidity.

FirstEnergy had no outstanding short-term borrowings as of December 31, 2021 and $2.2 billion of outstanding short-term borrowings as of December 31, 2020. FirstEnergy's available liquidity from external sources as of February 14, 2022, was as follows:

Revolving Credit Facilities	Maturity	Commitment	Available Liquidity
		(In millions)	
FE and FET	October 2026	$ 1,000	$ 997
Ohio Companies	October 2026	800	800
Pennsylvania Companies	October 2026	950	950
JCP&L	October 2026	500	499
MP and PE	October 2026	400	400
Transmission Companies	October 2026	850	850
	Subtotal	$ 4,500	$ 4,496
	Cash and Cash equivalents	—	579
	Total	$ 4,500	$ 5,075

The following table summarizes the limitations of each individual entity on short-term indebtedness applicable to each borrower under current regulatory approvals and applicable statutory and/or charter limitations as of December 31, 2021:

Individual Borrower	Regulatory and Other Short-Term Debt Limitations	
	(In millions)	
FE and FET	N/A	
OE, CEI, JCP&L, ME, MP, and ATSI	$ 500	(1)
TE and PN	300	(1)
WP	200	(1)
PE	150	(1)
Penn	100	(1)
TrAIL and MAIT	400	(1)

(1) Includes amounts which may be borrowed under the regulated companies' money pool.

Subject to each borrower's sublimit, the amounts noted below are available for the issuance of LOCs (subject to borrowings drawn under the 2021 Credit Facilities) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under each of the 2021 Credit Facilities and against the applicable borrower's borrowing sublimit. As of December 31, 2021, FirstEnergy had $4 million in outstanding LOCs.

Revolving Credit Facility	LOC Availability
	(In millions)
FE and FET	$ 100
Ohio Companies	150
Pennsylvania Companies	200
JCP&L	100
MP and PE	100
Transmission Companies	200

The 2021 Credit Facilities do not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in "pricing grids," whereby the cost of funds borrowed under the 2021 Credit Facilities are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under each of the 2021 Credit Facilities are subject to the usual and customary provisions for acceleration upon the occurrence of events of default, including a cross-default for other indebtedness in excess of $100 million.

As of December 31, 2021, the borrowers were in compliance with the applicable interest coverage and debt-to-total-capitalization ratio covenants in each case as defined under the respective 2021 Credit Facilities.

FirstEnergy Money Pools

FirstEnergy's utility operating subsidiary companies also have the ability to borrow from each other and FE to meet their short-term working capital requirements. Similar but separate arrangements exist among FirstEnergy's unregulated companies with AE Supply, FE, FET, FEV and certain other unregulated subsidiaries. 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. The average interest rate for borrowings in 2021 was 1.01% per annum for the regulated companies' money pool and 0.60% per annum for the unregulated companies' money pool.

Long-Term Debt Capacity

FE's and its subsidiaries' access to capital markets and costs of financing are influenced by the credit ratings of their securities. The following table displays FE's and its subsidiaries' credit ratings as of February 14, 2022:

	Corporate Credit Rating			Senior Secured			Senior Unsecured			Outlook/CreditWatch [1]		
Issuer	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**
FE	BBB-	Ba1	BB+	—	—	—	BB+	Ba1	BB+	S	P	P
AGC	BB+	Baa2	BBB-	—	—	—	—	—	—	S	S	P
ATSI	BBB	A3	BBB-	—	—	—	BBB	A3	BBB	S	S	P
CEI	BBB	Baa2	BBB-	A-	A3	BBB+	BBB	Baa2	BBB	S	N	P
FET	BBB-	Baa2	BB+	—	—	—	BB+	Baa2	BB+	S	S	P
JCP&L	BBB	A3	BBB-	—	—	—	BBB	A3	BBB	S	S	P
ME	BBB	A3	BBB-	—	—	—	BBB	A3	BBB	S	S	P
MAIT	BBB	A3	BBB-	—	—	—	BBB	A3	BBB	S	S	P
MP	BBB	Baa2	BBB-	A-	A3	BBB+	BBB	Baa2	—	S	S	P
OE	BBB	A3	BBB-	A-	A1	BBB+	BBB	A3	BBB	S	S	P
PN	BBB	Baa1	BBB-	—	—	—	BBB	Baa1	BBB	S	S	P
Penn	BBB	A3	BBB-	A-	A1	BBB+	—	—	—	S	S	P
PE	BBB	Baa2	BBB-	A-	A3	BBB+	—	—	—	S	S	P
TE	BBB	Baa1	BBB-	A-	A2	BBB+	—	—	—	S	N	P
TrAIL	BBB	A3	BBB-	—	—	—	BBB	A3	BBB	S	S	P
WP	BBB	A3	BBB-	A-	A1	BBB+	—	—	—	S	S	P

[1] S = Stable, N = Negative, P = Positive

On July 23, 2021, S&P revised the CreditWatch implications to positive from negative on the ratings of FE and its subsidiaries.

On July 27, 2021, Moody's revised the outlook for FE and FET to stable from negative.

On August 25, 2021, Fitch revised the outlook of FE and its subsidiaries to stable from negative.

On October 19, 2021, S&P issued a one-notch upgrade to all applicable ratings for the following subsidiaries: ATSI, CEI, JCP&L, ME, MAIT, MP, OE, PN, Penn, PE, TE, TrAIL, and WP. The CreditWatch positive designation on FE and all subsidiaries is unchanged. The ratings of FE and FET were affirmed.

On November 8, 2021, Moody's outlook for FE was revised from stable to positive. OE's outlook was revised from negative to stable, while CEI and TE's outlook remains negative.

Also on November 8, 2021, S&P issued a one-notch upgrade to all applicable ratings and the CreditWatch positive outlook on FE and all subsidiaries was revised to stable.

On November 12, 2021, Fitch's Outlook for FE and all subsidiaries was revised from stable to positive.

The applicable undrawn and drawn margin on the 2021 Credit Facilities are subject to ratings based pricing grids. The applicable fee paid on the undrawn commitments under the 2021 Credit Facilities are based on each borrower's senior unsecured non-

credit enhanced debt ratings as determined by S&P and Moody's. The fee paid on actual borrowings are determined based on each borrower's senior unsecured non-credit enhanced debt ratings as determined by S&P and Moody's.

The interest rate payable on approximately $3.0 billion in FE's senior unsecured notes are subject to adjustments from time to time if the ratings on the notes from any one or more of S&P, Moody's and Fitch decreases to a rating set forth in the applicable governing documents. Generally a one-notch downgrade by the applicable rating agency may result in a 25 basis points coupon rate increase beginning at BB, Ba1, and BB+ for S&P, Moody's and Fitch, respectively, to the extent such rating is applicable to the series of outstanding senior unsecured notes, during the next interest period, subject to an aggregate cap of 2% from issuance interest rate.

FE's debt capacity is subject to the consolidated interest coverage ratio in the 2021 Credit Facilities. As of December 31, 2021, FirstEnergy could incur approximately $880 million of incremental interest expense or incur a $2.2 billion reduction to the consolidated interest coverage earnings numerator, as defined under the covenant, and FE would remain within the limitations of the financial covenant required by the 2021 Credit Facilities.

Cash Requirements and Commitments

FirstEnergy has certain obligations and commitments to make future payments under contracts, including contracts executed in connection with certain of the planned construction expenditures.

As of December 31, 2021 (Undiscounted):	Total	2022	2023-2024	2025-2026	Thereafter
			(In millions)		
Long-term debt[1]	$ 23,946	$ 1,593	$ 1,590	$ 3,099	$ 17,664
Interest on long-term debt	12,482	1,041	1,923	1,661	7,857
Operating leases[2]	375	54	102	86	133
Finance leases[2]	48	16	14	10	8
Fuel and purchased power[3]	2,840	593	1,045	385	817
Committed investments[4]	2,451	857	994	600	—
Total	$ 42,142	$ 4,154	$ 5,668	$ 5,841	$ 26,479

(1) Excludes unamortized discounts and premiums, fair value accounting adjustments and finance leases.
(2) See Note 7, "Leases," of the Notes to Consolidated Financial Statements.
(3) Based on estimated annual amounts under contract with fixed or minimum quantities.
(4) Amounts represent committed capital expenditures and other capital-like investments that earn a return.

Excluded from the table above are estimates for the cash outlays from power purchase contracts entered into by most of the Utilities and under which they procure the power supply necessary to provide generation service to their customers who do not choose an alternative supplier. Although actual amounts will be determined by future customer behavior and consumption levels, management currently estimates these cash outlays will be approximately $2.8 billion in 2022.

The table above also excludes regulatory liabilities, AROs, reserves for litigation, injuries and damages and environmental remediation since the amount and timing of the cash payments are uncertain. The table also excludes accumulated deferred income taxes since cash payments for income taxes are determined based primarily on taxable income for each applicable fiscal year.

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

Changes in Cash Position

As of December 31, 2021, FirstEnergy had $1,462 million of cash and cash equivalents and approximately $49 million of restricted cash compared to $1,734 million of cash and cash equivalents and approximately $67 million of restricted cash as of December 31, 2020, on the Consolidated Balance Sheets.

Cash Flows From Operating Activities

FirstEnergy's most significant sources of cash are derived from electric service provided by its distribution and transmission operating subsidiaries. Beyond the cash settlement and tax sharing payments to the FES Debtors in 2020 and the DPA monetary penalty in 2021, the most significant use of cash from operating activities is buying electricity to serve non-shopping customers and paying fuel suppliers, employees, tax authorities, lenders and others for a wide range of materials and services.

Net cash provided from operating activities was $2,811 million during 2021, $1,423 million during 2020 and $2,467 million during 2019. Cash flows from operations increased $1,388 million in 2021 as compared with 2020. The increase is primarily due to the absence of a $978 million cash settlement and tax sharing payment made to the FES Debtors upon their emergence in February 2020, higher distribution deliveries, impact of the distribution riders and transmission investment recovery, and improved working capital, partially offset by the DPA monetary penalty paid in 2021. Improvements in working capital were primarily due to reduced customer account receivables, which had grown during 2020 as a result of COVID-19 discussed above, higher cash collateral receipts from certain competitive suppliers that serve customers that shop, and implementation of FE Forward initiatives that optimized certain materials and supplies inventories and accounts payable payment terms.

FirstEnergy's Consolidated Statements of Cash Flows combines cash flows from discontinued operations with cash flows from continuing operations within each cash flow category. The following table summarizes the major classes of cash flow items from discontinued operations for the years ended December 31, 2021, 2020 and 2019:

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from discontinued operations	$ 44	$ 76	$ 8
Gain on disposal, net of tax	(47)	(76)	(59)
Deferred income taxes and investment tax credits, net	—	—	47

Cash Flows From Financing Activities

Cash provided from (used for) financing activities was $(542) million, $2.6 billion, and $656 million in 2021, 2020, and 2019, respectively. The following table summarizes new debt financing, redemptions, repayments, short-term borrowings and dividends:

	For the Years Ended December 31,		
Securities Issued or Redeemed / Repaid	**2021**	**2020**	**2019**
	(In millions)		
New Issues			
Unsecured notes	$ 1,750	$ 3,250	$ 1,850
FMBs	200	175	450
Senior secured notes	150	—	—
	$ 2,100	$ 3,425	$ 2,300
Redemptions / Repayments			
Unsecured notes	$ (400)	$ (250)	$ (725)
PCRBs	(74)	—	—
FMBs	—	(50)	(1)
Term loan	—	(750)	—
Senior secured notes	(58)	(64)	(63)
	$ (532)	$ (1,114)	$ (789)
Common stock issuance	$ 1,000	$ —	$ —
Short-term borrowings, net	$ (2,200)	$ 1,200	$ —
Preferred stock dividend payments	$ —	$ —	$ (6)
Common stock dividend payments	$ (849)	$ (845)	$ (814)

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

Company	Issuance Date	Interest Rate		Maturity	Amount	Issuance Type	Use of Proceeds
FET	3/19/2021	2.87%		2028	$500 million	Unsecured Notes	Repay short-term borrowings under the former FET Revolving Facility.
MP	4/9/2021	3.55%	(1)	2027	$200 million	FMB	Fund MP's ongoing capital expenditures, for working capital needs and for other general corporate purposes.
TE	5/6/2021	2.65%		2028	$150 million	Senior Secured Notes	Repay short-term borrowings, fund TE's ongoing capital expenditures and for other general corporate purposes.
MAIT	5/24/2021	4.10%	(2)	2028	$150 million	Unsecured Notes	Repay borrowings outstanding under FirstEnergy's regulated company money pool, fund MAIT's ongoing capital expenditures, to fund working capital and for other general corporate purposes.
JCP&L	6/10/2021	2.75%		2032	$500 million	Unsecured Notes	Repay $450 million of short-term debt under the former FE Revolving Facility, storm recovery and restoration costs and expenses, to fund JCP&L's ongoing capital expenditures, working capital requirements and for other general corporate purposes.
ATSI	12/1/2021	2.65%		2032	$600 million	Unsecured Notes	Repay outstanding notes and short-term borrowings, to fund ATSI's ongoing capital expenditures, working capital requirements and for other general corporate purposes.

(1) New debt was issued at a premium under a previously issued bond series, resulting in an effective interest rate of 2.06%.

(2) New debt was issued at a premium under a previously issued note series, resulting in an effective interest rate of 2.55%.

In December 2021, notice of redemption was provided for all remaining $850 million of FE's 4.25% Notes, Series B, due 2023, which was completed on January 20, 2022, and with a make-whole premium of approximately $38 million. Due to the redemption, the $850 million in notes is included within currently payable long-term debt on the Consolidated Balance Sheets as of December 31, 2021.

On January 27, 2022, CEI instructed its indenture trustee to provide notice of redemption for all remaining $150 million of CEI's 2.77% Senior Notes, Series A, due 2034, for redemption to occur on March 14, 2022.

Also on January 27, 2022, TE instructed its indenture trustee to provide notice of partial redemption for $25 million of TE's 2.65% Senior Secured Notes, due 2028, for partial redemption which occurred on February 11, 2022.

Cash Flows From Investing Activities

Cash used for investing activities in 2021 principally represented cash used for property additions. The following table summarizes investing activities for 2021, 2020 and 2019:

	For the Years Ended December 31,		
Cash Used for (Provided from) Investing Activities	**2021**	**2020**	**2019**
		(In millions)	
Property Additions:			
Regulated Distribution	$ 1,395	$ 1,514	$ 1,473
Regulated Transmission	958	1,067	1,090
Corporate/Other	92	76	102
Proceeds from sale of Yards Creek	(155)	—	—
Investments	53	22	38
Asset removal costs	226	224	217
Other	(10)	5	(47)
	$ 2,559	$ 2,908	$ 2,873

GUARANTEES AND OTHER ASSURANCES

FirstEnergy has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. FirstEnergy enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments FirstEnergy and its subsidiaries could be required to make under these guarantees as of December 31, 2021, was approximately $1.1 billion, as summarized below:

Guarantees and Other Assurances	Maximum Exposure
	(In millions)
FE's Guarantees on Behalf of its Consolidated Subsidiaries	
Deferred compensation arrangements	$ 512
Vehicle leases	75
AE Supply asset sales[1]	15
Other	7
	609
FE's Guarantees on Other Assurances	
Surety Bonds	331
Deferred compensation arrangements	136
LOCs and other	9
	476
Total Guarantees and Other Assurances	$ 1,085

[1] As a condition to closing AE Supply's transfer of Pleasants Power Station and as contemplated under the FES Bankruptcy settlement agreement, FE has provided two guarantees for certain retained liabilities of AE Supply, the first totaling up to $15 million for certain environmental liabilities associated with Pleasants Power Station, and the second being limited solely to environmental liabilities for the McElroy's Run CCR impoundment facility, for which an ARO of $47 million is reflected on FirstEnergy's Consolidated Balance Sheets, and which is not reflected on the table above.

Collateral and Contingent-Related Features

In the normal course of business, FE and its subsidiaries may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require FE or its subsidiaries to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon FE's or its subsidiaries' credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty.

As of December 31, 2021, $55 million of collateral has been posted by FE or its subsidiaries and is included in Prepaid taxes and other current assets on FirstEnergy's Consolidated Balance Sheets.

These credit-risk-related contingent features stipulate that if the subsidiary were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. The following table discloses the potential additional credit rating contingent contractual collateral obligations as of December 31, 2021:

Potential Collateral Obligations	Utilities and FET	FE	Total
		(In millions)	
Contractual Obligations for Additional Collateral			
Upon Further Downgrade	$ 44	$ —	$ 44
Surety Bonds (collateralized amount)[1]	57	258	315
Total Exposure from Contractual Obligations	$ 101	$ 258	$ 359

[1] Surety Bonds are not tied to a credit rating. Surety Bonds' impact assumes maximum contractual obligations, which is ordinarily 100% of the face amount of the surety bond except with respect to $39 million of surety obligations for which the collateral obligation is capped at 60% of the face amount, and typical obligations require 30 days to cure.

Other Commitments and Contingencies

FE was previously a guarantor under a $120 million syndicated senior secured term loan facility due November 12, 2024, which Global Holding repaid during the fourth quarter of 2021, and as a result, FirstEnergy's guarantee is no longer in effect.

MARKET RISK INFORMATION

FirstEnergy uses various market risk sensitive instruments, including derivative contracts, primarily to manage the risk of price and interest rate fluctuations. FirstEnergy's Enterprise Risk Management Committee, comprised of members of senior management, provides general oversight for risk management activities throughout the company.

Commodity Price Risk

FirstEnergy has limited exposure to financial risks resulting from fluctuating commodity prices, including prices for electricity, coal and energy transmission. FirstEnergy's Enterprise Risk Management 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.

The valuation of derivative contracts is based on observable market information. As of December 31, 2021, FirstEnergy has a net asset of $8 million in non-hedge derivative contracts that are related to FTRs at certain of the Utilities. FTRs are subject to regulatory accounting and do not impact earnings.

Equity Price Risk

As of December 31, 2021, the FirstEnergy pension plan assets were allocated approximately as follows: 35% in equity securities, 27% in fixed income securities, 7% in hedge funds, 4% in insurance-linked securities, 10% in real estate, 9% in private equity and debt funds, and 8% in cash and short-term securities. FirstEnergy funding policy is based on actuarial computations using the projected unit credit method. As a result of the American Rescue Plan Act of 2021, which, among other things, extended shortfall amortization periods and modifications of the interest rate stabilization rules for single-employer plans, actual pension investment performance returns to date and current assumptions, FirstEnergy does not currently expect to have a required contribution to the pension plan. However, a decline in the value of pension plan assets could result in additional funding requirements, and FirstEnergy may elect to contribute to the pension plan voluntarily. As of December 31, 2021, FirstEnergy's OPEB plan assets were allocated approximately 51% in equity securities, 32% in fixed income securities and 17% in cash and short-term securities. See Note 4, "Pension and Other Post-Employment Benefits," of the Notes to Consolidated Financial Statements for additional details on FirstEnergy's pension and OPEB plans.

During 2021, FirstEnergy's pension and OPEB plan assets gained approximately 7.6% and 13.4%, respectively, as compared to an annual expected return on plan assets of 7.5%.

Interest Rate Risk

FirstEnergy's exposure to fluctuations in market interest rates is reduced since all debt has fixed interest rates, as noted in the table below. FirstEnergy is subject to the inherent interest rate risks related to refinancing maturing debt by issuing new debt securities.

Comparison of Carrying Value to Fair Value as of December 31, 2021

Year of Maturity or Notice of Redemption	2022	2023	2024	2025	2026	There-after	Total	Fair Value
				(In millions)				
Assets:								
Investments Other Than Cash and Cash Equivalents:								
Fixed Income	$ —	$ —	$ —	$ —	$ —	$ 284	$ 284	$ 284
Average interest rate	— %	— %	— %	— %	— %	1.0 %	1.0 %	
Liabilities:								
Long-term Debt:								
Fixed rate	$ 1,593	$ 344	$ 1,246	$ 2,023	$ 1,076	$ 17,664	$ 23,946	$ 27,043
Average interest rate	4.3 %	3.7 %	4.7 %	3.8 %	3.5 %	4.5 %	4.4 %	

FirstEnergy recognizes net actuarial gains or losses for its pension and OPEB plans in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. A primary factor contributing to these actuarial gains and losses

are changes in the discount rates used to value pension and OPEB obligations as of the measurement date and the difference between expected and actual returns on the plans' assets.

CREDIT RISK

Credit risk is the risk that FirstEnergy would incur a loss as a result of nonperformance by counterparties of their contractual obligations. FirstEnergy maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstance in order to limit counterparty credit risk. In addition, in response to the COVID-19 pandemic, FirstEnergy has increased reviews of counterparties, customers and industries that have been negatively impacted, which could affect meeting contractual obligations with FirstEnergy. FirstEnergy has concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact FirstEnergy's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions. In the event an energy supplier of the Ohio Companies, Pennsylvania Companies, JCP&L or PE defaults on its obligation, the affected company would be required to seek replacement power in the market. In general, subject to regulatory review or other processes, it is expected that appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thereby mitigating the financial risk for these entities. FirstEnergy's credit policies to manage credit risk include the use of an established credit approval process, daily credit mitigation provisions, such as margin, prepayment or collateral requirements, and surveys to determine negative impacts to essential vendors as a result of the COVID-19 pandemic. FirstEnergy and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

PHYSICAL SECURITY AND CYBERSECURITY RISK

FirstEnergy is committed to protecting its customers, employees, facilities, and the ongoing reliability of its electric system. FirstEnergy works closely with state and federal agencies and its peers in the electric utility industry to identify physical and cyber security risks, exchange information, and put safeguards in place to comply with strict reliability and security standards. From a security standpoint, no other industry – including gas pipelines – is as heavily regulated as the electric utility sector. FirstEnergy has comprehensive cyber and physical security plans in place but does not publicly disclose details about these measures that could aid those who want to harm its customers, employees, facilities and the ongoing reliability of its electric system.

The FE Board has identified cybersecurity as a key enterprise risk and prioritizes the mitigation of this risk. The FE Board receives cybersecurity updates from FirstEnergy's Information Technology organization at each of its regularly scheduled meetings. The Audit Committee reviews FirstEnergy's cybersecurity risk management practices and performance, primarily through reports provided by management. The Audit Committee also reviews and discusses with management the steps taken to monitor, control, and mitigate such exposure. Among other things, these reports have focused on incident response management and recent cyber risk and cybersecurity developments.

Security enhancements are also a key component of FirstEnergy's Energizing the Future transmission investment program. FirstEnergy invests heavily in sophisticated and layered security measures that use both technology and hard defenses to protect critical transmission facilities and its digital communications networks.

Despite security measures and safeguards FirstEnergy has employed, including certain measures implemented pursuant to mandatory NERC Critical Infrastructure Protection standards, its infrastructure may be increasingly vulnerable to such attacks as a result of the rapidly evolving and increasingly sophisticated means by which attempts to defeat security measures and gain access to information technology systems may be made. Also, FirstEnergy, or its vendors and service providers, may be at an increased risk of a cyber-attack and/or data security breach due to the nature of its business.

Any such cyber incident could result in significant lost revenue, the inability to conduct critical business functions and serve customers for a significant period of time, the use of significant management resources, legal claims or proceedings, regulatory penalties, significant remediation costs, increased regulation, increased capital costs, increased protection costs for enhanced cybersecurity systems or personnel, damage to FirstEnergy's reputation and/or the rendering of its internal controls ineffective, all of which could materially adversely affect FirstEnergy's business, results of operations, financial condition and reputation.

OUTLOOK

STATE REGULATION

Each of the Utilities' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the states in which it operates - in Maryland by the MDPSC, in New Jersey by the NJBPU, in Ohio by the PUCO, in Pennsylvania by the PPUC, in West Virginia by the WVPSC and in New York by the NYPSC. The transmission operations of PE in Virginia, ATSI in Ohio, and the Transmission Companies in Pennsylvania are subject to certain regulations of the VSCC, PUCO and PPUC, respectively. In addition, under Ohio law, municipalities may regulate rates of a public utility, subject to appeal to the PUCO if not acceptable to the utility. Further, if any of the FirstEnergy affiliates were to engage in the construction of significant new

transmission facilities, depending on the state, they may be required to obtain state regulatory authorization to site, construct and operate the new transmission facility.

The following table summarizes the key terms of base distribution rate orders in effect for the Utilities as of December 31, 2021:

Company	Rates Effective For Customers	Allowed Debt/Equity	Allowed ROE
CEI	May 2009	51% /49%	10.5%
ME[1]	January 2017	48.8% / 51.2%	Settled[2]
MP	February 2015	54% / 46%	Settled[2]
JCP&L	November 2021[3]	48.6% / 51.4%	9.6%
OE	January 2009	51% /49%	10.5%
PE (West Virginia)	February 2015	54% / 46%	Settled[2]
PE (Maryland)	March 2019	47% / 53%	9.65%
PN[1]	January 2017	47.4% /52.6%	Settled[2]
Penn[1]	January 2017	49.9% / 50.1%	Settled[2]
TE	January 2009	51% / 49%	10.5%
WP[1]	January 2017	49.7% / 50.3%	Settled[2]

[1] Reflects filed debt/equity as final settlement/orders do not specifically include capital structure.
[2] Commission-approved settlement agreements did not disclose ROE rates.
[3] On October 28, 2020, the NJBPU approved JCP&L's distribution rate case settlement with an allowed ROE of 9.6% and a 48.6% debt / 51.4% equity capital structure. Rates are effective for customers on November 1, 2021, but beginning January 1, 2021, JCP&L offset the impact to customers' bills by amortizing an $86 million regulatory liability.

MARYLAND

PE operates under MDPSC approved base rates that were effective as of March 23, 2019. PE also provides SOS pursuant to a combination of settlement agreements, MDPSC orders and regulations, and statutory provisions. SOS supply is competitively procured in the form of rolling contracts of varying lengths through periodic auctions that are overseen by the MDPSC and a third-party monitor. Although settlements with respect to SOS supply for PE customers have expired, service continues in the same manner until changed by order of the MDPSC. PE recovers its costs plus a return for providing SOS.

The EmPOWER Maryland program requires each electric utility to file a plan to reduce electric consumption and demand 0.2% per year, up to the ultimate goal of 2% annual savings, for the duration of the 2021-2023 EmPOWER Maryland program cycles to the extent the MDPSC determines that cost-effective programs and services are available. PE's approved 2021-2023 EmPOWER Maryland plan continues and expands upon prior years' programs for a projected total investment of approximately $148 million over the three-year period. PE recovers program investments with a return through an annually reconciled surcharge, with most costs subject to recovery over a five-year period with a return on the unamortized balance. Maryland law only allows for the utility to recover lost distribution revenue attributable to energy efficiency or demand reduction programs through a base rate case proceeding, and to date, such recovery has not been sought or obtained by PE.

In 2019, MDPSC issued an order approving PE’s 2018 base rate case filing, which among other things, approved an annual rate increase of $6.2 million, approved three of the four EDIS programs for four years to fund enhanced service reliability programs, directed PE to file a new depreciation study within 18 months, and ordered the filing of a new base rate case in four years to correspond to the ending of the approved EDIS programs. Following the filing of PE’s depreciation study and subsequent filings by the Maryland Office of the People’s Counsel and the staff of the MDPSC, the public utility law judge issued a proposed order reducing PE’s base rates by $2.1 million. The MDPSC denied PE’s appeal of the proposed order on October 26, 2021, and the proposed order was affirmed.

On April 9, 2020, the MDPSC issued an order allowing utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic, including incremental uncollectible expense, incurred from the date of the Governor’s order (or earlier if the utility could show that the expenses related to suspension of service terminations). On June 16, 2021, the MDPSC provided PE with approximately $4 million of COVID-19 relief funds that was allocated by the Maryland General Assembly to be used to reduce certain residential customer utility account receivable arrearages.

NEW JERSEY

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

In December 2017, the NJBPU issued proposed rules to modify its current CTA policy in base rate cases to: (i) calculate savings using a five-year look back from the beginning of the test year; (ii) allocate savings with 75% retained by the company and 25% allocated to customers; and (iii) exclude transmission assets of electric distribution companies in the savings calculation. On January 17, 2019, the NJBPU approved the proposed CTA rules with no changes. On May 17, 2019, the NJ Rate Counsel filed an appeal with the Appellate Division of the Superior Court of New Jersey and on June 7, 2021, the Superior Court issued an order reversing the NJBPU's CTA rules and remanded the case back to the NJBPU. Specifically, the Court's ruling requires 100% of the CTA savings to be credited to customers in lieu of the NJBPU's current policy requiring 25%. On December 6, 2021, the NJBPU issued proposed amended rules modifying its current CTA policy in base rate cases consistent with the Superior Court's June 7, 2021 order. Once the proposed rules are final, they will be applied on a prospective basis in a future base rate case, however, it is not expected to have a material adverse effect on FirstEnergy's results or financial condition.

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

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

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

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

On July 2, 2020, the NJBPU issued an order allowing New Jersey utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic beginning March 9, 2020 and continuing until the New Jersey Governor issues an order stating that the COVID-19 pandemic is no longer in effect. New Jersey utilities can request recovery of such regulatory asset in a stand-alone COVID-19 regulatory asset filing or future base rate case.

On October 28, 2020, the NJBPU issued an order expanding the scope of the proceeding to examine all pandemic issues, including recovery of the COVID-19 regulatory assets, by way of a generic proceeding. Through various executive orders issued by the New Jersey Governor, the moratorium period was extended to December 31, 2021. On December 21, 2021, the moratorium on residential disconnections for certain entities providing utility service was extended until March 15, 2022. The moratorium on residential disconnections was not extended for investor-owned electric utilities such as JCP&L, but does require that investor-owned electric public utilities offer qualifying residential customers deferred payment arrangements meeting certain minimum criteria prior to disconnecting service.

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

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

OHIO

The Ohio Companies operate under PUCO approved base distribution rates that became effective in 2009. The Ohio Companies currently operate under ESP IV, effective June 1, 2016 and continuing through May 31, 2024, that continues the supply of power to non-shopping customers at a market-based price set through an auction process. ESP IV also continues the Rider DCR, which supports continued investment related to the distribution system for the benefit of customers, with increased revenue caps of $20 million per year from June 1, 2019 through May 31, 2022; and $15 million per year from June 1, 2022 through May 31, 2024. In addition, ESP IV includes: (1) continuation of a base distribution rate freeze through May 31, 2024; (2) a goal across FirstEnergy to reduce CO_2 emissions by 90% below 2005 levels by 2045; and (3) contributions, totaling $51 million to: (a) fund energy conservation programs, economic development and job retention in the Ohio Companies' service territories; (b) establish a fuel-fund in each of the Ohio Companies' service territories to assist low-income customers; and (c) establish a Customer Advisory Council to ensure preservation and growth of the competitive market in Ohio.

ESP IV further provided for the Ohio Companies to collect DMR revenues, but the SCOH reversed the PUCO's decision to include DMR in ESP IV. Subsequently, the PUCO entered an order directing the Ohio Companies to cease further collection through the DMR and credit back to customers a refund of the DMR funds collected since July 2, 2019. On December 1, 2020, the SCOH reversed the PUCO's exclusion of the DMR revenues from the determination of the existence of significantly excessive earnings under ESP IV for OE for calendar year 2017, and remanded the case to the PUCO with instructions to conduct new proceedings which include the DMR revenues in the analysis, determine the threshold against which the earned return is measured, and make other necessary determinations. As further described below, the Ohio Stipulation resolves the Ohio Companies' 2017 SEET proceeding.

On July 23, 2019, Ohio enacted HB 6, which included provisions supporting nuclear energy, authorizing a decoupling mechanism for Ohio electric utilities and ending current energy efficiency program mandates. Under HB 6, the energy efficiency program mandates, as well as Ohio electric utilities' energy efficiency and peak demand reduction cost recovery riders, ended on December 31, 2020, subject to final reconciliation. Third-parties have challenged the Ohio Companies' authorization to recover all lost distribution revenue under energy efficiency and peak demand reduction cost recovery riders. The Ohio Stipulation resolves the issues related to lost distribution revenue with no financial impact to the Ohio Companies.

On March 31, 2021, the Ohio Governor signed HB 128, which, among other things, repealed parts of HB 6, the legislation that established support for nuclear energy supply in Ohio, provided for a decoupling mechanism for Ohio electric utilities, and provided for the ending of current energy efficiency program mandates. HB 128 was effective June 30, 2021. As FirstEnergy would not have financially benefited from the mechanism to provide support to nuclear energy in Ohio, there is no expected additional impact to FirstEnergy due to the repeal of that provision in HB 6.

As further discussed below, in connection with a partial settlement with the OAG and other parties, the Ohio Companies filed an application with the PUCO on February 1, 2021, to set the respective decoupling riders (CSR) to zero. On February 2, 2021, the PUCO approved the application. While the partial settlement with the OAG focused specifically on decoupling, the Ohio

Companies elected to forego recovery of lost distribution revenue. FirstEnergy also committed to pursuing an open dialogue with stakeholders in an appropriate manner with respect to the numerous regulatory proceedings then underway as further discussed herein. As a result of the partial settlement, and the decision to not seek lost distribution revenue, FirstEnergy recognized a $108 million pre-tax charge ($84 million after-tax) in the fourth quarter of 2020, and $77 million (pre-tax) of which is associated with forgoing collection of lost distribution revenue. The Ohio Stipulation affirms the Ohio Companies' commitment to not seek recovery of lost distribution revenue through the end of its ESP IV in May 2024.

On March 31, 2021, FirstEnergy announced that the Ohio Companies would refund to customers amounts previously collected under decoupling, with interest, totaling approximately $27 million. On July 7, 2021, the PUCO issued an order approving the Ohio Companies' modified application to refund such amounts to customers and directed that all funds collected through CSR be refunded to customers over a single billing cycle beginning August 1, 2021.

In connection with the audit of the Ohio Companies' Rider DCR for 2017, the PUCO issued an order on June 16, 2021, directing the Ohio Companies to prospectively discontinue capitalizing certain vegetation management costs and reduce the 2017 Rider DCR revenue requirement by $3.7 million associated with these costs.

On September 8, 2020, the OCC filed motions in the Ohio Companies' corporate separation audit and DMR audit dockets, requesting the PUCO to open an investigation and management audit, hire an independent auditor, and require FirstEnergy to show it did not improperly use money collected from consumers or violate any utility regulatory laws, rules or orders in its activities regarding HB 6. On December 30, 2020, in response to the OCC's motion, the PUCO reopened the DMR audit docket, and directed PUCO staff to solicit a third-party auditor and conduct a full review of the DMR to ensure funds collected from customers through the DMR were only used for the purposes established in ESP IV. On June 2, 2021, the PUCO selected an auditor. The auditor filed the final audit report on January 14, 2022, which made findings and recommendations. The report found that spending of DMR revenues was not required to be tracked, and that DMR revenues, like all rider revenues, are placed into the regulated money pool as a matter of routine, where the funds lose their identify. Therefore, the report could not suggest that DMR funds were used definitively for direct or indirect support for grid modernization. The report also concluded that there was no documented evidence that ties revenues from the DMR to lobbying for the passage of HB 6, but also could not rule out with certainty uses of DMR funds to support the passage of HB 6. The report further recommended that the regulated companies' money pool be audited more frequently and the Ohio Companies adopt formal dividend policies.

On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, and directing the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers. The Ohio Companies initially filed a response stating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers, but on August 6, 2021, filed a supplemental response explaining that, in light of the facts set forth in the DPA and the findings of the Rider DCR audit report further discussed below, political or charitable spending in support of HB 6, or the subsequent referendum effort, affected pole attachment rates paid by approximately $15 thousand. On October 26, 2021, the OCC filed a motion requesting the PUCO to order an independent external audit to investigate FE's political and charitable spending related to HB 6, and to appoint an independent review panel to retain and oversee the auditor. In November and December 2021, parties filed comments and reply comments regarding the Ohio Companies' original and supplemental responses to the PUCO's September 15, 2020, show cause directive.

In connection with an ongoing audit of the Ohio Companies' policies and procedures relating to the code of conduct rules between affiliates, on November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the FirstEnergy leadership transition announcement made on October 29, 2020, as further discussed below. The additional audit is to ensure compliance by the Ohio Companies and their affiliates with corporate separation laws and the Ohio Companies' corporate separation plan. The additional audit is for the period from November 2016 through October 2020. The final audit report was filed on September 13, 2021. The audit report makes no findings of major non-compliance with Ohio corporate separation requirements, minor non-compliance with eight requirements, and findings of compliance with 23 requirements. Parties filed comments and reply comments on the audit report, and a PUCO attorney examiner has issued a procedural schedule setting an evidentiary hearing on May 9, 2022.

In the fourth quarter of 2020, motions were filed with the PUCO requesting that the PUCO amend the Ohio Companies' riders for collecting the OVEC related charges required by HB 6, which the Ohio Companies are further required to remit to other Ohio electric distribution utilities or to the State Treasurer, to provide for refunds in the event such provisions of HB 6 are repealed. The Ohio Companies contested the motions, which are pending before the PUCO.

On December 7, 2020, the Citizens' Utility Board of Ohio filed a complaint with the PUCO against the Ohio Companies. The complaint alleges that the Ohio Companies' new charges resulting from HB 6, and any increased rates resulting from proceedings over which the former PUCO Chairman presided, are unjust and unreasonable, and that the Ohio Companies violated Ohio corporate separation laws by failing to operate separately from unregulated affiliates. The complaint requests, among other things, that any rates authorized by HB 6 or authorized by the PUCO in a proceeding over which the former Chairman presided be made refundable; that the Ohio Companies be required to file a new distribution rate case at the earliest possible date; and that the Ohio Companies' corporate separation plans be modified to introduce institutional controls. The Ohio

Companies are contesting the complaint. On December 21, 2021, the Citizens' Utility Board of Ohio filed a notice of voluntary dismissal of its complaint without prejudice. The PUCO dismissed the complaint without prejudice on January 12, 2022.

On November 1, 2021, the Ohio Companies, together with the OCC, PUCO Staff, and several other signatories, entered into an Ohio Stipulation with the intent of resolving the ongoing energy efficiency rider audits, various SEET, proceedings, including the Ohio Companies' 2017 SEET proceeding, and the Ohio Companies' quadrennial ESP review, each of which was pending before the PUCO. Specifically, the Ohio Stipulation provides that the Ohio Companies' current ESP IV passes the required statutory test for their prospective SEET review as part of the Quadrennial Review of ESP IV, and except for limited circumstances, the signatory parties have agreed not to challenge the Ohio Companies' SEET return on equity calculation methodology for their 2021-2024 SEET proceedings. The Ohio Stipulation additionally affirms that: (i) the Ohio Companies' ESP IV shall continue through its previously authorized term of May 31, 2024; and (ii) the Ohio Companies will file their next base rate case in May 2024, and further, no signatory party will seek to adjust the Ohio Companies' base distribution rates before that time, except in limited circumstances. The Ohio Companies further agreed to refund $96 million to customers in connection with the 2017-2019 SEET cases, and to provide $210 million in future rate reductions for all customers, including $80 million in 2022, $60 million in 2023, $45 million in 2024, and $25 million in 2025. The PUCO approved the 2017-2019 SEET refunds and 2022 rate reductions December 1, 2021, and refunds began in January 2022. As a result of the PUCO approval, FirstEnergy recognized a $96 million pre-tax charge in the fourth quarter of 2021 at the regulated distribution segment within Amortization (deferral) of Regulatory Assets, net, on the Consolidated Statements of Income associated with the refund. The future rate reductions will be recognized as a reduction to regulated distribution segment's revenue in the Consolidated Statements of Income as they are provided to the Ohio Companies' customers.

In connection with an ongoing annual audit of the Ohio Companies' Rider DCR for 2020, and as a result of disclosures in FirstEnergy's Form 10-K for the year ended December 31, 2020 (filed on February 18, 2021), the PUCO expanded the scope of the audit on March 10, 2021, to include a review of certain transactions that were either improperly classified, misallocated, or lacked supporting documentation, and to determine whether funds collected from customers were used to pay the vendors, and if so, whether or not the funds associated with those payments should be returned to customers through Rider DCR or through an alternative proceeding. On August 3, 2021, the auditor filed its final report on this phase of the audit, and the parties submitted comments and reply comments on this audit report in October 2021. Additionally, on September 29, 2021, the PUCO expanded the scope of the audit in this proceeding to determine if the costs of the naming rights for FirstEnergy Stadium have been recovered from the Ohio Companies' customers. On November 19, 2021, the auditor filed its final report, in which the auditor concluded that the FirstEnergy Stadium naming rights expenses were not recovered from Ohio customers. On December 15, 2021, the PUCO further expanded the scope of the audit to include an investigation into an apparent nondisclosure of a side agreement in the Ohio Companies' ESP IV settlement proceedings, but stayed its expansion of the audit until otherwise ordered by the PUCO.

See "Outlook - Other Legal Proceedings" below for additional details on the government investigations and subsequent litigation surrounding the investigation of HB 6.

PENNSYLVANIA

The Pennsylvania Companies operate under rates approved by the PPUC, effective as of January 27, 2017. On November 18, 2021, the PPUC issued orders to each of the Pennsylvania Companies directing they operate under DSPs for the June 1, 2019 through May 31, 2023 delivery period, which DSPs provide for the competitive procurement of generation supply for customers who do not receive service from an alternative EGS. Under the 2019-2023 DSPs, supply will be provided by wholesale suppliers through a mix of 3, 12 and 24-month energy contracts, as well as two RFPs for 2-year SREC contracts for ME, PN and Penn. On December 14, 2021, the Pennsylvania Companies filed proposed DSPs for provision of generation for the June 1, 2023 through May 31, 2027 delivery period, to be sourced through competitive procurements for customers who do not receive service from an alternative EGS. Under the 2023-2027 DSPs, supply is proposed to be provided through a mix of 12 and 24-month energy contracts, as well as long-term solar PPAs.

In March 2018, the PPUC approved adjusted customer rates of the Pennsylvania Companies to reflect the net impact of the Tax Act. As a result, the Pennsylvania Companies established riders that, beginning July 1, 2018, refunded to customers tax savings attributable to the Tax Act as compared to the amounts established in their most recent base rate proceedings on a current and going forward basis. The amounts recorded as savings for the total period of January 1 through June 30, 2018, were tracked and were to be addressed for treatment in a future proceeding. On May 17, 2021, the Pennsylvania Companies filed petitions with the PPUC proposing to refund the net savings for the January through June 2018 period to customers beginning January 1, 2022. On November 18, 2021, the PPUC approved the Pennsylvania Companies' proposed refunds, but also revised a previous methodology for calculating the net tax savings, which resulted in additional tax savings attributable to the Tax Act to be refunded to customers and directed the Pennsylvania Companies to file new petitions to propose the timing and methodology to provide these additional refunds to customers. The Pennsylvania Companies recalculated the net impact for 2018 through 2021 under the revised PPUC methodology in comparison to amounts already refunded to customers under the existing riders, which resulted in an additional $61 million in savings, with interest, to be provided to customers. As a result, FirstEnergy recognized a pre-tax charge of $61 million in the fourth quarter of 2021 at the regulated distribution segment within Amortization (deferral) of Regulatory Assets, net, on the Consolidated Statement of Income associated with the additional refund associated with the

November 2021 PPUC order and methodology. The Pennsylvania Companies are required to file petitions to propose the timing and methodology of the refund of these amounts by March 3, 2022.

Pursuant to Pennsylvania Act 129 of 2008 and PPUC orders, Pennsylvania EDCs implement energy efficiency and peak demand reduction programs. The Pennsylvania Companies' Phase III EE&C plans for the June 2016 through May 2021 period, which were approved in March 2016, with expected costs up to $390 million, are designed to achieve the targets established in the PPUC's Phase III Final Implementation Order with full recovery through the reconcilable EE&C riders. On June 18, 2020, the PPUC entered a Final Implementation Order for a Phase IV EE&C Plan, operating from June 2021 through May 2026. The Final Implementation Order set demand reduction targets, relative to 2007 to 2008 peak demands, at 2.9% MW for ME, 3.3% MW for PN, 2.0% MW for Penn, and 2.5% MW for WP; and energy consumption reduction targets, as a percentage of the Pennsylvania Companies' historic 2009 to 2010 reference load at 3.1% MWH for ME, 3.0% MWH for PN, 2.7% MWH for Penn, and 2.4% MWH for WP. The Pennsylvania Companies' Phase IV plans were filed November 30, 2020 and subsequently approved by PPUC without modification on March 25, 2021.

Pennsylvania EDCs are permitted to seek PPUC approval of an LTIIP for infrastructure improvements and costs related to highway relocation projects, after which a DSIC may be approved to recover LTIIP costs. On January 16, 2020, the PPUC approved the Pennsylvania Companies' LTIIPs for the five-year period beginning January 1, 2020 and ending December 31, 2024 for a total capital investment of approximately $572 million for certain infrastructure improvement initiatives. On June 25, 2021, the Pennsylvania OCA filed a complaint against Penn's quarterly DSIC rate, disputing the recoverability of the Companies' automated distribution management system investment under the DSIC mechanism. On January 26, 2022, the parties filed a joint petition for settlement that resolves all issues in this matter pending PPUC approval.

Following the Pennsylvania Companies' 2016 base rate proceedings, the PPUC ruled in a separate proceeding related to the DSIC mechanisms that the Pennsylvania Companies were not required to reflect federal and state income tax deductions related to DSIC-eligible property in DSIC rates. The decision was appealed to the Pennsylvania Supreme Court and in July 2021 the court upheld the Pennsylvania Commonwealth Court's reversal of the PPUC's decision and remanded the matter back to the PPUC for determination as to how DSIC calculations shall account for ADIT and state taxes. The matter awaits further action by the PPUC. The adverse ruling by the Pennsylvania Supreme Court is not expected to result in a material impact to FirstEnergy.

The PPUC issued an order on March 13, 2020, forbidding utilities from terminating service for non-payment for the duration of the COVID-19 pandemic. On May 13, 2020, the PPUC issued a Secretarial letter directing utilities to track all prudently incurred incremental costs arising from the COVID-19 pandemic, and to create a regulatory asset for future recovery of incremental uncollectibles incurred as a result of the COVID-19 pandemic and termination moratorium. On October 13, 2020, the PPUC entered an order lifting the service termination moratorium effective November 9, 2020, subject to certain additional notification, payment procedures and exceptions, and permits the Pennsylvania Companies to create a regulatory asset for all incremental expenses associated with their compliance with the order. On March 19, 2021, the PPUC entered an order lifting the moratorium in total effective March 31, 2021, subject to certain additional guidelines regarding the duration of payment arrangements and reporting obligations.

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 December 30, 2020, MP and PE filed with the WVPSC a determination of the rate impact of the Tax Act with respect to ADIT. The filing proposed an annual revenue reduction of $2.6 million, effective January 1, 2022, with reconciliation and any resulting adjustments incorporated into annual ENEC proceedings. On August 12, 2021, a unanimous settlement was reached with all the parties agreeing to a $7.7 million rate reduction beginning January 1, 2022, with a true-up in the ENEC proceeding each year. On November 30, 2021, the WVPSC approved the settlement on all terms, except for the proposed effective date of the rate reduction, which was held in abeyance until further notice.

On August 27, 2021, MP and PE filed with the WVPSC their annual ENEC case requesting an increase in ENEC rates of $19.6 million beginning January 1, 2022, which represented a 1.5% increase to the rates currently in effect. WVPSC issued an order on December 29, 2021, granting the requested $19.6 million increase in ENEC rates. Among other things, the order requires MP and PE to refund to its large industrial customers their respective portion of the $7.7 million rate reduction discussed above and also requires MP and PE to negotiate a PPA for its capacity shortfall and a reasonable reserve margin if certain conditions are met.

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 from other customers through a surcharge for any solar investment not fully subscribed by their customers. A hearing has been set for March 16, 2022. The solar generation project is expected to cost approximately $100 million and begin being in-service by the end of 2023 and finalized no later than the end of 2025.

On August 27, 2021, MP and PE filed with the WVPSC a biennial review of the vegetation management surcharge seeking a $16 million annual revenue increase. A settlement among the parties was reached on December 3, 2021 and on December 27, 2021, the WVPSC approved the settlement, which granted a $16 million increase in rates, and continued the vegetation management program and surcharge for another two years. Additionally, the WVPSC order added a provision requiring equipment inspections be performed within a reasonable time after vegetation management occurs on a circuit.

On December 17, 2021, MP and PE filed with the WVPSC for approval of environmental compliance projects at the Ft. Martin and Harrison Power Stations to comply with the EPA's ELG and operate these plants beyond 2028. The request includes a surcharge to recover the expected $142 million capital investment and $3 million in annual operation and maintenance expense. A ruling from the WVPSC is expected in mid-summer 2022, and if approved, construction would be expected to be completed by the end of 2025. See "Environmental Matters - Clean Water Act" below, for additional details on the EPA's ELG.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters, including construction and operation of hydroelectric projects. With respect to their wholesale services and rates, the Utilities, AE Supply and the Transmission Companies are subject to regulation by FERC. FERC regulations require JCP&L, MP, PE, WP and the Transmission Companies to provide open access transmission service at FERC-approved rates, terms and conditions. Transmission facilities of JCP&L, MP, PE, WP and the Transmission Companies are subject to functional control by PJM and transmission service using their transmission facilities is provided by PJM under the PJM Tariff.

The following table summarizes the key terms of rate orders in effect for transmission customer billings for FirstEnergy's transmission owner entities as of December 31, 2021:

Company	Rates Effective	Capital Structure	Allowed ROE
ATSI	January 1, 2015	Actual (13-month average)	10.38%
JCP&L	January 1, 2020	Actual (13-month average)	10.20%
MP	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
PE	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
WP	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
MAIT	July 1, 2017	Lower of Actual (13-month average) or 60%	10.3%
TrAIL	July 1, 2008	Actual (year-end)	12.7%(TrAIL the Line & Black Oak SVC) 11.7% (All other projects)

[1] Effective on January 1, 2021, MP, PE, and WP have implemented a forward-looking formula rate, which has been accepted by FERC, subject to refund, pending further hearing and settlement procedures.
[2] See FERC Action on Tax Act below.

FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. The Utilities and AE Supply each have been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although in the case of the Utilities major wholesale purchases remain subject to review and regulation by the relevant state commissions.

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

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

FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations. One of the audit report findings and related recommendations state that FirstEnergy may have used an inappropriate methodology for allocation of certain costs to regulatory capital accounts under certain FERC regulations and reporting. Based on the finding and related recommendations, FirstEnergy is currently performing an analysis of these costs and how it impacted certain wholesale transmission customer rates. FirstEnergy is unable to predict or estimate the final outcome of this analysis and audit, however, it could result in refunds, with interest, to certain wholesale transmission customers and/or write-offs of previously capitalized costs if they are determined to be nonrecoverable.

ATSI Transmission Formula Rate

On May 1, 2020, ATSI filed amendments to its formula rate to recover regulatory assets for certain costs that ATSI incurred as a result of its 2011 move from MISO to PJM, certain costs allocated to ATSI by FERC for transmission projects that were constructed by other MISO transmission owners, and certain costs for transmission-related vegetation management programs. A portion of these costs would have been charged to the Ohio Companies. Additionally, ATSI proposed certain income tax-related adjustments and certain tariff changes addressing the revenue credit components of the formula rate template. On June 30, 2020, FERC issued an initial order accepting the tariff amendments subject to refund and setting the matter for hearing and settlement proceedings. ATSI and the parties to the FERC proceeding subsequently were able to reach settlement, and on October 14, 2021, filed the settlement with FERC. As a result of the filed settlement, FirstEnergy recognized a $21 million pre-tax charge during the third quarter of 2021, which was recognized in Other Operating Expenses on the FirstEnergy Consolidated Statements of Income. This $21 million charge reflects the difference between amounts originally recorded as regulatory assets and amounts which will ultimately be recovered as a result of the pending settlement. From a segment perspective, during the third quarter of 2021, the Regulated Transmission segment recorded a pre-tax charge of $48 million and the Regulated Distribution segment recognized a $27 million reduction to a reserve previously recorded in 2010. In addition, the settlement provides for partial recovery of future incurred costs allocated to ATSI by MISO for the above-referenced transmission projects that were constructed by other MISO transmission owners, which is not expected to have a material impact on FirstEnergy or ATSI. The uncontested settlement is pending before FERC for approval.

FERC Actions on Tax Act

On March 15, 2018, FERC initiated proceedings on the question of how to address possible changes to ADIT and bonus depreciation as a result of the Tax Act. Such possible changes could impact FERC-jurisdictional rates, including transmission rates. On November 21, 2019, FERC issued a final rule (Order No. 864). Order No. 864 requires utilities with transmission formula rates to update their formula rate templates to include mechanisms to: (i) deduct any excess ADIT from or add any deficient ADIT to their rate base; (ii) raise or lower their income tax allowances by any amortized excess or deficient ADIT; and (iii) incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT. Per FERC directives, ATSI submitted its compliance filing on May 1, 2020. MAIT submitted its compliance filing on June 1, 2020. On November 18, 2021, FERC issued an order that: (i) accepted ATSI proposed tariff amendments to its rate base adjustment mechanism, effective January 27, 2020; (ii) directed ATSI to make a further compliance filing by January 17, 2022; and (iii) set the amount of ATSI's recorded ADIT balances as of December 31, 2017, for hearing and settlement procedures. ATSI submitted the compliance filing, and is participating in settlement negotiations. On December 3, 2021, FERC issued an order that (i) accepted MAIT's proposed tariff amendments to its rate base adjustment mechanism, effective January 27, 2020; (ii) directed MAIT to make a further compliance filing by February 1, 2022; and (iii) set the amount of MAIT's recorded ADIT balances as of December 31, 2017 for hearing and settlement procedures. MAIT submitted the compliance filing, and is participating in settlement negotiations. On May 15, 2020, TrAIL submitted its compliance filing and on June 1, 2020, PATH submitted its required compliance filing. On May 4, 2021, FERC staff requested additional information about PATH's proposed rate base adjustment mechanism, and PATH submitted the requested information on June 3, 2021. On July 12, 2021, FERC staff requested additional information about TrAIL's proposed rate base adjustment mechanism. TrAIL filed its response on August 6, 2021. The PATH and TrAIL compliance filings each remain pending before FERC. MP, WP and PE (as holders of a "stated" transmission rate when Order No. 864 issued) are addressing these requirements in the transmission formula rates amendments that were filed on October 29, 2020, and which have been accepted by FERC effective January 1, 2021, subject to refund, pending further hearing and settlement procedures, MP, WP and PE are engaged in settlement negotiations with other parties to this proceeding. JCP&L addressed these requirements as part of its transmission formula rate case, which was resolved by a settlement approved by FERC on April 15, 2021.

Transmission ROE Methodology

On May 20, 2021, in a case not involving FirstEnergy, FERC issued Opinion No. 575 in which it reiterated the nationwide ROE methodology set forth in 2020 in Opinion Nos. 569-A and 569-B. Under this methodology, FERC employs three financial models – discounted cash flow, capital-asset pricing, and risk premium – to calculate a composite zone of reasonableness. As it has done in other recent ROE cases, FERC rejected the use of the expected earnings methodology in calculating the authorized ROE. A request for clarification or, alternatively, rehearing of Opinion No. 575 was filed on June 21, 2021, and on September 9,

2021, FERC issued an order clarifying aspects of its prior opinion, but affirming the result. On July 15, 2021, FERC issued another order, addressing ROE for a generation company in New England, which applied a standard consistent with Opinion Nos. 569-A and 569-B. FERC's Opinion Nos. 569-A and 569-B, upon which Opinion No. 575 is based, have been appealed to the D.C. Circuit. FirstEnergy is not participating in the appeal. Any changes to FERC's transmission rate ROE and incentive policies for transmission rates would be applied on a prospective basis.

On March 20, 2020, FERC initiated a rulemaking proceeding on the transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act. FirstEnergy submitted comments through EEI 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 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 transmission incentive ROE, such changes will be applied on a prospective basis.

JCP&L Transmission Formula Rate

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

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 are engaged in settlement negotiations with the other parties to the formula rate proceedings. KATCo will be included in the Regulated Transmission reportable segment.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While FirstEnergy'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. FirstEnergy 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 complies with SO_2 and NOx emission reduction requirements under the CAA and SIP(s) 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, during this time, 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 NAAQS. 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 addresses, among other things, the remands of the CSAPR Update and the New York Section 126 Petition. Depending on the outcome of any appeals and how the EPA and the states ultimately implement the revised CSAPR Update, the future cost of compliance may materially impact FirstEnergy's operations, cash flows and financial condition.

In February 2019, the EPA announced its final decision to retain without changes the NAAQS for SO_2, specifically retaining the 2010 primary (health-based) 1-hour standard of 75 PPB. As of March 31, 2020, FirstEnergy has no power plants operating in areas designated as non-attainment by the EPA.

Climate Change

There are several initiatives to reduce GHG emissions at the state, federal and international level. Certain northeastern states are participating in the RGGI 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.

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. In November 2020, FirstEnergy published its Climate Story which includes its climate position and strategy, as well as a new comprehensive and ambitious GHG emission goal. FirstEnergy pledged to achieve carbon neutrality by 2050 and set an interim goal for a 30% reduction in GHGs within FirstEnergy's direct operational control by 2030, based on 2019 levels. Future resource plans to achieve carbon reductions, including any determination of retirement dates of the regulated coal-fired generation, will be developed by working collaboratively with regulators in West Virginia. 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 CO_2 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. The D.C. Circuit decision is subject to legal challenge. Depending on the outcomes of further appeals and how any final rules are ultimately implemented, the future cost of compliance may be material.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal CWA 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. The EPA is reconsidering the ELG rule with a publicly announced target of issuing a proposed revised rule in the Fall of 2022 and a final rule by the Spring of 2023. In the interim, the rule issued on August 31, 2020, remains in effect. Depending on the outcome of appeals and how final rules are ultimately implemented, the compliance with these standards, could require additional capital expenditures or changes in operations at Ft. Martin and Harrison power stations from what was filed with the WVPSC in December 2021 that seeks approval of environmental compliance projects to comply with the EPA's ELG.

After the completion of a negotiated settlement, a complaint was filed by the EPA and PA DEP on January 10, 2022 in Federal District Court for the Western District of Pennsylvania, alleging, among other things, that WP violated the CWA in connection with past boron exceedances at WP's Springdale and Mingo landfills. On January 11, 2022, WP entered into a consent decree with the EPA and PA DEP resolving the matters addressed in the complaint, which, among other things, requires a civil penalty of $610 thousand. The consent decree is subject to final approval by the District Court pending public comment.

Regulation of Waste Disposal

Federal and state hazardous waste regulations have been promulgated as a result of the RCRA, 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 also allows for an extension of the closure deadline based on meeting proscribed site-specific criteria. On November 30, 2020, AE Supply submitted a closure deadline extension request to the EPA seeking to extend the closure date of McElroy's Run CCR impoundment facility until 2024, which request is pending technical review by the EPA. AE Supply continues to operate McElroy's Run as a disposal facility for FG's Pleasants Power Station.

FE or its subsidiaries have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on the Consolidated Balance Sheets as of December 31, 2021, based on estimates of the total costs of cleanup, FirstEnergy's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately $105 million have been accrued through December 31, 2021, of which, approximately $70 million are for environmental remediation of former MGP and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable SBC. FE or its subsidiaries could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves this matter. Under the DPA, FE has agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA requires that FirstEnergy, among other obligations: (i) continue to cooperate with the U.S. Attorney's Office in all matters relating to the conduct described in the DPA and other conduct under investigation by the U.S. government; (ii) pay a criminal monetary penalty totaling $230 million within sixty days, which shall consist of (x) $115 million paid by FE to the United States Treasury and (y) $115 million paid by FE to the ODSA to fund certain assistance programs, as determined by the ODSA, for the benefit of low-income Ohio electric utility customers; (iii) publish a list of all payments made in 2021 to either 501(c)(4) entities or to entities known by FirstEnergy to be operating for the benefit of a public official, either directly or indirectly, and update the same on a quarterly basis during the term of the DPA; (iv) issue a public statement, as dictated in the DPA, regarding FE's use of 501(c)(4) entities; and (v) continue to implement and review its compliance and ethics program, internal controls, policies and procedures designed, implemented and enforced to prevent and detect violations of the U.S. laws throughout its operations, and to take certain related remedial measures. The $230 million payment will neither be recovered in rates or charged to FirstEnergy customers nor will FirstEnergy seek any tax deduction

related to such payment. The entire amount of the monetary penalty was recognized as expense in the second quarter of 2021, and paid in the third quarter of 2021. Under the terms of the DPA, the criminal information will be dismissed after FirstEnergy fully complies with its obligations under the DPA.

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

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

In addition to the subpoenas referenced above under "—United States v. Larry Householder, et. al." and the SEC investigation, certain FE stockholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The plaintiffs in each of the below cases seek, among other things, to recover an unspecified amount of damages (unless otherwise noted). Unless otherwise indicated, no contingency has been reflected in FirstEnergy's consolidated financial statements with respect to these lawsuits as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

- *In re FirstEnergy Corp. Securities Litigation* (Federal District Court, S.D. Ohio); on July 28, 2020 and August 21, 2020, purported stockholders of FE filed putative class action lawsuits alleging violations of the federal securities laws. Those actions have been consolidated and a lead plaintiff, the Los Angeles County Employees Retirement Association, has been appointed by the court. A consolidated complaint was filed on February 26, 2021. The consolidated complaint alleges, on behalf of a proposed class of persons who purchased FE securities between February 21, 2017 and July 21, 2020, that FE and certain current or former FE officers violated Sections 10(b) and 20(a) of the Exchange Act by issuing misrepresentations or omissions concerning FE's business and results of operations. The consolidated complaint also alleges that FE, certain current or former FE officers and directors, and a group of underwriters violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 as a result of alleged misrepresentations or omissions in connection with offerings of senior notes by FE in February and June 2020. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al.* (Federal District Court, S.D. Ohio) on December 17, 2021, purported stockholders of FE filed a complaint against FE, certain current and former officers, and certain current and former officers of EH. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seeks the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *State of Ohio ex rel. Dave Yost, Ohio Attorney General v. FirstEnergy Corp., et al. and City of Cincinnati and City of Columbus v. FirstEnergy Corp.* (Common Pleas Court, Franklin County, OH, all actions have been consolidated); on September 23, 2020 and October 27, 2020, the OAG and the cities of Cincinnati and Columbus, respectively, filed complaints against several parties including FE (the OAG also named FES as a defendant), each alleging civil violations of the Ohio Corrupt Activity Act in connection with the passage of HB 6. On January 13, 2021, the OAG filed a motion for a temporary restraining order and preliminary injunction against FirstEnergy seeking to enjoin FirstEnergy from collecting the Ohio Companies' decoupling rider. On January 31, 2021, FE reached a partial settlement with the OAG and the cities of Cincinnati and Columbus with respect to the temporary restraining order and preliminary injunction request and related issues. In connection with the partial settlement, the Ohio Companies filed an application on February 1, 2021, with the PUCO to set their respective decoupling riders (CSR) to zero. On February 2, 2021, the PUCO approved the application of the Ohio Companies setting the rider to zero and no additional customer bills will include new decoupling rider charges after February 8, 2021. The cases are stayed pending final resolution of the United States v. Larry Householder, et al. criminal proceeding described above, although on August 13, 2021, new defendants were added to the complaint, including two former officers of FirstEnergy. On November 9, 2021, the OAG filed a motion to lift the agreed-upon stay, which FE opposed on November 19, 2021; the motion remains pending. On December 2, 2021, the cities and FE entered a stipulated dismissal with prejudice of the cities' suit.
- *Smith v. FirstEnergy Corp. et al., Buldas v. FirstEnergy Corp. et al., and Hudock and Cameo Countertops, Inc. v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio, all actions have been consolidated); on July 27, 2020, July 31, 2020, and August 5, 2020, respectively, purported customers of FE filed putative class action lawsuits against FE and FESC, as well as certain current and former FE officers, alleging civil Racketeer Influenced and Corrupt Organizations Act violations and related state law claims. The court denied FE's motions to dismiss and stay discovery on February 10 and 11, 2021, respectively, and the defendants submitted answers to the complaint on March 10, 2021. The plaintiffs moved to certify the case as a class action on June 28, 2021, and moved for leave to amend the complaint to add FES as a defendant on September 27, 2021. The court granted the motion to amend on November 10, 2021. On

November 9, 2021, the court issued an order granting Plaintiffs' motion for class certification, but vacated that order on November 19, 2021, to allow defendants to take the named plaintiffs' depositions and to file an opposition to the motion, which they filed on December 14, 2021. On November 19, 2021, FE and FESC moved for judgment on the pleadings. One of the individual defendants moved to dismiss the amended complaint on November 24, 2021. On December 28, 2021, the parties jointly moved the court to stay consideration of the pending motions for class certification, to dismiss, and for judgment on the pleadings for 45 days. The court granted the motion on December 29, 2021, and the cases are currently stayed. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to these lawsuits and the *Emmons* lawsuit below.

- *Emmons v. FirstEnergy Corp. et al.* (Common Pleas Court, Cuyahoga County, OH); on August 4, 2020, a purported customer of FirstEnergy filed a putative class action lawsuit against FE, FESC, the Ohio Companies, along with FES, alleging several causes of action, including negligence and/or gross negligence, breach of contract, unjust enrichment, and unfair or deceptive consumer acts or practices. On October 1, 2020, plaintiffs filed a First Amended Complaint, adding as a plaintiff a purported customer of FirstEnergy and alleging a civil violation of the Ohio Corrupt Activity Act and civil conspiracy against FE, FESC and FES. On May 4, 2021, the court granted the defendants' motion to dismiss plaintiffs' breach of contract claims and denied the remainder of the motions to dismiss. The defendants submitted answers to the complaint on June 1, 2021. Discovery is proceeding. On December 30, 2021, the plaintiff filed a Second Amended Complaint removing one of the named plaintiffs and updating the class definition. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to this lawsuit and the lawsuits above consolidated with *Smith* in the S.D. Ohio alleging, among other things, civil violations of the Racketeer Influenced and Corrupt Organizations Act.

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

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

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

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

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

In letters dated January 26, and February 22, 2021, staff of FERC's Division of Investigations notified FirstEnergy that the Division is conducting an investigation of FirstEnergy's lobbying and governmental affairs activities concerning HB 6, and staff directed FirstEnergy to preserve and maintain all documents and information related to the same as such have been developed as part of an ongoing non-public audit being conducted by FERC's Division of Audits and Accounting. While no contingency has been reflected in the consolidated financial statements, FirstEnergy believes that it is probable that it will incur a loss in

connection with the resolution of the FERC investigation. Given the ongoing nature and complexity of the review, inquiries and investigations, FirstEnergy cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the FERC investigation.

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

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FirstEnergy's normal business operations pending against FE or its subsidiaries. The loss or range of loss in these matters is not expected to be material to FE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 12, "Regulatory Matters."

FirstEnergy accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that FE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

FirstEnergy prepares consolidated financial statements in accordance with GAAP. Application of these principles often requires a high degree of judgment, estimates and assumptions that affect financial results. FirstEnergy's accounting policies require significant judgment regarding estimates and assumptions underlying the amounts included in the financial statements. Additional information regarding the application of accounting policies is included in the Notes to Consolidated Financial Statements.

Loss Contingencies

FirstEnergy is involved in a number of investigations, litigation, regulatory audits, arbitration, mediation, and similar proceedings, including those surrounding HB 6. FirstEnergy regularly assesses its liabilities and contingencies in connection with asserted or potential matters and establishes reserves when appropriate. In the preparation of the financial statements, FirstEnergy makes judgments regarding the future outcome of contingent events based on currently available information and accrues liabilities when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. Circumstances change over time and actual results may vary significantly from estimates. See Note 12, "Regulatory Matters" and Note 13, "Commitments, Guarantees and Contingencies," of the Notes to Consolidated Financial Statements for additional information.

Revenue Recognition

The accounting treatment for revenue recognition is based on the nature of the underlying transaction and applicable authoritative guidance. FirstEnergy 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.

Contracts with Customers

FirstEnergy follows the accrual method of accounting for revenues, recognizing revenue for electricity that has been delivered to customers but not yet billed through the end of the accounting period. The determination of electricity sales to individual customers is based on meter readings, which occur on a systematic basis throughout the month. At the end of each month, electricity delivered to customers since the last meter reading is estimated and a corresponding accrual for unbilled sales is recognized. The determination of unbilled sales and revenues requires management to make estimates regarding electricity available for retail load, transmission and distribution line losses, demand by customer class, applicable billing demands, weather-related impacts, number of days unbilled and tariff rates in effect within each customer class.

The Transmission Companies revenues are primarily derived from forward-looking formula rates. Forward-looking formula rates recover costs that the regulatory agencies determine are permitted to be recovered and provide a return on transmission capital investment. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

FirstEnergy 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. See Note 2, "Revenue," of the Notes to Consolidated Financial Statements for additional information.

Regulatory Accounting

FirstEnergy's Regulated Distribution and Regulated Transmission segments are subject to regulation that sets the prices (rates) the Utilities and the Transmission Companies are 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.

FirstEnergy 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, FirstEnergy 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, FirstEnergy will write off that regulatory asset as a charge against earnings. FirstEnergy considers the entire regulatory asset balance as the unit of account for the purposes of balance sheet classification rather than the next years recovery and as such net regulatory assets and liabilities are presented in the non-current section on the FirstEnergy Consolidated Balance Sheets. See Note 12, "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

Pension and OPEB Accounting

FirstEnergy provides noncontributory qualified defined benefit pension plans that cover substantially all of its employees and non-qualified pension plans that cover certain employees. 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. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

FirstEnergy pension and OPEB obligations are based on various assumptions in calculating these amounts. These assumptions include discount rates, health care cost trend rates, expected return on plan assets, compensation increases, retirement rates, mortality rates, among others. Actual results that differ from the assumptions and changes in assumptions affect future expenses and obligations.

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. FirstEnergy utilizes a full yield curve approach in the estimation of the service and interest components of net periodic benefit costs for pension and other postretirement benefits 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 and the historical performance of risk-based and fixed income securities. The gains or losses generated as a result of the difference between expected and actual returns on plan assets is recognized as a pension and OPEB mark-to-market adjustment in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. The expected return on plan assets for 2022 is 7.50%.

Mortality Rates - The mortality assumption is composed of a base table that represents the current expectation of life expectancy of the population adjusted by an improvement scale that attempts to anticipate future improvements in life expectancy. The Pri-2012 mortality table with projection scale MP-2021, actuarially adjusted to reflect increased mortality rates due to COVID-19 based on mortality experience reported by the Center for Disease and Control Prevention in 2020 and 2021, was utilized to determine the 2021 benefit cost and obligation as of December 31, 2021, for FirstEnergy's pension and OPEB plans. The MP-2021 scale was published in 2021 by the Society of Actuaries.

Health Care Trend Rates - In determining trend rate assumptions, included are the specific provisions of FirstEnergy's health care plans, the demographics and utilization rates of plan participants, actual cost increases experienced in FirstEnergy's health care plans, and projections of future medical trend rates.

Net Periodic Benefit Costs - In addition to service costs, interest on obligations, expected return on plan assets, and prior service costs, FirstEnergy recognizes in net periodic benefit costs a pension and OPEB mark-to-market adjustment for the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement.

The following table reflects the portion of pension and OPEB costs that were charged to expense, including any pension and OPEB mark-to-market adjustments, in the three years ended December 31, 2021, 2020, and 2019:

Net Periodic Benefit Costs (Credits)	2021	2020	2019
		(In millions)	
Pension	$ (582)	$ 254	$ 622
OPEB	(170)	(47)	(21)
Total	$ (752)	$ 207	$ 601

The annual pension and OPEB mark-to-market adjustments, (gains) or losses, for the years ended December 31, 2021, 2020, and 2019 were $(382) million, $477 million, and $676 million, respectively.

FirstEnergy expects its 2022 pre-tax net periodic benefit credit including amounts capitalized (excluding mark-to-market adjustments) to be approximately $233 million based upon the following assumptions:

Assumptions	Pension	OPEB
Service cost weighted-average discount rate	3.28 %	3.41 %
Interest cost weighted-average discount rate	2.44 %	2.18 %
Expected return on plan assets	7.50 %	7.50 %

The approximate effects on 2022 pension and OPEB net periodic benefit costs and the 2021 benefit obligation from changes in key assumptions are as follows:

Approximate Effect on 2022 Net Periodic Benefit Costs from Changes in Key Assumptions

Assumption	Change	Pension	OPEB	Total
			(In millions)	
Discount rate	Change by 0.25%	$ 370	$ 13	$ 383
Expected return on plan assets	Change by 0.25%	$ 22	$ 1	$ 23
Health care trend rate	Change by 1.0%	N/A	$ 10	$ 10

Approximate Effect on 2021 Benefit Obligation from Changes in Key Assumptions

Assumption	Change	Pension	OPEB	Total
			(In millions)	
Discount rate	Change by 0.25%	$ 375	$ 14	$ 389
Health care trend rate	Change by 1.0%	N/A	$ 11	$ 11

See Note 4, "Pension and Other Postemployment Benefits," of the Notes to Consolidated Financial Statements for additional information.

Income Taxes

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities such as the interpretation of tax laws and associated regulations. FirstEnergy is required to make judgments regarding the potential tax effects of various transactions and results of operations in order to estimate its obligations to taxing authorities.

Accounting for tax obligations requires judgments, including assessing whether tax benefits are more likely than not to be sustained, and estimating reserves for potential adverse outcomes regarding tax positions that have been taken. FirstEnergy 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.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including future changes in income tax laws, forecasted results of operations, failure to successfully implement tax planning strategies, as well as results of audits and examinations of filed tax returns by taxing authorities.

See Note 6, "Taxes," of the Notes to Consolidated Financial Statements for additional information on income taxes.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1, "Organization and Basis of Presentation," of the Notes to Consolidated Financial Statements for a discussion of new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A relating to market risk is set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data of FirstEnergy required in this item are set forth beginning on page 71.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of FirstEnergy Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of FirstEnergy Corp. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Note 1 to the consolidated financial statements, the Company's Regulated Distribution and Regulated Transmission segments are subject to regulation that sets the prices (rates) the Company 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. Management 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, management 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. As of December 31, 2021, there were $71 million of regulatory assets and $2,124 million of regulatory liabilities.

The principal considerations for our determination that performing procedures relating to management's accounting for the effects of rate regulation is a critical audit matter are the significant audit effort in assessing the impact of regulation on accounting for regulatory assets and liabilities and in evaluating the complex audit evidence related to whether the regulatory assets will be recovered and liabilities settled.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the accounting for regulatory matters, including controls over the evaluation of the recoverability and settlement of existing regulatory assets and liabilities. These procedures also included, among others, obtaining the Company's correspondence with regulators, evaluating the reasonableness of management's assessment regarding regulatory guidance, proceedings, and legislation and the related accounting implications, and calculating regulatory assets and liabilities based on provisions outlined in rate orders and other correspondence with regulators.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 16, 2022

We have served as the Company's auditor since 2002.

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)	For the Years Ended December 31, 2021	2020	2019
REVENUES:			
Distribution services and retail generation	$ 9,009	$ 8,688	$ 8,720
Transmission	1,608	1,613	1,510
Other	515	489	805
Total revenues[1]	11,132	10,790	11,035
OPERATING EXPENSES:			
Fuel	481	369	497
Purchased power	2,964	2,701	2,927
Other operating expenses	3,196	3,291	2,952
Provision for depreciation	1,302	1,274	1,220
Amortization (deferral) of regulatory assets, net	269	(53)	(79)
General taxes	1,073	1,046	1,008
DPA penalty (Note 13)	230	—	—
Gain on sale of Yards Creek (Note 12)	(109)	—	—
Total operating expenses	9,406	8,628	8,525
OPERATING INCOME	1,726	2,162	2,510
OTHER INCOME (EXPENSE):			
Miscellaneous income, net	517	432	243
Pension and OPEB mark-to-market adjustment	382	(477)	(674)
Interest expense	(1,141)	(1,065)	(1,033)
Capitalized financing costs	75	77	71
Total other expense	(167)	(1,033)	(1,393)
INCOME BEFORE INCOME TAXES	1,559	1,129	1,117
INCOME TAXES	320	126	213
INCOME FROM CONTINUING OPERATIONS	1,239	1,003	904
Discontinued operations (Note 14)[2]	44	76	8
NET INCOME	$ 1,283	$ 1,079	$ 912
INCOME ALLOCATED TO PREFERRED STOCKHOLDERS (Note 1)	—	—	4
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 1,283	$ 1,079	$ 908
EARNINGS PER SHARE OF COMMON STOCK:			
Basic - Continuing Operations	$ 2.27	$ 1.85	$ 1.69
Basic - Discontinued Operations	0.08	0.14	0.01
Basic - Net Income Attributable to Common Stockholders	$ 2.35	$ 1.99	$ 1.70
Diluted - Continuing Operations	$ 2.27	$ 1.85	$ 1.67
Diluted - Discontinued Operations	0.08	0.14	0.01
Diluted - Net Income Attributable to Common Stockholders	$ 2.35	$ 1.99	$ 1.68
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
Basic	545	542	535
Diluted	546	543	542

(1) Includes excise and gross receipts tax collections of $374 million, $362 million and $373 million in 2021, 2020 and 2019, respectively.

(2) Net of income tax benefit of $48 million, $59 million, and $5 million in 2021, 2020 and 2019, respectively.

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	For the Years Ended December 31, 2021	2020	2019
NET INCOME	$ 1,283	$ 1,079	$ 912
OTHER COMPREHENSIVE INCOME (LOSS):			
Pension and OPEB prior service costs	(14)	(34)	(31)
Amortized losses on derivative hedges	1	1	2
Other comprehensive loss	(13)	(33)	(29)
Income tax benefits on other comprehensive loss	(3)	(8)	(8)
Other comprehensive loss, net of tax	(10)	(25)	(21)
COMPREHENSIVE INCOME	$ 1,273	$ 1,054	$ 891

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

FIRSTENERGY CORP.
CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,462	$ 1,734
Restricted cash	49	67
Receivables-		
Customers	1,192	1,367
Less — Allowance for uncollectible customer receivables	159	164
	1,033	1,203
Other, net of allowance for uncollectible accounts of $10 in 2021 and $26 in 2020	246	236
Materials and supplies, at average cost	260	317
Prepaid taxes and other	187	157
	3,237	3,714
PROPERTY, PLANT AND EQUIPMENT:		
In service	46,002	43,654
Less — Accumulated provision for depreciation	12,672	11,938
	33,330	31,716
Construction work in progress	1,414	1,578
	34,744	33,294
PROPERTY, PLANT AND EQUIPMENT, NET - HELD FOR SALE (NOTE 13)	—	45
INVESTMENTS AND OTHER NONCURRENT ASSETS		
Goodwill	5,618	5,618
Investments (Note 8)	655	605
Regulatory assets	71	82
Other	1,107	1,106
	7,451	7,411
	$ 45,432	$ 44,464
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 1,606	$ 146
Short-term borrowings	—	2,200
Accounts payable	943	827
Accrued interest	283	282
Accrued taxes	647	640
Accrued compensation and benefits	313	349
Dividends payable (Note 9)	222	212
Other	402	348
	4,416	5,004
CAPITALIZATION:		
Stockholders' equity-		
Common stock, $0.10 par value, authorized 700,000,000 shares - 570,261,104 and 543,117,533 shares outstanding as of December 31, 2021 and 2020, respectively	57	54
Other paid-in capital	10,238	10,076
Accumulated other comprehensive loss	(15)	(5)
Accumulated deficit	(1,605)	(2,888)
Total stockholders' equity	8,675	7,237
Long-term debt and other long-term obligations	22,248	22,131
	30,923	29,368
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	3,437	3,095
Retirement benefits	2,669	3,345
Regulatory liabilities	2,124	1,826
Other	1,863	1,826
	10,093	10,092
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 13)		
	$ 45,432	$ 44,464

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)	Series A Convertible Preferred Stock Shares	Series A Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	OPIC	AOCI	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2019	0.7	$ 71	512	$ 51	$ 11,530	$ 41	$ (4,879)	6,814
Net income							912	912
Other comprehensive loss, net of tax						(21)		(21)
Stock-based compensation					41			41
Cash dividends declared on common stock					(824)			(824)
Cash dividends declared on preferred stock					(3)			(3)
Stock Investment Plan and certain share-based benefit plans			3	—	56			56
Conversion of Series A Convertible Stock	(0.7)	(71)	26	3	68			—
Balance, December 31, 2019	—	—	541	54	10,868	20	(3,967)	6,975
Net income							1,079	1,079
Other comprehensive loss, net of tax						(25)		(25)
Stock-based compensation					26			26
Cash dividends declared on common stock					(846)			(846)
Stock Investment Plan and certain share-based benefit plans			2	—	28			28
Balance, December 31, 2020	—	—	543	54	10,076	(5)	(2,888)	7,237
Net income							1,283	1,283
Other comprehensive loss, net of tax						(10)		(10)
Stock-based compensation					26			26
Cash dividends declared on common stock					(859)			(859)
Common Stock issuance (Note 9)			26	3	971			974
Share-based benefit plans			1		24			24
Balance, December 31, 2021	—	$ —	570	$ 57	$ 10,238	$ (15)	$ (1,605)	$ 8,675

Dividends declared for each share of common stock and as-converted share of preferred stock (applicable to 2019) were $1.56 during 2021 and 2020, as well as $1.53 during 2019.

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

FIRSTENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	For the Years Ended December 31, 2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,283	$ 1,079	$ 912
Adjustments to reconcile net income to net cash from operating activities-			
Depreciation and amortization	1,601	1,199	1,217
Retirement benefits, net of payments	(417)	(301)	(108)
Pension and OPEB mark-to-market adjustment	(382)	477	676
Deferred income taxes and investment tax credits, net	297	113	252
Asset removal costs charged to income	—	36	28
Transmission revenue collections, net	182	(32)	(55)
Gain on sale of Yards Creek	(109)	—	—
Pension trust contributions	—	—	(500)
Settlement agreement and tax sharing payments to the FES Debtors	—	(978)	—
Gain on disposal, net of tax (Note 14)	(47)	(76)	(59)
Changes in current assets and liabilities-			
Receivables	160	(129)	271
Materials and supplies	57	(32)	(37)
Prepaid taxes and other	18	6	10
Accounts payable	117	(138)	(49)
Accrued taxes	7	159	12
Accrued interest	—	33	6
Accrued compensation and benefits	(36)	97	(60)
Other current liabilities	(16)	(16)	(21)
Cash collateral, net	31	(12)	(10)
Other	65	(62)	(18)
Net cash provided from operating activities	2,811	1,423	2,467
CASH FLOWS FROM FINANCING ACTIVITIES:			
New financing-			
Long-term debt	2,100	3,425	2,300
Short-term borrowings, net	—	1,200	—
Common stock issuance	1,000	—	—
Redemptions and repayments-			
Long-term debt	(532)	(1,114)	(789)
Short-term borrowings, net	(2,200)	—	—
Preferred stock dividend payments	—	—	(6)
Common stock dividend payments	(849)	(845)	(814)
Other	(61)	(59)	(35)
Net cash provided from (used for) financing activities	(542)	2,607	656
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	(2,445)	(2,657)	(2,665)
Proceeds from sale of Yards Creek	155	—	—
Sales of investment securities held in trusts	48	186	1,637
Purchases of investment securities held in trusts	(59)	(208)	(1,675)
Asset removal costs	(226)	(224)	(217)
Other	(32)	(5)	47
Net cash used for investing activities	(2,559)	(2,908)	(2,873)
Net change in cash, cash equivalents and restricted cash	(290)	1,122	250
Cash, cash equivalents, and restricted cash at beginning of period	1,801	679	429
Cash, cash equivalents, and restricted cash at end of period	$ 1,511	$ 1,801	$ 679
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid (received) during the year-			
Interest (net of amounts capitalized)	$ 1,085	$ 970	$ 960
Income taxes, net of refunds	$ (7)	$ 6	$ 12

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

FIRSTENERGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Number		Page Number
1	Organization and Basis of Presentation	77
2	Revenue	85
3	Accumulated Other Comprehensive Income	89
4	Pension and Other Postemployment Benefits	89
5	Stock-Based Compensation Plans	90
6	Taxes	91
7	Leases	95
8	Fair Value Measurements	97
9	Capitalization	101
10	Short-Term Borrowings and Bank Lines of Credit	104
11	Asset Retirement Obligations	105
12	Regulatory Matters	106
13	Commitments, Guarantees and Contingencies	114
14	Discontinued Operations	120
15	Segment Information	121

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.

FE was incorporated under Ohio law in 1996. FE's principal business is the holding, directly or indirectly, of all of the outstanding equity of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FESC, MP, AGC (a wholly owned subsidiary of MP), PE, WP, and FET and its principal subsidiaries (ATSI, MAIT and TrAIL). In addition, FE holds all of the outstanding equity of other direct subsidiaries including: AE Supply, FirstEnergy Properties, Inc., FEV, FirstEnergy License Holding Company, GPUN, Allegheny Ventures, Inc., and Suvon, LLC, doing business as both FirstEnergy Home and FirstEnergy Advisors.

FE does not bill directly or allocate any of its costs to any subsidiary company. Costs are charged to FE's subsidiaries for services received from FESC either through direct billing or through an allocation process. Allocated costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. Intercompany transactions are generally settled under commercial terms within thirty days.

FE and its subsidiaries are principally involved in the transmission, distribution, and generation of electricity. FirstEnergy's ten utility operating companies comprise one of the nation's largest investor-owned electric systems, based on serving over six million customers in the Midwest and Mid-Atlantic regions. FirstEnergy's transmission operations include over 24,000 miles of transmission lines and two regional transmission operation centers. AGC and MP control 3,580 MWs of total capacity.

PN, as lessee of the property of its subsidiary, the Waverly Electric Light & Power Company, serves approximately 4,000 customers in the Waverly, New York vicinity. On February 10, 2021, PN entered into an agreement to transfer its customers and the related assets in Waverly, New York to Tri-County Rural Electric Cooperative; the completion of such transfer is subject to several closing conditions including regulatory approval, which are ongoing, but is expected to have an immaterial impact to FirstEnergy's financial statements.

FE and its subsidiaries follow GAAP and comply 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 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 as appropriate and permitted pursuant to GAAP. As further discussed below, FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary. Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but do not have a controlling financial interest, 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 of FE's ownership share of the entity's earnings is reported in the Consolidated Statements of Income and Comprehensive Income.

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

COVID-19

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

FirstEnergy continues to effectively manage operations during the pandemic in order to provide critical service to customers and believes it is well positioned to manage through the economic slowdown. FirstEnergy Distribution and Transmission revenues benefit from geographic and economic diversity across a five-state service territory, which also allows for flexibility with capital investments and measures to maintain sufficient liquidity over the next twelve months. However, the situation remains fluid and future impacts to FirstEnergy that are presently unknown or unanticipated may occur. Furthermore, the likelihood of an impact to FirstEnergy, and the severity of any impact that does occur, could increase the longer the global pandemic persists.

Sale of Minority Interest in FirstEnergy Transmission, LLC

On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA, with Brookfield and Brookfield Guarantors, pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. KATCo, which is currently a subsidiary of FET, will become a wholly owned subsidiary of FE prior to the closing of the transaction and will remain in the Regulated Transmission segment. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS. On January 5, 2022, the parties to this transaction submitted to FERC an application requesting approval of the transaction no later than April 30, 2022, and on February 10, 2022, the parties filed answers in the FERC docket to certain protests that were filed on January 26, 2022.

Pursuant to the terms of the FET P&SA, in connection with the closing, Brookfield, FET and FirstEnergy Corp will enter into the FET LLC Agreement. The FET LLC Agreement, among other things, provides for the governance, exit, capital and distribution, and other arrangements for FET from and following the closing. Under the FET LLC Agreement, Brookfield will be entitled to appoint a number of directors to the FET Board, in approximate proportion to Brookfield's ownership percentage in FET (rounded to the next whole number). Upon the closing, the FET Board will consist of five directors, one appointed by Brookfield and four appointed by FE. The FET LLC Agreement contains certain investor protections, including, among other things, requiring Brookfield's approval for FET and its subsidiaries to take certain major actions. Under the terms of the FET LLC Agreement, for so long as Brookfield holds a 9.9% interest in FET, Brookfield's consent is required for FET or any of its subsidiaries to incur indebtedness (other than the refinancing of existing indebtedness on commercially reasonable terms reflecting then-current credit market conditions) that would reasonably be expected to result in the FET's consolidated Debt-to-Capital Ratio (as defined in the FET LLC Agreement) equaling or exceeding (i) prior to the fifth anniversary of the effective date, 65%, and (ii) thereafter, 70%.

ACCOUNTING FOR THE EFFECTS OF REGULATION

FirstEnergy's Regulated Distribution and Regulated Transmission segments are subject to regulation that sets the prices (rates) the Utilities and the Transmission Companies are 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.

FirstEnergy 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, FirstEnergy 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, FirstEnergy will write off that regulatory asset as a charge against earnings. FirstEnergy considers the entire regulatory asset balance as the unit of account for the purposes of balance sheet classification rather than the next years recovery and as such net regulatory assets and liabilities are presented in the non-current section on the FirstEnergy 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, 2021 and 2020, and the changes during the year ended December 31, 2021:

Net Regulatory Assets (Liabilities) by Source	As of December 31, 2021	2020	Change
		(In millions)	
Customer payables for future income taxes	$ (2,345)	$ (2,369)	$ 24
Spent nuclear fuel disposal costs	(101)	(102)	1
Asset removal costs	(646)	(721)	75
Deferred transmission costs	(3)	319	(322)
Deferred generation costs	118	17	101
Deferred distribution costs	49	79	(30)
Contract valuations	7	41	(34)
Storm-related costs	660	748	(88)
Uncollectible and COVID-19 related costs	56	97	(41)
Energy efficiency program costs	47	42	5
New Jersey societal benefit costs	109	112	(3)
Regulatory transition costs	(18)	(20)	2
Vegetation management	33	22	11
Other	(19)	(9)	(10)
Net Regulatory Liabilities included on the Consolidated Balance Sheets	$ (2,053)	$ (1,744)	$ (309)

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2021 and 2020, of which approximately $228 million and $195 million, respectively, are currently being recovered through rates over varying periods, through 2068, depending on the nature of the deferral and the jurisdiction:

Regulatory Assets by Source Not Earning a Current Return	As of December 31, 2021	2020	Change
		(in millions)	
Deferred transmission costs	$ 13	$ 17	$ (4)
Deferred generation costs	50	5	45
Storm-related costs	549	654	(105)
COVID-19 related costs	65	66	(1)
Regulatory transition costs	13	16	(3)
Vegetation management	31	22	9
Other	11	9	2
Regulatory Assets Not Earning a Current Return	$ 732	$ 789	$ (57)

DERIVATIVES

FirstEnergy 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. 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 may use 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. 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.

EARNINGS PER SHARE OF COMMON STOCK

Basic EPS available to common stockholders is computed using the weighted average number of common shares outstanding during the relevant period as the denominator. The denominator for diluted EPS 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.

During 2019, EPS was computed using the two-class method required for participating securities. The convertible preferred stock issued in January 2018 were considered participating securities since the shares participated in dividends on common stock on an "as-converted" basis. All convertible preferred stock outstanding was converted to common stock during 2019.

The two-class method uses an earnings allocation formula that treats participating securities as having rights to earnings that otherwise would have been available only to common stockholders. Under the two-class method, net income attributable to common stockholders is derived by subtracting the following from income from continuing operations:

- preferred stock dividends;
- deemed dividends for the amortization of the beneficial conversion feature recognized at issuance of the preferred stock (if any); and
- an allocation of undistributed earnings between the common stock and the participating securities (convertible preferred stock) based on their respective rights to receive dividends.

Net losses were not allocated to the convertible preferred stock as they did not have a contractual obligation to share in the losses of FirstEnergy. FirstEnergy allocated undistributed earnings based upon income from continuing operations.

Diluted EPS reflects the dilutive effect of potential common shares from share-based awards and convertible shares of preferred stock. The dilutive effect of outstanding share-based awards was computed using the treasury stock method, which assumes any proceeds that could be obtained upon the exercise of the award would be used to purchase common stock at the average market price for the period. The dilutive effect of the convertible preferred stock in 2019 was computed using the if-converted method, which assumes conversion of the convertible preferred stock at the beginning of the period, giving income recognition for the add-back of the preferred stock dividends and undistributed earnings allocated to preferred stockholders.

	For the Years Ended December 31,		
Reconciliation of Basic and Diluted EPS of Common Stock	**2021**	**2020**	**2019**
(In millions, except per share amounts)			
EPS of Common Stock			
Income from continuing operations	$ 1,239	$ 1,003	$ 904
Less: Preferred dividends	N/A	N/A	(3)
Less: Undistributed earnings allocated to preferred stockholders	N/A	N/A	(1)
Income from continuing operations available to common stockholders	1,239	1,003	900
Discontinued operations, net of tax	44	76	8
Less: Undistributed earnings allocated to preferred stockholders	N/A	N/A	—
Income from discontinued operations available to common stockholders	44	76	8
Income attributable to common stockholders, basic	$ 1,283	$ 1,079	$ 908
Income allocated to preferred stockholders, preferred dilutive	N/A	N/A	4
Income attributable to common stockholders, dilutive	$ 1,283	$ 1,079	$ 912
Share Count information:			
Weighted average number of basic shares outstanding	545	542	535
Assumed exercise of dilutive share based awards	1	1	3
Assumed conversion of preferred stock	N/A	N/A	4
Weighted average number of diluted shares outstanding	546	543	542
Income attributable to common stockholders, per common share:			
Income from continuing operations, basic	$ 2.27	$ 1.85	$ 1.69
Discontinued operations, basic	0.08	0.14	0.01
Income attributable to common stockholders, basic	$ 2.35	$ 1.99	$ 1.70
Income from continuing operations, diluted	$ 2.27	$ 1.85	$ 1.67
Discontinued operations, diluted	0.08	0.14	0.01
Income attributable to common stockholders, diluted	$ 2.35	$ 1.99	$ 1.68

For the years ended December 31, 2021, 2020 and 2019 there were no material amount of shares excluded from the calculation of diluted shares outstanding, as their inclusion would be antidilutive.

GOODWILL

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

As of July 31, 2021, FirstEnergy performed a qualitative assessment of the Regulated Distribution and Regulated Transmission reporting units' goodwill, assessing economic, industry and market considerations in addition to the reporting units' overall financial performance. Key factors used in the assessment included: growth rates, interest rates, expected investments, utility sector market performance, regulatory and legal developments, and other market considerations. It was determined that the fair values of these reporting units were, more likely than not, greater than their carrying values and a quantitative analysis was not necessary.

FirstEnergy's reporting units are consistent with its reportable segments and consist of Regulated Distribution and Regulated Transmission. The following table presents goodwill by reporting unit as of December 31, 2021:

(In millions)	Regulated Distribution	Regulated Transmission	Consolidated
Goodwill	$ 5,004	$ 614	$ 5,618

INVENTORY

Materials and supplies inventory includes fuel inventory and the distribution, transmission and generation plant materials, net of reserve for excess and obsolete inventory. 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.

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. FirstEnergy recognizes liabilities for planned major maintenance projects as they are incurred. Property, plant and equipment balances by segment as of December 31, 2021 and 2020, were as follows:

	December 31, 2021				
Property, Plant and Equipment	**In Service[1]**	**Accum. Depr.**	**Net Plant**	**CWIP**	**Total**
			(In millions)		
Regulated Distribution	$ 31,154	$ (9,284)	$ 21,870	$ 774	$ 22,644
Regulated Transmission	13,744	(2,789)	10,955	580	11,535
Corporate/Other	1,104	(599)	505	60	565
Total	$ 46,002	$ (12,672)	$ 33,330	$ 1,414	$ 34,744

	December 31, 2020				
Property, Plant and Equipment	**In Service[1]**	**Accum. Depr.**	**Net Plant**	**CWIP**	**Total**
			(In millions)		
Regulated Distribution	$ 29,775	$ (8,800)	$ 20,975	$ 841	$ 21,816
Regulated Transmission	12,912	(2,609)	10,303	671	10,974
Corporate/Other	1,039	(556)	483	66	549
Total	$ 43,726	$ (11,965)	$ 31,761	$ 1,578	$ 33,339

[1] Includes finance leases of $143 million and $153 million as of December 31, 2021 and 2020, respectively.

Regulated Distribution has approximately $2.1 billion of total regulated generation property, plant and equipment as of December 31, 2021. Included within the Regulated Distribution segment is $45 million of assets classified as held for sale as of December 31, 2020 associated with the asset purchase agreement with Yards Creek; see Note 12, "Regulatory Matters," for additional information.

FirstEnergy provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The respective annual composite depreciation rates for FirstEnergy were approximately 2.7% in each 2021, 2020 and 2019.

For the years ended December 31, 2021, 2020 and 2019, capitalized financing costs on FirstEnergy's Consolidated Statements of Income include $48 million, $49 million and $45 million, respectively, of allowance for equity funds used during construction and $27 million, $28 million and $26 million, respectively, of capitalized interest.

Jointly Owned Plants

FE, through its subsidiary, AGC, owns an undivided 16.25% interest (487 MWs) in the 3,003 MW Bath County pumped-storage, hydroelectric station in Virginia, operated by the 60% owner, VEPCO, a non-affiliated utility. Total property, plant and equipment includes $153 million representing AGC's share in this facility as of December 31, 2021. AGC is obligated to pay its share of the costs of this jointly owned facility in the same proportion as its ownership interests using its own financing. AGC's share of direct expenses of the joint plant is included in operating expenses on FirstEnergy's Consolidated Statements of Income. AGC provides the generation capacity from this facility to its owner, MP.

Asset Retirement Obligations

FirstEnergy 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 FirstEnergy'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. FirstEnergy 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. In certain circumstances, FirstEnergy has recovery of asset retirement costs and, as such, certain accretion and depreciation is offset against regulatory assets. 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.

AROs as of December 31, 2021, are described further in Note 11, "Asset Retirement Obligations."

Asset Impairments

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

RECEIVABLES

Receivables from customers include retail electric sales and distribution deliveries to residential, commercial and industrial customers of the Utilities. There was no material concentration of receivables as of December 31, 2021 and 2020, with respect to any particular segment of FirstEnergy's customers. Billed and unbilled customer receivables as of December 31, 2021 and 2020, are included below.

	As of December 31,	
Customer Receivables	**2021**	**2020**
	(In millions)	
Billed[1]	$ 616	$ 800
Unbilled	576	567
	1,192	1,367
Less: Uncollectible Reserve	159	164
Total Customer Receivables	$ 1,033	$ 1,203

[1] Includes approximately $318 million and $349 million as of December 31, 2021, 2020, respectively, that are past due by greater than 30 days.

Activity in the allowance for uncollectible accounts on receivables for the years ended December 31, 2021, 2020 and 2019 are as follows:

(In millions)	**2021**	**2020**	**2019**
Customer Receivables			
Beginning of year balance	$ 164	$ 46	$ 50
Charged to income [1]	54	174	81
Charged to other accounts [2]	42	46	47
Write-offs	(101)	(102)	(132)
End of year balance	$ 159	$ 164	$ 46
Other Receivables			
Beginning of year balance	$ 26	$ 21	$ 2
Charged to income	3	7	27
Charged to other accounts [2]	3	10	1
Write-offs	(22)	(12)	(9)
End of year balance	$ 10	$ 26	$ 21
Affiliated Companies Receivables [3]			
Beginning of year balance	$ —	$ 1,063	$ 920
Charged to income	—	—	143
Charged to other accounts [2]	—	—	—
Write-offs	—	(1,063)	—
End of year balance	$ —	$ —	$ 1,063

[1] Customer receivable amounts charged to income for the years ended December 31, 2021, 2020 and 2019 include approximately $12 million, $103 million, and $25 million respectively, deferred for future recovery.
[2] Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.
[3] Amounts relate to the FES Debtors and are included in discontinued operations. Write-off of $1.1 billion in 2020 was recognized upon their emergence in February 2020.

The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible accounts should be further adjusted in accordance with the accounting guidance for credit losses. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, amount of receivable balances that are past-due, payment options and programs available to customers, and the methods that the Utilities are able to utilize to ensure payment. FirstEnergy reviews its allowance for uncollectible customer receivables utilizing a quantitative and qualitative assessment, which includes consideration of the outbreak of COVID-19 and the impact on customer receivable balances outstanding and write-offs since the pandemic began.

Beginning March 13, 2020, FirstEnergy temporarily suspended customer disconnections for nonpayment and ceased collection activities as a result of the ongoing COVID-19 pandemic and in accordance with state regulatory requirements. The temporary suspension of disconnections for nonpayment and ceasing of collection activities extended into the fourth quarter of 2020 but resumed for many customers before the end of 2020, except in New Jersey where the moratorium was extended until the end of 2021. Customers are subject to each state's applicable regulations on winter moratoriums. See Note 12, "Regulatory Matters," for further discussion on applicable regulations that may alter customer disconnections and collection activity as well as regulatory recovery. During 2020, FirstEnergy analyzed the likelihood of loss based on increases in customer accounts in arrears since the pandemic began in mid-March 2020 as well as what collection methods at the time were suspended, and historically been utilized to ensure payment. Based on this assessment, and consideration of other qualitative factors described above, FirstEnergy recognized incremental uncollectible expense of $121 million in the year 2020, of which approximately $90 million was not being collected through rates and as a result was deferred for future recovery under regulatory mechanisms.

During 2021, arrears levels continue to be elevated above 2019 pre-pandemic levels. Various regulatory actions have impacted the growth and recovery of past due balances including extensions on moratoriums, significant restrictions regarding disconnections, and extended installment plans. FirstEnergy has experienced a reduction in the amount of receivables that are past due by greater than 30 days since the end of 2020. While total customer arrears balances continue to decrease in 2021, balances that are over 120 days past due continue to be elevated. FirstEnergy considered other factors as part of its qualitative assessment, such as certain federal stimulus and state funding being made available to assist with past due utility bills. As a result of this qualitative analysis, FirstEnergy did not recognize any incremental uncollectible expense for the twelve months ended December 31, 2021. Additionally, as a result of the pandemic-related moratoriums and certain customer installment or extended payment plans offered, the allowance for uncollectible accounts on receivables in 2021 and 2020 are elevated due to the extension of when certain write-offs would have otherwise occurred.

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

VARIABLE INTEREST ENTITIES

FirstEnergy performs qualitative analyses based on control and economics to determine whether a variable interest classifies FirstEnergy 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. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary.

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

Consolidated VIEs

VIEs in which FirstEnergy is the primary beneficiary consist of the following (included in FirstEnergy's consolidated financial statements):

- *Ohio Securitization* - In June 2013, SPEs formed by the Ohio Companies issued approximately $445 million of pass-through trust certificates supported by phase-in recovery bonds to securitize the recovery of certain all electric customer heating discounts, fuel and purchased power regulatory assets.
- *MP and PE Environmental Funding Companies* - Bankruptcy remote, special purpose limited liability companies that are indirect subsidiaries of MP and PE which issued environmental control bonds.

See Note 9, "Capitalization," for additional information on securitized bonds.

Unconsolidated VIEs

FirstEnergy is not the primary beneficiary of the following VIEs:

- ***Global Holding*** - 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 ventures economic performance. FEV's ownership interest is subject to the equity method of accounting. As of December 31, 2021, the carrying value of the equity method investment was $59 million.
- ***PATH WV*** - PATH, a proposed transmission line from West Virginia through Virginia into Maryland which PJM cancelled in 2012, 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 FE 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 PATH-WV. FirstEnergy's ownership interest in

PATH-WV is subject to the equity method of accounting. As of December 31, 2021, the carrying value of the equity method investment was $18 million.

- ***Purchase Power Agreements*** - FirstEnergy evaluated its PPAs 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 six long-term PPAs 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 interest, 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 contract that may contain a variable interest were $111 million and $113 million, respectively, during the years ended December 31, 2021 and 2020.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

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

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

2. REVENUE

FirstEnergy 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.

FirstEnergy has elected to exclude sales taxes and other similar taxes collected on behalf of third parties from revenue as prescribed in the standard. As a result, tax collections and remittances are excluded from recognition in the income statement and instead recorded through the balance sheet. Excise and gross receipts taxes that are assessed on FirstEnergy are not subject to the election and are included in revenue. FirstEnergy 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.

FirstEnergy's revenues are primarily derived from electric service provided by the Utilities and Transmission Companies.

The following represents a disaggregation of revenue from contracts with customers for the year ended December 31, 2021:

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments[1]	Total
		(In millions)		
Distribution services[2][4]	$ 5,433	$ —	$ (104)	$ 5,329
Retail generation	3,730	—	(50)	3,680
Wholesale sales	362	—	14	376
Transmission[2]	—	1,608	—	1,608
Other	119	—	—	119
Total revenues from contracts with customers	$ 9,644	$ 1,608	$ (140)	$ 11,112
ARP [3]	(27)	—	—	(27)
Other revenue unrelated to contracts with customers	94	10	(57)	47
Total revenues	$ 9,711	$ 1,618	$ (197)	$ 11,132

[1] Includes eliminations and reconciling adjustments of inter-segment revenues.
[2] Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($3 million at Regulated Distribution and $(2) million at Regulated Transmission).
[3] Reflects amounts the Ohio Companies refunded to customers that was previously collected under decoupling mechanisms, with interest. See Note 12, “Regulatory Matters,” for further discussion on Ohio decoupling rates.
[4] Includes $38 million of customer refunds associated with the Ohio Stipulation that became effective in December 2021. See Note 12, “Regulatory Matters,” for additional information.

The following represents a disaggregation of revenue from contracts with customers for the year ended December 31, 2020:

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments [1]	Total
		(In millions)		
Distribution services[2]	$ 5,259	$ —	$ (88)	$ 5,171
Retail generation	3,577	—	(60)	3,517
Wholesale sales	251	—	9	260
Transmission[2]	—	1,613	—	1,613
Other	140	—	—	140
Total revenues from contracts with customers	$ 9,227	$ 1,613	$ (139)	$ 10,701
ARP [3]	43	—	—	43
Other revenue unrelated to contracts with customers	93	17	(64)	46
Total revenues	$ 9,363	$ 1,630	$ (203)	$ 10,790

[1] Includes eliminations and reconciling adjustments of inter-segment revenues.
[2] Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($2 million at Regulated Distribution and $7 million at Regulated Transmission).
[3] ARP revenue for the year ended December 31, 2020, is primarily related to shared savings revenue in Ohio.

The following represents a disaggregation of revenue from contracts with customers for the year ended December 31, 2019:

Revenues by Type of Service	Regulated Distribution	Regulated Transmission	Corporate/Other and Reconciling Adjustments [1]	Total
		(In millions)		
Distribution services[2]	$ 5,133	$ —	$ (83)	$ 5,050
Retail generation	3,727	—	(57)	3,670
Wholesale sales[2]	411	—	12	423
Transmission[2]	—	1,510	—	1,510
Other	150	—	2	152
Total revenues from contracts with customers	$ 9,421	$ 1,510	$ (126)	$ 10,805
ARP [3]	181	—	—	181
Other revenue unrelated to contracts with customers	96	16	(63)	49
Total revenues	$ 9,698	$ 1,526	$ (189)	$ 11,035

[1] Includes eliminations and reconciling adjustments of inter-segment revenues.
[2] Includes reductions to revenue related to amounts subject to refund resulting from the Tax Act ($16 million at Regulated Distribution and $19 million at Regulated Transmission).
[3] ARP revenue for the year ended December 31, 2019, includes DMR revenue, lost distribution and shared savings revenue in Ohio.

Other revenue unrelated to contracts with customers includes revenue from late payment charges of $36 million, $31 million and $37 million, respectively, for the years ended December 31, 2021, 2020 and 2019. Other revenue unrelated to contracts with customers also includes revenue from derivatives of $11 million, $14 million and $8 million, respectively, for the years ended December 31, 2021, 2020 and 2019.

Regulated Distribution

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies and also controls 3,580 MWs of regulated electric generation capacity located primarily in West Virginia and Virginia. Each of the Utilities earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. The Utilities are 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 POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey and Maryland, as well as generation sales in West Virginia that are regulated by the WVPSC. Certain of the Utilities have default service obligations to provide power to non-shopping customers who have elected to continue to receive service under regulated retail tariffs. The volume of these sales varies depending on the level of shopping that occurs. Supply plans vary by state and by service territory. Default service for the Ohio Companies, Pennsylvania Companies, JCP&L and PE's Maryland jurisdiction are provided through a competitive procurement process approved by each state's respective commission. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

The following table represents a disaggregation of the Regulated Distribution segment revenue from contracts with **distribution service and retail generation** customers for the years ended December 31, 2021, 2020 and 2019 by class:

	For the Years Ended December 31,		
Revenues by Customer Class	2021	2020	2019
	(In millions)		
Residential	$ 5,713	$ 5,539	$ 5,412
Commercial	2,284	2,140	2,252
Industrial	1,091	1,076	1,106
Other	75	81	90
Total	$ 9,163	$ 8,836	$ 8,860

Wholesale sales primarily consist of generation and capacity sales into the PJM market from FirstEnergy's regulated electric generation capacity and NUGs. Certain of the Utilities may also purchase power in the PJM markets to supply power to their customers. Generally, these power sales from generation and purchases to serve load are netted hourly and reported as either revenues or purchased power on the Consolidated 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 Base Residual Auction and Incremental Auctions. Capacity purchases and sales through PJM capacity auctions are reported within revenues on the Consolidated Statements of Income. Certain capacity income (bonuses) and charges (penalties) related to the availability of units that have cleared in the auctions are unknown and not recorded in revenue until, and unless, they occur.

The Utilities' 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, customer shopping activity and prices in effect for each class of customer. In each accounting period, the Utilities accrue the estimated unbilled amount as revenue and reverse the related prior period estimate. Customer payments vary by state but are generally due within 30 days.

ASC 606 excludes industry-specific accounting guidance for recognizing revenue from ARPs as these programs represent contracts between the utility and its regulators, as opposed to customers. Therefore, revenues from these programs are not within the scope of ASC 606 and regulated utilities are permitted to continue to recognize such revenues in accordance with existing practice but are presented separately from revenue arising from contracts with customers. FirstEnergy had ARPs in Ohio primarily for shared savings in 2020, and has reflected refunds of decoupling revenue owed to customers as reductions to ARPs in 2021. See Note 12, "Regulatory Matters," for further discussion on decoupling revenues in Ohio.

Regulated Transmission

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are derived from forward-looking formula rates. See Note 12, "Regulatory Matters," for additional information.

Forward-looking formula rates recover costs that the regulatory agencies determine are permitted to be recovered and provide a return on transmission capital investment. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

The following table represents a disaggregation of revenue from contracts with regulated transmission customers for the years ended December 31, 2021, 2020 and 2019:

Transmission Owner	For the Years Ended December 31, 2021	2020	2019
		(In millions)	
ATSI	$ 799	$ 804	$ 754
TrAIL	233	247	242
MAIT	288	250	224
JCP&L	164	178	160
MP, PE and WP	124	134	130
Total Revenues	$ 1,608	$ 1,613	$ 1,510

3. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in AOCI for the years ended December 31, 2021, 2020 and 2019, for FirstEnergy are shown in the following table:

	Gains & Losses on Cash Flow Hedges [1]	Defined Benefit Pension & OPEB Plans	Total
		(In millions)	
AOCI Balance, January 1, 2019	$ (11)	$ 52	$ 41
Other comprehensive income before reclassifications	—	(2)	(2)
Amounts reclassified from AOCI	2	(29)	(27)
Other comprehensive income (loss)	2	(31)	(29)
Income tax (benefits) on other comprehensive income (loss)	—	(8)	(8)
Other comprehensive income (loss), net of tax	2	(23)	(21)
AOCI Balance, December 31, 2019	$ (9)	$ 29	$ 20
Amounts reclassified from AOCI	1	(34)	(33)
Other comprehensive income (loss)	1	(34)	(33)
Income tax (benefits) on other comprehensive income (loss)	—	(8)	(8)
Other comprehensive income (loss), net of tax	1	(26)	(25)
AOCI Balance, December 31, 2020	$ (8)	$ 3	$ (5)
Amounts reclassified from AOCI	1	(14)	(13)
Other comprehensive income (loss)	1	(14)	(13)
Income tax (benefits) on other comprehensive income (loss)	—	(3)	(3)
Other comprehensive income (loss), net of tax	1	(11)	(10)
AOCI Balance, December 31, 2021	$ (7)	$ (8)	$ (15)

[1] Relates to previous cash flow hedges used to hedge fixed rate long-term debt securities prior to their issuance.

The following amounts were reclassified from AOCI for FirstEnergy in the years ended December 31, 2021, 2020 and 2019:

Reclassifications from AOCI [1]	For the Years Ended December 31, 2021	2020	2019	Affected Line Item in Consolidated Statements of Income
		(In millions)		
Gains & losses on cash flow hedges				
Long-term debt	$ 1	$ 1	$ 2	Interest expense
	$ 1	$ 1	$ 2	Net of tax
Defined benefit pension and OPEB plans				
Prior-service costs	$ (14)	$ (34)	$ (29)	[2]
	3	8	8	Income taxes
	$ (11)	$ (26)	$ (21)	Net of tax

[1] Amounts in parenthesis represent credits to the Consolidated Statements of Income (Loss) from AOCI.

[2] Prior-service costs are reported within Miscellaneous income, net within Other Income (Expense) on FirstEnergy's Consolidated Statements of Income. Components are included in the computation of net periodic cost (credits), see Note 4, "Pension and Other Postemployment Benefits," for additional details.

4. PENSION AND OTHER POST-EMPLOYMENT 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. 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. FirstEnergy recognizes 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. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

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

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

the measurement date.

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

Expected Return on Plan Assets - FirstEnergy's assumed rate of return on pension plan assets considers historical market returns and economic forecasts for the types of investments held by the pension trusts. In 2021, FirstEnergy's qualified pension and OPEB plan assets experienced gains of $689 million or 7.9%, compared to gains of $1,225 million, or 14.7% in 2020, and losses of $1,492 million, or 20.2% in 2019 and assumed a 7.50% rate of return on plan assets in 2021, 2020 and 2019, which generated $688 million, $651 million and $569 million of expected returns on plan assets, respectively. The expected return on pension and OPEB assets is based on input from investment consultants, including the trusts' asset allocation targets and the historical performance of risk-based and fixed income securities. The gains or losses generated as a result of the difference between expected and actual returns on plan assets is recognized as a pension and OPEB mark-to-market adjustment in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement.

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

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

Assumptions Used to Determine Net Periodic Benefit Cost for the Years Ended December [1]	Pension			OPEB		
	2021	2020	2019	2021	2020	2019
Service cost weighted-average discount rate [2]	3.10 %	3.60%/3.24%	4.66 %	3.03 %	3.63%/3.29%	4.67 %
Interest cost weighted-average discount rate [3]	2.58 %	3.27%/2.90%	4.37 %	1.66 %	2.71%/2.30%	3.89 %
Expected return on plan assets	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %
Rate of compensation increase	4.10 %	4.10 %	4.10 %	N/A	N/A	N/A

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

Components of Net Periodic Benefit Costs (Credits) for the Years Ended December 31,	Pension			OPEB		
	2021	2020	2019	2021	2020	2019
			(In millions)			
Service cost	$ 195	$ 194	$ 193	$ 4	$ 4	$ 3
Interest cost	226	287	373	11	15	22
Expected return on plan assets	(652)	(618)	(540)	(36)	(33)	(29)
Amortization of prior service costs (credits) [1]	3	12	7	(17)	(46)	(36)
Special termination costs [2]	—	—	14	—	—	—
One-time termination benefits [3]	—	8	—	—	—	—
Pension & OPEB mark-to-market [4]	(253)	463	656	(129)	14	20
Net periodic benefit costs (credits)	$ (481)	$ 346	$ 703	$ (167)	$ (46)	$ (20)

[1] 2020 includes the acceleration of approximately $18 million in net credits as a result of the FES Debtors' emergence during the first quarter of 2020 and is a component of discontinued operations in FirstEnergy's Consolidated Statements of Income.
[2] Subject to a cap, FirstEnergy agreed to fund a pension enhancement through its pension plan, for voluntary enhanced retirement packages offered to certain FES employees, as well as offer certain other employee benefits. The costs are a component of discontinued operations in FirstEnergy's Consolidated Statements of Income.
[3] Costs represent additional benefits provided to FES and FENOC employees under the approved settlement agreement and are a component of discontinued operations.
[4] Of the total Pension and OPEB mark-to-market adjustment for 2019, approximately $2 million is included in discontinued operations.

The annual pension and OPEB mark-to-market adjustments, (gains) or losses, for the years ended December 31, 2021, 2020, and 2019 were $(382) million, $477 million (including $423 million in the first quarter of 2020), and $676 million, respectively. Of these annual pension and OPEB mark-to-market amounts, approximately $(31) million, $40 million and $47 million were allocated to the Transmission Companies and certain of FirstEnergy's utilities under forward-looking formula rates, and expected to be refunded or recovered through formula transmission rates, respectively. The 2021 pension and OPEB mark-to-market adjustment primarily reflects an approximate 35 bps increase in the discount rate used to measure pension benefit obligations.

Under the approved bankruptcy settlement agreement, upon emergence, FES and FENOC employees ceased earning years of service under the FirstEnergy pension and OPEB plans. The emergence on February 27, 2020, triggered a remeasurement of the affected pension and OPEB plans and as a result, FirstEnergy recognized a non-cash, pre-tax pension and OPEB mark-to-market adjustment of approximately $423 million in the first quarter of 2020. In the fourth quarter 2020, FirstEnergy recognized a $54 million pension and OPEB mark-to-market adjustment.

Obligations and Funded Status - Qualified and Non-Qualified Plans	Pension		OPEB	
	2021	2020	2021	2020

	(In millions)			
Change in benefit obligation:				
Benefit obligation as of January 1	$ 11,935	$ 11,050	$ 676	$ 654
Service cost	195	194	4	4
Interest cost	226	287	11	15
Plan participants' contributions	—	—	4	4
Plan amendments	—	9	—	—
Medicare retiree drug subsidy	—	—	1	1
Actuarial loss (gain)	(280)	1,011	(101)	41
Benefits paid	(597)	(616)	(46)	(43)
Benefit obligation as of December 31	$ 11,479	$ 11,935	$ 549	$ 676
Change in fair value of plan assets:				
Fair value of plan assets as of January 1	$ 8,968	$ 8,395	$ 502	$ 458
Actual return on plan assets	625	1,165	64	60
Company contributions	24	24	24	23
Plan participants' contributions	—	—	4	4
Benefits paid	(597)	(616)	(46)	(43)
Fair value of plan assets as of December 31	$ 9,020	$ 8,968	$ 548	$ 502
Funded Status:				
Qualified plan	$ (1,974)	$ (2,500)	$ —	$ —
Non-qualified plans	(485)	(467)	—	—
Funded Status (Net liability as of December 31)	$ (2,459)	$ (2,967)	$ (1)	$ (174)
Accumulated benefit obligation	$ 10,927	$ 11,376	$ —	$ —
Amounts Recognized in AOCI:				
Prior service cost (credit)	$ 9	$ 12	$ (21)	$ (39)
Assumptions Used to Determine Benefit Obligations (as of December 31)				
Discount rate	3.02 %	2.67 %	2.84 %	2.45 %
Rate of compensation increase	4.10 %	4.10 %	N/A	N/A
Cash balance weighted average interest crediting rate	2.57 %	2.57 %	N/A	N/A
Assumed Health Care Cost Trend Rates (as of December 31)				
Health care cost trend rate assumed (pre/post-Medicare)	N/A	N/A	5.75%-5.25%	6.0%-5.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	N/A	N/A	2028	2028

The following tables set forth pension financial assets that are accounted for at fair value by level within the fair value hierarchy. See Note 8, "Fair Value Measurements," for a description of each level of the fair value hierarchy. There were no significant transfers between levels during 2021 and 2020.

	December 31, 2021				
	Level 1	**Level 2**	**Level 3**	**Total**	**Asset Allocation**
		(In millions)			
Cash and short-term securities	$ —	$ 746	$ —	$ 746	8 %
Public equity	2,867	286	—	3,153	35 %
Fixed income	—	2,453	—	2,453	27 %
Derivatives	20	—	—	20	— %
Total [1]	$ 2,887	$ 3,485	$ —	$ 6,372	70 %
Private - equity and debt funds [2]				811	9 %
Insurance-linked securities [2]				320	4 %
Hedge funds [2]				678	7 %
Real estate funds [2]				886	10 %
Total Investments				$ 9,067	100 %

[1] Excludes $(47) million as of December 31, 2021, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

[2] Net Asset Value used as a practical expedient to approximate fair value.

	December 31, 2020				
	Level 1	**Level 2**	**Level 3**	**Total**	**Asset Allocation**
		(In millions)			
Cash and short-term securities	$ —	$ 1,493	$ —	$ 1,493	17 %
Public equity	1,903	162	—	2,065	23 %
Fixed income	—	3,059	—	3,059	35 %
Derivatives	(13)	—	—	(13)	— %
Total [1]	$ 1,890	$ 4,714	$ —	$ 6,604	75 %
Private - equity and debt funds [2]				465	5 %

Insurance-linked securities [2]	323	4 %
Hedge funds [3]	645	7 %
Real estate funds [2]	815	9 %
Total Investments	$ 8,852	100 %

[1] Excludes $116 million as of December 31, 2020, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.
[2] Net Asset Value used as a practical expedient to approximate fair value.

As of December 31, 2021, and 2020, the OPEB trust investments measured at fair value were as follows:

	December 31, 2021				
	Level 1	Level 2	Level 3	Total	Asset Allocation
	(In millions)				
Cash and short-term securities	$ —	$ 95	$ —	$ 95	17 %
Public equity	278	—	—	278	51 %
Fixed income	—	175	—	175	32 %
Total	$ 278	$ 270	$ —	$ 548	100 %

	December 31, 2020				
	Level 1	Level 2	Level 3	Total	Asset Allocation
	(In millions)				
Cash and short-term securities	$ —	$ 84	$ —	$ 84	17 %
Public equity	283	—	—	283	55 %
Fixed income:	—	145	—	145	28 %
Total [1]	$ 283	$ 229	$ —	$ 512	100 %

[1] Excludes $(10) million as of December 31, 2020, of receivables, payables, taxes and accrued income associated with financial instruments reflected within the fair value table.

FirstEnergy follows a total return investment approach using a mix of equities, fixed income and other available investments while taking into account the pension plan liabilities to optimize the long-term return on plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalization funds. Other assets such as real estate and private equity are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on a continuing basis through periodic investment portfolio reviews, annual liability measurements and periodic asset/liability studies.

FirstEnergy's target asset allocations for its pension and OPEB trust portfolios for 2021 and 2020 are shown in the following table:

Target Asset Allocations		
	2021	2020
Equities	38 %	38 %
Fixed income	30 %	30 %
Hedge funds	8 %	8 %
Real estate	10 %	10 %
Alternative investments	8 %	8 %
Cash and short-term securities	6 %	6 %
	100 %	100 %

Taking into account estimated employee future service, FirstEnergy expects to make the following benefit payments from plan assets and other payments, net of participant contributions:

		OPEB	
	Pension	Benefit Payments	Subsidy Receipts
		(In millions)	
2022	$ 566	$ 44	$ (1)
2023	575	41	(1)
2024	581	39	(1)
2025	590	38	—
2026	598	37	—
Years 2027-2030	3,075	164	(2)

5. STOCK-BASED COMPENSATION PLANS

FirstEnergy grants stock-based awards through the ICP 2020, primarily in the form of restricted stock and performance-based restricted stock units. There are also awards currently outstanding issued through the ICP 2015 primarily in the form of restricted stock and performance-based restricted stock units. The ICP 2020 and ICP 2015 include shareholder authorization to each issue 10 million shares of common stock or their equivalent. As of December 31, 2021, approximately 12.7 million shares were available for future grants under the ICP 2020 assuming maximum performance metrics are achieved for the outstanding cycles of restricted stock units. No shares are available for future grants under ICP 2015. Shares not issued due to forfeitures or cancellations originally granted through the ICP 2015 may be added back to the ICP 2020. Shares granted under the ICP 2020 and ICP 2015 are issued from authorized but unissued common stock. Vesting periods for stock-based awards range from two to ten years, with the majority of awards having a vesting period of three years. FirstEnergy also issues stock through its 401(k) Savings Plan, EDCP, and DCPD. Currently, FirstEnergy records the compensation costs for stock-based compensation awards that will be paid in stock over the vesting period based on the fair value on the grant date. FirstEnergy accounts for forfeitures as they occur.

FirstEnergy adjusts the compensation costs for stock-based compensation awards that will be paid in cash based on changes in the fair value of the award as of each reporting date. FirstEnergy records the actual tax benefit realized from tax deductions when awards are exercised or settled. Actual income tax benefits realized during the years ended December 31, 2021, 2020 and 2019, were $10 million, $20 million and $24 million, respectively. The income tax effects of awards are recognized in the income statement when the awards vest, are settled or are forfeited.

Stock-based compensation costs and the amount of stock-based compensation costs capitalized related to FirstEnergy plans for the years ended December 31, 2021, 2020 and 2019, are included in the following tables:

	For the Years Ended December 31,		
Stock-based Compensation Plan	**2021**	**2020**	**2019**
		(In millions)	
Restricted Stock Units	$ 40	$ 22	$ 73
Restricted Stock	2	1	1
401(k) Savings Plan	35	33	33
EDCP & DCPD	13	(5)	9
Total	$ 90	$ 51	$ 116
Stock-based compensation costs capitalized	$ 47	$ 26	$ 54

Income tax benefits associated with stock-based compensation plan expense were $5 million, $3 million and $10 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Restricted Stock Units

Beginning with the performance-based restricted stock units granted in 2015, two-thirds of each award will be paid in stock and one-third will be paid in cash. Restricted stock units payable in stock provide the participant the right to receive, at the end of the period of restriction, a number of shares of common stock equal to the number of stock units set forth in the agreement, subject to adjustment based on FirstEnergy's performance relative to financial and operational performance targets applicable to each award. The grant date fair value of the stock portion of the restricted stock unit award is measured based on the average of the high and low prices of FE common stock on the date of grant. Beginning with awards granted in 2018, restricted stock units include a performance metric consisting of a relative total shareholder return modifier utilizing the S&P 500 Utility Index as a comparator group. The estimated grant date fair value for these awards is calculated using the Monte Carlo simulation method.

Restricted stock units payable in cash provide the participant the right to receive cash based on the number of stock units set forth in the agreement and value of the equivalent number of shares of FE common stock as of the vesting date. The cash portion of the restricted stock unit award is considered a liability award, which is remeasured each period based on FE's stock price and projected performance adjustments. The liability recorded for the portion of performance-based restricted stock units payable in cash in the future as of December 31, 2021, was $24 million. During 2021, approximately $11 million was paid in relation to the cash portion of restricted stock unit obligations that vested in 2021.

The vesting period for the performance-based restricted stock unit awards granted in 2019, 2020 and 2021, were each three years. Dividend equivalents are received on the restricted stock units and are reinvested in additional restricted stock units and subject to the same performance conditions as the underlying award.

Restricted stock unit activity for the year ended December 31, 2021, was as follows:

Restricted Stock Unit Activity	Shares *(in millions)*	Weighted-Average Grant Date Fair Value (per share)
Nonvested as of January 1, 2021	1.8	$ 40.25
Granted in 2021	1.3	35.50
Forfeited in 2021	(0.3)	40.08
Vested in 2021[(1)]	(1.0)	33.73
Nonvested as of December 31, 2021	1.8	$ 41.89

[(1)] Excludes dividend equivalents of approximately 130 thousand shares earned during vesting period.

The weighted-average fair value of awards granted in 2021, 2020 and 2019 was $35.50, $44.42 and $41.23 per share, respectively. For the years ended December 31, 2021, 2020, and 2019, the fair value of restricted stock units vested was $34 million, $80 million, and $91 million, respectively. As of December 31, 2021, there was approximately $29 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted for restricted stock units, which is expected to be recognized over a period of approximately three years.

Restricted Stock

Certain employees receive awards of FE restricted stock (as opposed to "units" with the right to receive shares at the end of the restriction period) subject to restrictions that lapse over a defined period of time or upon achieving performance results. The fair value of restricted stock is measured based on the average of the high and low prices of FE common stock on the date of grant. Dividends are received on the restricted stock and are reinvested in additional shares of restricted stock, subject to the vesting conditions of the underlying award. Restricted stock activity for the year ended December 31, 2021, was not material.

401(k) Savings Plan

In 2021 and 2020, approximately 1 million shares of FE common stock, respectively, were issued and contributed to participants' accounts.

EDCP

Under the EDCP, certain employees can defer a portion of their compensation, including base salary, annual incentive awards and/or long-term incentive awards, into unfunded accounts. Annual incentive and long-term incentive awards may be deferred in FE stock accounts. Base salary and annual incentive awards may be deferred into a retirement cash account which earns interest. Dividends are calculated quarterly on stock units outstanding and are credited in the form of additional stock units. The form of payout as stock or cash vary depending upon the form of the award, the duration of the deferral and other factors. Awards deferred into a retirement stock account will pay out in cash upon separation from service, death or disability. Interest accrues on the cash allocated to the retirement cash account and the balance will pay out in cash over a time period as elected by the participant.

DCPD

Under the DCPD, members of the FE Board can elect to defer all or a portion of their equity retainers to a deferred stock account and their cash retainers to deferred stock or deferred cash accounts. The net liability recognized for DCPD of approximately $9 million and $7 million as of December 31, 2021 and 2020, respectively, is included in “Retirement benefits,” on the Consolidated Balance Sheets.

6. TAXES

FirstEnergy 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.

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

On April 9, 2021, West Virginia enacted legislation changing the state's corporate income tax apportionment rules, including adopting a single sales factor formula and market-based sourcing for sales of services and intangibles, effective for taxable years beginning on or after January 1, 2022. Enactment of this law triggered a remeasurement of state deferred income taxes for entities included in FirstEnergy's West Virginia combined unitary return, resulting in a net impact of approximately $9 million in additional tax expense in 2021.

INCOME TAXES[1]	For the Years Ended December 31, 2021	2020	2019
		(In millions)	
Currently payable (receivable)-			
Federal [2]	$ 2	$ (14)	$ (16)
State	21	21	24
	23	7	8
Deferred, net-			
Federal[3]	174	171	150
State[4]	127	(38)	60
	301	133	210
Investment tax credit amortization	(4)	(14)	(5)
Total income taxes	$ 320	$ 126	$ 213

(1) Income Taxes on Income from Continuing Operations.

(2) Excludes $2 million of federal tax benefit and $6 million of federal tax expense associated with discontinued operations for the years ended December 31, 2021 and 2020 respectively.

(3) Excludes $46 million, $66 million and $9 million of federal tax benefits associated with discontinued operations for the years ended December 31, 2021, 2020 and 2019, respectively.

(4) Excludes $1 million and $4 million of state tax expense associated with discontinued operations for the years ended December 31, 2020 and 2019, respectively.

FirstEnergy 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 tables provide a reconciliation of federal income tax expense (benefit) at the federal statutory rate to the total income taxes (benefits) for the years ended December 31, 2021, 2020 and 2019:

	For the Years Ended December 31, 2021	2020	2019
		(In millions)	
Income from Continuing Operations, before income taxes	$ 1,559	$ 1,129	$ 1,117
Federal income tax expense at statutory rate (21%)	$ 327	$ 237	$ 235
Increases (reductions) in taxes resulting from-			
State income taxes, net of federal tax benefit	122	75	96
AFUDC equity and other flow-through	(29)	(38)	(36)
Amortization of investment tax credits	(4)	(14)	(5)
Federal tax credits claimed	(34)	—	—
Nondeductible DPA monetary penalty	52	—	—
Excess deferred tax amortization due to the Tax Act	(54)	(56)	(74)
TMI-2 reversal of tax regulatory liabilities	—	(40)	—
Uncertain tax positions	(82)	(1)	(11)
Valuation allowances	17	(49)	5
Other, net	5	12	3
Total income taxes	$ 320	$ 126	$ 213
Effective income tax rate	20.5 %	11.2 %	19.1 %

FirstEnergy's effective tax rate on continuing operations for 2021 and 2020 was 20.5% and 11.2%, respectively. The increase in effective tax rate was primarily due to:

- The non-deductibility of the DPA monetary penalty;
- The absence of a $52 million benefit for reduction in valuation allowances in 2020 from the recognition of deferred gains on prior intercompany generation asset transfers triggered by the FES Debtors' emergence from bankruptcy and deconsolidation from FirstEnergy's consolidated federal income tax group;
- Lower amortization of investment tax credits due to the absence of a $10 million benefit from accelerated amortization of certain investment credits in 2020;
- The absence of a $40 million benefit related to reversals of certain tax regulatory liabilities resulting from the transfer of TMI-2 in 2020;
- Additional tax expense of $9 million as a result of the West Virginia legislation that changed income tax apportionment rules discussed above;
- Partially offset by a net $81 million increase in uncertain tax position benefits primarily related to reserves on the worthless stock deduction, nondeductible interest under Section 163(j), and certain federal tax credits, discussed below; and
- A $34 million benefit in federal tax credits claimed on FirstEnergy's federal income tax return in 2021.

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

	As of December 31,	
	2021	2020
	(In millions)	
Property basis differences	$ 5,670	$ 5,396
Pension and OPEB	(570)	(769)
AROs	(21)	(28)
Regulatory asset/liability	322	440
Deferred compensation	(155)	(165)
Loss carryforwards and tax credits	(2,040)	(1,995)
Valuation reserve	484	496
All other	(253)	(280)
Net deferred income tax liability	$ 3,437	$ 3,095

FirstEnergy has recorded as deferred income tax assets the effect of Federal NOLs and tax credits that will more likely than not be realized through future operations and through the reversal of existing temporary differences. As of December 31, 2021, FirstEnergy's loss carryforwards primarily consisted of $6.9 billion ($1.5 billion, net of tax) of Federal NOL carryforwards that will begin to expire in 2031.

The table below summarizes pre-tax NOL carryforwards and their respective anticipated expirations for state and local income tax purposes of approximately $11.9 billion ($544 million, net of tax) for FirstEnergy, of which approximately $2.7 billion ($136 million, net of tax) is expected to be utilized based on current estimates and assumptions. The ultimate utilization of these NOLs may be impacted by statutory limitations on the use of NOLs imposed by state and local tax jurisdictions, changes in statutory tax rates, and changes in business which, among other things, impact both future profitability and the manner in which future taxable income is apportioned to various state and local tax jurisdictions.

Expiration Period	State	Local
	(In millions)	
2022-2026	$ 2,603	$ 3,783
2027-2031	1,390	—
2032-2036	992	—
2037-2041	959	—
Indefinite	2,157	—
	$ 8,101	$ 3,783

The following table summarizes the changes in valuation allowances on federal, state and local DTAs related to disallowed interest and certain employee remuneration, in addition to state and local NOLs discussed above for the years ended December 31, 2021, 2020 and 2019:

(In millions)	2021	2020	2019
Beginning of year balance	$ 496	$ 441	$ 394
Charged to income	(12)	55	47
Charged to other accounts	—	—	—
Write-offs	—	—	—
End of year balance	$ 484	$ 496	$ 441

FirstEnergy accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attribute are utilized for financial statement recognition and measurement of tax positions taken or expected to be taken on the tax return. As of December 31, 2021 and 2020, FirstEnergy's total unrecognized income tax benefits were approximately $47 million and $139 million, respectively. The $92 million net decrease in unrecognized income tax benefits is primarily due to:

- Decreases of $68 million for reserves related to the worthless stock deduction (see Note 14, "Discontinued Operations," for further discussion) and $29 million for reserves attributable to nondeductible interest under Section 163(j), both of which were effectively settled with federal taxing authorities;
- Decrease of $7 million to the reserve due to the remeasurement of certain positions for the change in West Virginia deferred taxes resulting from a state law change discussed above and $1 million due to other state tax rate changes;
- Decrease of $2 million due to the lapse in statue in certain state taxing jurisdictions;
- Partially offset by an increase of $15 million for reserves related to certain federal tax credits claimed on FirstEnergy's federal income tax return in 2021.

If ultimately recognized in future years, approximately $39 million of unrecognized income tax benefits would impact the effective tax rate.

As of December 31, 2021, it is reasonably possible that approximately $31 million of unrecognized tax benefits may be resolved during 2022 as a result of settlements with taxing authorities or the statute of limitations expiring, of which $24 million would ultimately affect FirstEnergy's effective tax rate.

The following table summarizes the changes in unrecognized tax positions for the years ended December 31, 2021, 2020 and 2019:

	(In millions)
Balance, January 1, 2019	$ 158
Current year increases	22
Prior year decreases	(12)
Decrease for lapse in statute	(4)
Balance, December 31, 2019	$ 164
Current year increases	7
Prior year decreases	(28)
Decrease for lapse in statute	(2)
Effectively settled with taxing authorities	(2)
Balance, December 31, 2020	$ 139
Current year increases	15
Prior years decreases	(8)
Effectively settled with taxing authorities	(97)
Decrease for lapse in statute	(2)
Balance, December 31, 2021	$ 47

FirstEnergy recognizes interest expense or income and penalties related to uncertain tax positions in income taxes 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. FirstEnergy includes net interest and penalties in the provision for income taxes.

FirstEnergy's recognition of net interest associated with unrecognized tax benefits in 2021, 2020 and 2019, was not material. For the years ended December 31, 2021 and 2020, the cumulative net interest payable recorded by FirstEnergy was not material.

IRS review of FirstEnergy's federal income tax returns is complete through the 2020 tax year with no pending adjustments. FirstEnergy's tax returns for some state jurisdictions are open from tax years 2009 to 2020.

General Taxes

General tax expense for the years ended December 31, 2021, 2020 and 2019, recognized in continuing operations is summarized as follows:

	For the Years Ended December 31,		
	2021	2020	2019
	(In millions)		
KWH excise	$ 189	$ 183	$ 191
State gross receipts	190	182	185
Real and personal property	571	541	504
Social security and unemployment	103	112	100
Other	20	28	28
Total general taxes	$ 1,073	$ 1,046	$ 1,008

7. LEASES

FirstEnergy primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancellable and non-cancelable leases. FirstEnergy does not have any material leases in which it is the lessor.

FirstEnergy 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 FirstEnergy'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. FirstEnergy's lease agreements do not contain any material restrictive covenants. FirstEnergy has elected a policy to not separate lease components from non-lease components for all asset classes.

For vehicles leased under certain master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, FirstEnergy is committed to pay the difference in the actual fair value and the residual value guarantee. FirstEnergy does not believe it is probable that it will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Finance leases for assets used in regulated operations are recognized in FirstEnergy's Consolidated Statements of Income such that amortization of the right-of-use asset and interest on lease liabilities equals the expense allowed for ratemaking purposes. Finance leases for regulated and non-regulated operations are accounted for as if the assets were owned and financed, with associated expense recognized in Interest expense and Provision for depreciation on FirstEnergy's Consolidated Statements of Income, while all operating lease expenses are recognized in Other operating expense. The components of lease expense were as follows:

	For the Year Ended December 31, 2021			
(In millions)	Vehicles	Buildings	Other	Total
Operating lease costs [1]	$ 44	$ 9	$ 18	$ 71
Finance lease costs:				
Amortization of right-of-use assets	12	1	1	14
Interest on lease liabilities	1	3	—	4
Total finance lease cost	13	4	1	18
Total lease cost	$ 57	$ 13	$ 19	$ 89

[1] Includes $21 million of short-term lease costs.

	For the Year Ended December 31, 2020			
(In millions)	**Vehicles**	**Buildings**	**Other**	**Total**
Operating lease costs [1]	$ 35	$ 8	$ 17	$ 60
Finance lease costs:				
Amortization of right-of-use assets	14	—	1	15
Interest on lease liabilities	2	3	—	5
Total finance lease cost	16	3	1	20
Total lease cost	$ 51	$ 11	$ 18	$ 80

[1] Includes $17 million of short-term lease costs.

	For the Year Ended December 31, 2019			
(In millions)	**Vehicles**	**Buildings**	**Other**	**Total**
Operating lease costs [1]	$ 28	$ 9	$ 12	$ 49
Finance lease costs:				
Amortization of right-of-use assets	15	1	1	17
Interest on lease liabilities	3	3	—	6
Total finance lease cost	18	4	1	23
Total lease cost	$ 46	$ 13	$ 13	$ 72

[1] Includes $13 million of short-term lease costs.

Supplemental cash flow information related to leases was as follows:

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 64	$ 44	$ 29
Operating cash flows from finance leases	4	4	5
Finance cash flows from finance leases	13	15	25
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	$ 60	$ 67	$ 83
Finance leases	5	—	3

Lease terms and discount rates were as follows:

	As of December 31,		
	2021	**2020**	**2019**
Weighted-average remaining lease terms (years)			
Operating leases	7.97	8.55	9.42
Finance leases	8.12	7.74	4.62
Weighted-average discount rate [1]			
Operating leases	4.16 %	4.21 %	4.51 %
Finance leases	12.22 %	11.58 %	10.45 %

[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 balance sheet information related to leases was as follows:

(In millions)	Financial Statement Line Item	As of December 31, 2021	As of December 31, 2020
Assets			
Operating lease [1]	Deferred charges and other assets	$ 279	$ 265
Finance lease [2]	Property, plant and equipment	48	57
Total leased assets		$ 327	$ 322
Liabilities			
Current:			
Operating	Other current liabilities	$ 39	$ 42
Finance	Currently payable long-term debt	13	14
Noncurrent:			
Operating	Other noncurrent liabilities	271	263
Finance	Long-term debt and other long-term obligations	23	31
Total leased liabilities		$ 346	$ 350

[1] Operating lease assets are recorded net of accumulated amortization of $79 million and $51 million as of December 31, 2021 and 2020, respectively.
[2] Finance lease assets are recorded net of accumulated amortization of $95 million and $96 million as of December 31, 2021 and 2020, respectively.

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

(In millions)	Operating Leases	Finance Leases	Total
2022	$ 54	$ 16	$ 70
2023	54	9	63
2024	48	5	53
2025	45	5	50
2026	41	5	46
Thereafter	133	8	141
Total lease payments [1]	375	48	423
Less imputed interest	65	12	77
Total net present value	$ 310	$ 36	$ 346

[1] Operating lease payments for certain leases are offset by sublease receipts of $10 million over 11 years.

As of December 31, 2021, additional operating leases agreements, primarily for vehicles, that have not yet commenced are $5 million. These leases are expected to commence within the next 18 months with lease terms of 2 to 10 years.

8. FAIR VALUE MEASUREMENTS

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 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 are used to measure fair value.

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 PJM 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 PJM 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.

NUG contracts represent PPAs 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 two 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 Intercontinental Exchange, Inc. 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. Significant increases or decreases in inputs in isolation may have resulted in a higher or lower fair value measurement.

For investments reported at NAV where there is no readily determinable fair value, a practical expedient is available that allows the NAV to approximate fair value. Investments that use NAV as a practical expedient are excluded from the requirement to be categorized within the fair value hierarchy tables. Instead, these investments are reported outside of the fair value hierarchy tables to assist in the reconciliation of investment balances reported in the tables to the balance sheet. FirstEnergy has elected the NAV practical expedient for investments in private equity funds, insurance-linked securities, hedge funds (absolute return) and real estate funds held within the pension plan. See Note 4, "Pension And Other Post-Employment Benefits" for the pension financial assets accounted for at fair value by level within the fair value hierarchy.

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 December 31, 2021, from those used as of December 31, 2020. 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.

The following tables set forth the recurring assets and liabilities that are accounted for at fair value by level within the fair value hierarchy:

	December 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets			*(In millions)*					
Derivative assets FTRs[1]	$ —	$ —	$ 9	$ 9	$ —	$ —	$ 3	$ 3
Equity securities	2	—	—	2	2	—	—	2
U.S. state debt securities	—	273	—	273	—	276	—	276
Cash, cash equivalents and restricted cash[2]	1,511	—	—	1,511	1,801	—	—	1,801
Other[3]	—	42	—	42	—	41	—	41
Total assets	$ 1,513	$ 315	$ 9	$ 1,837	$ 1,803	$ 317	$ 3	$ 2,123
Liabilities								
Derivative liabilities FTRs[1]	$ —	$ —	$ (1)	$ (1)	$ —	$ —	$ —	$ —
Total liabilities	$ —	$ —	$ (1)	$ (1)	$ —	$ —	$ —	$ —
Net assets (liabilities)[4]	$ 1,513	$ 315	$ 8	$ 1,836	$ 1,803	$ 317	$ 3	$ 2,123

(1) Contracts are subject to regulatory accounting treatment and changes in market values do not impact earnings.
(2) Restricted cash of $49 million and $67 million as of December 31, 2021 and 2020 respectively, primarily relates to cash collected from JCP&L, MP, PE and the Ohio Companies' customers that is specifically used to service debt of their respective funding companies.
(3) Primarily consists of short-term investments.
(4) Excludes $1 million as of December 31, 2020, 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 years ended December 31, 2021 and 2020:

	NUG Contracts[1]			FTRs[1]		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
		(In millions)				
January 1, 2020 Balance	$ —	$ (16)	$ (16)	$ 4	$ (1)	$ 3
Unrealized gain (loss)	—	(3)	(3)	(3)	—	(3)
Purchases	—	—	—	7	(2)	5
Settlements	—	19	19	(5)	3	(2)
December 31, 2020 Balance	$ —	$ —	$ —	$ 3	$ —	$ 3
Unrealized gain (loss)	—	—	—	7	—	7
Purchases	—	—	—	5	(2)	3
Settlements	—	—	—	(6)	1	(5)
December 31, 2021 Balance	$ —	$ —	$ —	$ 9	$ (1)	$ 8

(1) Contracts are subject to regulatory accounting treatment and changes in market values do not impact earnings.

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, 2021:

	Fair Value, Net (In millions)	Valuation Technique	Significant Input	Range	Weighted Average	Units
FTRs	$ 8	Model	RTO auction clearing prices	$1.10 to $4.60	$1.80	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 AFS debt securities and other investments. FirstEnergy has no debt securities held for trading purposes.

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

Spent Nuclear Fuel Disposal Trusts

JCP&L holds debt securities within the spent nuclear fuel disposal trust, which are classified as AFS securities, recognized at fair market value. The trust is intended for funding spent nuclear fuel disposal fees to the DOE associated with the previously owned Oyster Creek and TMI-1 nuclear power plants.

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

	December 31, 2021[1]				December 31, 2020[2]			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)							
Debt securities	$ 280	$ 2	$ (9)	$ 273	$ 275	$ 7	$ (6)	$ 276

[1] Excludes short-term cash investments of $11 million.
[2] Excludes short-term cash investments of $9 million.

Proceeds from the sale of investments in AFS debt securities, realized gains and losses on those sales and interest and dividend income for the years ended December 31, 2021, 2020 and 2019, were as follows:

	For the Years Ended December 31,		
	2021	2020[1]	2019[1]
	(In millions)		
Sale Proceeds	$ 48	$ 186	$ 1,637
Realized Gains	—	12	98
Realized Losses	(3)	(8)	(31)
Interest and Dividend Income	11	22	38

[1] Includes amounts associated with NDTs that were previously held by JCP&L, ME, and PN. See above for additional information.

Other Investments

Other investments include employee benefit trusts, which are primarily invested in corporate-owned life insurance policies, and equity method investments. Other investments were $371 million and $322 million as of December 31, 2021 and 2020, respectively, and 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, which excludes finance lease obligations and net unamortized debt issuance costs, unamortized fair value adjustments, premiums and discounts as of December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
	(In millions)	
Carrying Value	$ 23,946	$ 22,377
Fair Value	27,043	25,465

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 December 31, 2021 and 2020.

See Note 9, "Capitalization," for further information on long-term debt issued during the twelve months ended December 31, 2021.

9. CAPITALIZATION

COMMON STOCK

Retained Earnings and Dividends

As of December 31, 2021, FirstEnergy had an accumulated deficit of $1.6 billion. Dividends declared in 2021 and 2020 totaled $1.56 per share in each period. Dividends of $0.39 per share were paid in the first, second, third and fourth quarters in 2021 and 2020, respectively. On December 21, 2021, the FE Board declared a quarterly dividend of $0.39 per share to be paid from OPIC in the first quarter of 2022. The amount and timing of all dividend declarations are subject to the discretion of the FE Board and its consideration of business conditions, results of operations, financial condition, risks and uncertainties of the government investigations, and other factors.

In addition to paying dividends from retained earnings, the Ohio Companies, Penn, JCP&L, ME and PN have authorization from FERC to pay cash dividends to FE from paid-in capital accounts, as long as their FERC-defined equity-to-total-capitalization ratio remains above 35%. In addition, AGC has authorization from FERC to pay cash dividends to its parent, MP, from paid-in capital accounts, as long as its FERC-defined equity-to-total-capitalization ratio remains above 45%. The articles of incorporation, indentures, regulatory limitations, FET P&SA, and various other agreements, including those relating to the long-term debt of certain FirstEnergy subsidiaries contain provisions that could further restrict the payment of dividends on their common stock. None of these provisions materially restricted FirstEnergy subsidiaries' abilities to pay cash dividends to FE as of December 31, 2021.

Common Stock Issuance

FE issued approximately 1 million shares of common stock in 2021, 2 million shares of common stock in 2020 and 3 million shares of common stock in 2019 to registered shareholders and its directors and the employees of its subsidiaries under its Stock Investment Plan and certain share-based benefit plans.

On November 6, 2021, FE entered into a Common Stock Purchase Agreement with BIP Securities II-B L.P., an affiliate of Blackstone Infrastructure Partners L.P., for the private placement of 25,588,535 shares of FE common stock, par value $0.10 per share, at a price of $39.08 per share, representing an investment of $1.0 billion. The transaction settled on December 13, 2021. Issuance costs associated with the transaction were approximately $26 million as of December 31, 2021.

PREFERRED AND PREFERENCE STOCK

FirstEnergy and the Utilities were authorized to issue preferred stock and preference stock as of December 31, 2021, as follows:

	Preferred Stock		Preference Stock	
	Shares Authorized	Par Value	Shares Authorized	Par Value
FE	5,000,000	$ 100		
OE	6,000,000	$ 100	8,000,000	no par
OE	8,000,000	$ 25		
Penn	1,200,000	$ 100		
CEI	4,000,000	no par	3,000,000	no par
TE	3,000,000	$ 100	5,000,000	$ 25
TE	12,000,000	$ 25		
JCP&L	15,600,000	no par		
ME	10,000,000	no par		
PN	11,435,000	no par		
MP	940,000	$ 100		
PE	10,000,000	$ 0.01		
WP	32,000,000	no par		

As of December 31, 2021 and 2020, there were no preferred stock or preference stock outstanding.

Preferred Stock Issuance

In January of 2018, FE entered into a Preferred Stock Purchase Agreement for the private placement of 1,616,000 shares of mandatorily convertible preferred stock, designated as the Series A Convertible Preferred Stock, par value $100 per share, representing an investment of nearly $1.62 billion ($162 million of mandatorily convertible preferred stock and $1.46 billion of OPIC).

During 2018, 911,411 shares of preferred stock were converted into 33,238,910 shares of common stock at the option of the preferred stockholders. During 2019, the remaining 704,589 shares of preferred stock were converted into 25,696,168 shares of common stock at the option of the preferred stockholders.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The following tables present outstanding long-term debt and finance lease obligations for FirstEnergy as of December 31, 2021 and 2020:

	As of December 31, 2021		As of December 31,	
(Dollar amounts in millions)	**Maturity Date**	**Interest Rate**	**2021**	**2020**
FMBs and secured notes - fixed rate	2022-2059	2.650% - 8.250%	$ 5,021	$ 4,802
Unsecured notes - fixed rate	2022-2050	1.600% - 7.375%	18,925	17,575
Finance lease obligations			36	45
Unamortized debt discounts			(8)	(34)
Unamortized debt issuance costs			(126)	(118)
Unamortized fair value adjustments			6	7
Currently payable long-term debt			(1,606)	(146)
Total long-term debt and other long-term obligations			$ 22,248	$ 22,131

See Note 7, "Leases," for additional information related to finance leases.

During the twelve months ended December 31, 2021, the following long-term debt was issued:

Company	Issuance Date	Interest Rate		Maturity	Amount	Issuance Type	Use of Proceeds
FET	3/19/2021	2.87%		2028	$500 million	Unsecured Notes	Repay short-term borrowings under the former FET Revolving Facility.
MP	4/9/2021	3.55%	(1)	2027	$200 million	FMB	Fund MP's ongoing capital expenditures, for working capital needs and for other general corporate purposes.
TE	5/6/2021	2.65%		2028	$150 million	Senior Secured Notes	Repay short-term borrowings, fund TE's ongoing capital expenditures and for other general corporate purposes.
MAIT	5/24/2021	4.10%	(2)	2028	$150 million	Unsecured Notes	Repay borrowings outstanding under FirstEnergy's regulated company money pool, fund MAIT's ongoing capital expenditures, to fund working capital and for other general corporate purposes.
JCP&L	6/10/2021	2.75%		2032	$500 million	Unsecured Notes	Repay $450 million of short-term debt under the former FE Revolving Facility, storm recovery and restoration costs and expenses, to fund JCP&L's ongoing capital expenditures, working capital requirements and for other general corporate purposes.
ATSI	12/1/2021	2.65%		2032	$600 million	Unsecured Notes	Repay outstanding notes and short-term borrowings, to fund ATSI's ongoing capital expenditures, working capital requirements and for other general corporate purposes.

(1) New debt was issued at a premium under a previously issued bond series, resulting in an effective interest rate of 2.06%.

(2) New debt was issued at a premium under a previously issued note series, resulting in an effective interest rate of 2.55%.

In December 2021, notice of redemption was provided for all remaining $850 million of FE's 4.25% Notes, Series B, due 2023, which was completed on January 20, 2022, and with a make-whole premium of approximately $38 million. Due to the redemption, the $850 million in notes is included within currently payable long-term debt on the Consolidated Balance Sheets as of December 31, 2021.

On January 27, 2022, CEI instructed its indenture trustee to provide notice of redemption for all remaining $150 million of CEI's 2.77% Senior Notes, Series A, due 2034, for redemption to occur on March 14, 2022.

Also on January 27, 2022, TE instructed its indenture trustee to provide notice of partial redemption for $25 million of TE's 2.65% Senior Secured Notes, due 2028, for partial redemption which occurred on February 11, 2022.

The following table presents scheduled debt repayments or debt that has been noticed for redemption 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, 2021.

Year		
		(In millions)
2022	$	1,593
2023		344
2024		1,246
2025		2,023
2026		1,076

Securitized Bonds

Environmental Control Bonds

The consolidated financial statements of FirstEnergy include environmental control bonds issued by two bankruptcy remote, special purpose limited liability companies that are indirect subsidiaries of MP and PE. 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. Creditors of FirstEnergy, other than the limited liability company SPEs, have no recourse to any assets or revenues of the special purpose limited liability companies. As of December 31, 2021 and 2020, $274 million and $300 million of environmental control bonds were outstanding, respectively.

Phase-In Recovery Bonds

In June 2013, the SPEs formed by the Ohio Companies issued approximately $445 million of pass-through trust certificates supported by phase-in recovery bonds to securitize the recovery of certain all electric customer heating discounts, fuel and purchased power regulatory assets. The phase-in recovery bonds are payable only from, and secured by, phase in recovery property owned by the SPEs. 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 December 31, 2021 and 2020, $222 million and $245 million of the phase-in recovery bonds were outstanding, respectively.

FMBs

The Ohio Companies and Penn each have a first mortgage indenture under which they can issue FMBs secured by a direct first mortgage lien on substantially all of their property and franchises, other than specifically excepted property.

Debt Covenant Default Provisions

FirstEnergy has various debt covenants under certain financing arrangements, including its revolving credit facilities and term loans. 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 FirstEnergy to comply with the covenants contained in its financing arrangements could result in an event of default, which may have an adverse effect on its financial condition. As of December 31, 2021, FirstEnergy remains in compliance with all debt covenant provisions.

Additionally, there are cross-default provisions in a number of the financing arrangements. 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. Such defaults by any of the Utilities or Transmission Companies would cross-default certain FE financing arrangements containing these provisions, and a certain FET Financing arrangement, with respect to the Transmission Companies only, such defaults by AE Supply would not cross-default to applicable financing arrangements of FE. Also, defaults by FE would generally not cross-default applicable financing arrangements of any of FE's subsidiaries. Cross-default provisions are not typically found in any of the senior notes or FMBs of FE or its subsidiaries.

10. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

FirstEnergy had no outstanding short-term borrowings as of December 31, 2021 and $2.2 billion of outstanding short-term borrowings as of December 31, 2020.

On November 23, 2020, JCP&L, ME, Penn, TE and WP, borrowed $950 million in the aggregate under the former FE Revolving Facility, bringing the outstanding principal balance to $1.2 billion, with $1.3 billion of remaining availability. On November 23, 2020, FET and ATSI borrowed $1 billion in the aggregate under the former FET Revolving Facility, bringing the outstanding principal balance to $1 billion, with no remaining availability. FE, FET and certain of their respective subsidiaries increased their borrowings under the former Revolving Facilities as a proactive measure to increase their respective cash positions and preserve financial flexibility. These borrowings were repaid in full during 2021.

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

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

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

As of December 31, 2021, available liquidity under the 2021 Credit Facilities was $4.5 billion.

Borrowings under the 2021 Credit Facilities may be used for working capital and other general corporate purposes. Generally, borrowings under each of the credit facilities are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. Each of the 2021 Credit Facilities contain financial covenants requiring each borrower, with the exception of FE, to maintain a consolidated debt-to-total-capitalization ratio (as defined under each of the 2021 Credit Facilities) of no more than 65%, and 75% for FET, measured at the end of each fiscal quarter. FE is required under its 2021 Credit Facility to maintain a consolidated interest coverage ratio of not less than 2.50 times, measured at the end of each fiscal quarter for the last four fiscal quarters beginning with the quarter ending December 31, 2021.

Subject to each borrower's sublimit, the amounts noted below are available for the issuance of LOCs (subject to borrowings drawn under the 2021 Credit Facilities) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under each of the 2021 Credit Facilities and against the applicable borrower's borrowing sublimit. As of December 31, 2021, FirstEnergy had $4 million in outstanding LOCs.

The 2021 Credit Facilities do not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in “pricing grids,” whereby the cost of funds borrowed under the 2021 Credit Facilities are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under each of the 2021 Credit Facilities are subject to the usual and customary provisions for acceleration upon the occurrence of events of default, including a cross-default for other indebtedness in excess of $100 million.

As of December 31, 2021, the borrowers were in compliance with the applicable interest coverage and debt-to-total-capitalization ratio covenants in each case as defined under the respective 2021 Credit Facilities.

FirstEnergy Money Pools

FirstEnergy’s utility operating subsidiary companies also have the ability to borrow from each other and FE to meet their short-term working capital requirements. Similar but separate arrangements exist among FirstEnergy’s unregulated companies with AE Supply, FE, FET, FEV and certain other unregulated subsidiaries. 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. The average interest rate for borrowings in 2021 was 1.01% per annum for the regulated companies’ money pool and 0.60% per annum for the unregulated companies’ money pool.

Weighted Average Interest Rates

The annual weighted average interest rates on short-term borrowings outstanding as of December 31, 2021 and 2020, were 2.42% and 1.86%, respectively.

11. ASSET RETIREMENT OBLIGATIONS

FirstEnergy has recognized applicable legal obligations for AROs and their associated cost, including reclamation of sludge disposal ponds, closure of coal ash disposal sites, underground and above-ground storage tanks and wastewater treatment lagoons. In addition, FirstEnergy has recognized conditional retirement obligations, primarily for asbestos remediation.

The following table summarizes the changes to the ARO balances during 2021 and 2020:

ARO Reconciliation	***(In millions)***
Balance, January 1, 2020	$ 856
Liabilities settled [1]	(744)
Accretion	47
Balance, December 31, 2020	$ 159
Changes in timing and amount of estimated cash flows	8
Liabilities settled	(1)
Accretion	13
Balance, December 31, 2021	$ 179

[1] Includes $726 million related to the closing of the asset purchase and sale agreement with TMI-2 Solutions, LLC, a subsidiary of Energy*Solutions*, LLC, concerning the transfer and dismantlement of TMI-2.

12. REGULATORY MATTERS

STATE REGULATION

Each of the Utilities' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the states in which it operates - in Maryland by the MDPSC, in New Jersey by the NJBPU, in Ohio by the PUCO, in Pennsylvania by the PPUC, in West Virginia by the WVPSC and in New York by the NYPSC. The transmission operations of PE in Virginia, ATSI in Ohio, and the Transmission Companies in Pennsylvania are subject to certain regulations of the VSCC, PUCO and PPUC, respectively. In addition, under Ohio law, municipalities may regulate rates of a public utility, subject to appeal to the PUCO if not acceptable to the utility. Further, if any of the FirstEnergy affiliates were to engage in the construction of significant new transmission facilities, depending on the state, they may be required to obtain state regulatory authorization to site, construct and operate the new transmission facility.

The following table summarizes the key terms of base distribution rate orders in effect for the Utilities as of December 31, 2021:

Company	Rates Effective For Customers	Allowed Debt/Equity	Allowed ROE
CEI	May 2009	51% /49%	10.5%
ME[1]	January 2017	48.8% / 51.2%	Settled[2]
MP	February 2015	54% / 46%	Settled[2]
JCP&L	November 2021[3]	48.6% / 51.4%	9.6%
OE	January 2009	51% /49%	10.5%
PE (West Virginia)	February 2015	54% / 46%	Settled[2]
PE (Maryland)	March 2019	47% / 53%	9.65%
PN[1]	January 2017	47.4% /52.6%	Settled[2]
Penn[1]	January 2017	49.9% / 50.1%	Settled[2]
TE	January 2009	51% / 49%	10.5%
WP[1]	January 2017	49.7% / 50.3%	Settled[2]

[1] Reflects filed debt/equity as final settlement/orders do not specifically include capital structure.
[2] Commission-approved settlement agreements did not disclose ROE rates.
[3] On October 28, 2020, the NJBPU approved JCP&L's distribution rate case settlement with an allowed ROE of 9.6% and a 48.6% debt / 51.4% equity capital structure. Rates are effective for customers on November 1, 2021, but beginning January 1, 2021, JCP&L offset the impact to customers' bills by amortizing an $86 million regulatory liability.

MARYLAND

PE operates under MDPSC approved base rates that were effective as of March 23, 2019. PE also provides SOS pursuant to a combination of settlement agreements, MDPSC orders and regulations, and statutory provisions. SOS supply is competitively procured in the form of rolling contracts of varying lengths through periodic auctions that are overseen by the MDPSC and a third-party monitor. Although settlements with respect to SOS supply for PE customers have expired, service continues in the same manner until changed by order of the MDPSC. PE recovers its costs plus a return for providing SOS.

The EmPOWER Maryland program requires each electric utility to file a plan to reduce electric consumption and demand 0.2% per year, up to the ultimate goal of 2% annual savings, for the duration of the 2021-2023 EmPOWER Maryland program cycles to the extent the MDPSC determines that cost-effective programs and services are available. PE's approved 2021-2023 EmPOWER Maryland plan continues and expands upon prior years' programs for a projected total investment of approximately $148 million over the three-year period. PE recovers program investments with a return through an annually reconciled surcharge, with most costs subject to recovery over a five-year period with a return on the unamortized balance. Maryland law only allows for the utility to recover lost distribution revenue attributable to energy efficiency or demand reduction programs through a base rate case proceeding, and to date, such recovery has not been sought or obtained by PE.

In 2019, MDPSC issued an order approving PE’s 2018 base rate case filing, which among other things, approved an annual rate increase of $6.2 million, approved three of the four EDIS programs for four years to fund enhanced service reliability programs, directed PE to file a new depreciation study within 18 months, and ordered the filing of a new base rate case in four years to correspond to the ending of the approved EDIS programs. Following the filing of PE’s depreciation study and subsequent filings by the Maryland Office of the People’s Counsel and the staff of the MDPSC, the public utility law judge issued a proposed order reducing PE’s base rates by $2.1 million. The MDPSC denied PE’s appeal of the proposed order on October 26, 2021, and the proposed order was affirmed.

On April 9, 2020, the MDPSC issued an order allowing utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic, including incremental uncollectible expense, incurred from the date of the Governor’s order (or earlier if the utility could show that the expenses related to suspension of service terminations). On June 16, 2021, the MDPSC provided PE with approximately $4 million of COVID-19 relief funds that was

allocated by the Maryland General Assembly to be used to reduce certain residential customer utility account receivable arrearages.

NEW JERSEY

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

In December 2017, the NJBPU issued proposed rules to modify its current CTA policy in base rate cases to: (i) calculate savings using a five-year look back from the beginning of the test year; (ii) allocate savings with 75% retained by the company and 25% allocated to customers; and (iii) exclude transmission assets of electric distribution companies in the savings calculation. On January 17, 2019, the NJBPU approved the proposed CTA rules with no changes. On May 17, 2019, the NJ Rate Counsel filed an appeal with the Appellate Division of the Superior Court of New Jersey and on June 7, 2021, the Superior Court issued an order reversing the NJBPU's CTA rules and remanded the case back to the NJBPU. Specifically, the Court's ruling requires 100% of the CTA savings to be credited to customers in lieu of the NJBPU's current policy requiring 25%. On December 6, 2021, the NJBPU issued proposed amended rules modifying its current CTA policy in base rate cases consistent with the Superior Court's June 7, 2021 order. Once the proposed rules are final, they will be applied on a prospective basis in a future base rate case, however, it is not expected to have a material adverse effect on FirstEnergy's results or financial condition.

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

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

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

On June 10, 2020, the NJBPU issued an order establishing a framework for the filing of utility-run energy efficiency and peak demand reduction programs in accordance with the New Jersey Clean Energy Act. Under the established framework, JCP&L will recover its program investments with a return over a ten-year amortization period and its operations and maintenance expenses on an annual basis, be eligible to receive lost revenues on energy savings that resulted from its programs and be eligible for incentives or subject to penalties based on its annual program performance, beginning in the fifth year of its program offerings. On September 25, 2020, JCP&L filed its energy efficiency and peak demand reduction program, which consists of 11 energy

efficiency and peak demand reduction programs and subprograms to be run from July 1, 2021, through June 30, 2024. On April 23, 2021, JCP&L filed a Stipulation of Settlement with the NJBPU for approval of recovery of lost revenues resulting from the programs and a three-year plan including total program costs of $203 million, of which $158 million of investment is recovered over a ten-year amortization period with a return as well as operations and maintenance expenses and financing costs of $45 million recovered on an annual basis. On April 27, 2021, the NJBPU issued an Order approving the Stipulation of Settlement.

On July 2, 2020, the NJBPU issued an order allowing New Jersey utilities to track and create a regulatory asset for future recovery of all prudently incurred incremental costs arising from the COVID-19 pandemic beginning March 9, 2020 and continuing until the New Jersey Governor issues an order stating that the COVID-19 pandemic is no longer in effect. New Jersey utilities can request recovery of such regulatory asset in a stand-alone COVID-19 regulatory asset filing or future base rate case. On October 28, 2020, the NJBPU issued an order expanding the scope of the proceeding to examine all pandemic issues, including recovery of the COVID-19 regulatory assets, by way of a generic proceeding. Through various executive orders issued by the New Jersey Governor, the moratorium period was extended to December 31, 2021. On December 21, 2021, the moratorium on residential disconnections for certain entities providing utility service was extended until March 15, 2022. The moratorium on residential disconnections was not extended for investor-owned electric utilities such as JCP&L, but does require that investor-owned electric public utilities offer qualifying residential customers deferred payment arrangements meeting certain minimum criteria prior to disconnecting service.

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

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

OHIO

The Ohio Companies operate under PUCO approved base distribution rates that became effective in 2009. The Ohio Companies currently operate under ESP IV, effective June 1, 2016 and continuing through May 31, 2024, that continues the supply of power to non-shopping customers at a market-based price set through an auction process. ESP IV also continues the Rider DCR, which supports continued investment related to the distribution system for the benefit of customers, with increased revenue caps of $20 million per year from June 1, 2019 through May 31, 2022; and $15 million per year from June 1, 2022 through May 31, 2024. In addition, ESP IV includes: (1) continuation of a base distribution rate freeze through May 31, 2024; (2) a goal across FirstEnergy to reduce CO_2 emissions by 90% below 2005 levels by 2045; and (3) contributions, totaling $51 million to: (a) fund energy conservation programs, economic development and job retention in the Ohio Companies' service territories; (b) establish a fuel-fund in each of the Ohio Companies' service territories to assist low-income customers; and (c) establish a Customer Advisory Council to ensure preservation and growth of the competitive market in Ohio.

ESP IV further provided for the Ohio Companies to collect DMR revenues, but the SCOH reversed the PUCO's decision to include DMR in ESP IV. Subsequently, the PUCO entered an order directing the Ohio Companies to cease further collection through the DMR and credit back to customers a refund of the DMR funds collected since July 2, 2019. On December 1, 2020, the SCOH reversed the PUCO's exclusion of the DMR revenues from the determination of the existence of significantly excessive earnings under ESP IV for OE for calendar year 2017, and remanded the case to the PUCO with instructions to conduct new proceedings which include the DMR revenues in the analysis, determine the threshold against which the earned return is measured, and make other necessary determinations. As further described below, the Ohio Stipulation resolves the Ohio Companies' 2017 SEET proceeding.

On July 23, 2019, Ohio enacted HB 6, which included provisions supporting nuclear energy, authorizing a decoupling mechanism for Ohio electric utilities and ending current energy efficiency program mandates. Under HB 6, the energy efficiency program mandates, as well as Ohio electric utilities' energy efficiency and peak demand reduction cost recovery riders, ended on December 31, 2020, subject to final reconciliation. Third-parties have challenged the Ohio Companies' authorization to recover all lost distribution revenue under energy efficiency and peak demand reduction cost recovery riders. The Ohio Stipulation resolves the issues related to lost distribution revenue with no financial impact to the Ohio Companies.

On March 31, 2021, the Ohio Governor signed HB 128, which, among other things, repealed parts of HB 6, the legislation that established support for nuclear energy supply in Ohio, provided for a decoupling mechanism for Ohio electric utilities, and provided for the ending of current energy efficiency program mandates. HB 128 was effective June 30, 2021. As FirstEnergy would not have financially benefited from the mechanism to provide support to nuclear energy in Ohio, there is no expected additional impact to FirstEnergy due to the repeal of that provision in HB 6.

As further discussed below, in connection with a partial settlement with the OAG and other parties, the Ohio Companies filed an application with the PUCO on February 1, 2021, to set the respective decoupling riders (CSR) to zero. On February 2, 2021, the PUCO approved the application. While the partial settlement with the OAG focused specifically on decoupling, the Ohio Companies elected to forego recovery of lost distribution revenue. FirstEnergy also committed to pursuing an open dialogue with stakeholders in an appropriate manner with respect to the numerous regulatory proceedings then underway as further discussed herein. As a result of the partial settlement, and the decision to not seek lost distribution revenue, FirstEnergy recognized a $108 million pre-tax charge ($84 million after-tax) in the fourth quarter of 2020, and $77 million (pre-tax) of which is associated with forgoing collection of lost distribution revenue. The Ohio Stipulation affirms the Ohio Companies' commitment to not seek recovery of lost distribution revenue through the end of its ESP IV in May 2024.

On March 31, 2021, FirstEnergy announced that the Ohio Companies would refund to customers amounts previously collected under decoupling, with interest, totaling approximately $27 million. On July 7, 2021, the PUCO issued an order approving the Ohio Companies' modified application to refund such amounts to customers and directed that all funds collected through CSR be refunded to customers over a single billing cycle beginning August 1, 2021.

In connection with the audit of the Ohio Companies' Rider DCR for 2017, the PUCO issued an order on June 16, 2021, directing the Ohio Companies to prospectively discontinue capitalizing certain vegetation management costs and reduce the 2017 Rider DCR revenue requirement by $3.7 million associated with these costs.

On September 8, 2020, the OCC filed motions in the Ohio Companies' corporate separation audit and DMR audit dockets, requesting the PUCO to open an investigation and management audit, hire an independent auditor, and require FirstEnergy to show it did not improperly use money collected from consumers or violate any utility regulatory laws, rules or orders in its activities regarding HB 6. On December 30, 2020, in response to the OCC's motion, the PUCO reopened the DMR audit docket, and directed PUCO staff to solicit a third-party auditor and conduct a full review of the DMR to ensure funds collected from customers through the DMR were only used for the purposes established in ESP IV. On June 2, 2021, the PUCO selected an auditor. The auditor filed the final audit report on January 14, 2022, which made findings and recommendations. The report found that spending of DMR revenues was not required to be tracked, and that DMR revenues, like all rider revenues, are placed into the regulated money pool as a matter of routine, where the funds lose their identify. Therefore, the report could not suggest that DMR funds were used definitively for direct or indirect support for grid modernization. The report also concluded that there was no documented evidence that ties revenues from the DMR to lobbying for the passage of HB 6, but also could not rule out with certainty uses of DMR funds to support the passage of HB 6. The report further recommended that the regulated companies' money pool be audited more frequently and the Ohio Companies adopt formal dividend policies.

On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, and directing the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers. The Ohio Companies initially filed a response stating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers, but on August 6, 2021, filed a supplemental response explaining that, in light of the facts set forth in the DPA and the findings of the Rider DCR audit report further discussed below, political or charitable spending in support of HB 6, or the subsequent referendum effort, affected pole attachment rates paid by approximately $15 thousand. On October 26, 2021, the OCC filed a motion requesting the PUCO to order an independent external audit to investigate FE's political and charitable spending related to HB 6, and to appoint an independent review panel to retain and oversee the auditor. In November and December 2021, parties filed comments and reply comments regarding the Ohio Companies' original and supplemental responses to the PUCO's September 15, 2020, show cause directive.

In connection with an ongoing audit of the Ohio Companies' policies and procedures relating to the code of conduct rules between affiliates, on November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the FirstEnergy leadership transition announcement made on October 29, 2020, as further discussed below. The additional audit is to ensure compliance by the Ohio Companies and their affiliates with corporate separation laws and the Ohio Companies' corporate separation plan. The additional audit is for the period from November 2016 through October 2020. The final audit report was filed on September 13, 2021. The audit report makes no findings of major non-compliance with Ohio corporate separation requirements, minor non-compliance with eight requirements, and findings of compliance with 23 requirements. Parties filed comments and reply comments on the audit report, and a PUCO attorney examiner has issued a procedural schedule setting an evidentiary hearing on May 9, 2022.

In the fourth quarter of 2020, motions were filed with the PUCO requesting that the PUCO amend the Ohio Companies' riders for collecting the OVEC related charges required by HB 6, which the Ohio Companies are further required to remit to other Ohio

electric distribution utilities or to the State Treasurer, to provide for refunds in the event such provisions of HB 6 are repealed. The Ohio Companies contested the motions, which are pending before the PUCO.

On December 7, 2020, the Citizens' Utility Board of Ohio filed a complaint with the PUCO against the Ohio Companies. The complaint alleges that the Ohio Companies' new charges resulting from HB 6, and any increased rates resulting from proceedings over which the former PUCO Chairman presided, are unjust and unreasonable, and that the Ohio Companies violated Ohio corporate separation laws by failing to operate separately from unregulated affiliates. The complaint requests, among other things, that any rates authorized by HB 6 or authorized by the PUCO in a proceeding over which the former Chairman presided be made refundable; that the Ohio Companies be required to file a new distribution rate case at the earliest possible date; and that the Ohio Companies' corporate separation plans be modified to introduce institutional controls. The Ohio Companies are contesting the complaint. On December 21, 2021, the Citizens' Utility Board of Ohio filed a notice of voluntary dismissal of its complaint without prejudice. The PUCO dismissed the complaint without prejudice on January 12, 2022.

On November 1, 2021, the Ohio Companies, together with the OCC, PUCO Staff, and several other signatories, entered into an Ohio Stipulation with the intent of resolving the ongoing energy efficiency rider audits, various SEET, proceedings, including the Ohio Companies' 2017 SEET proceeding, and the Ohio Companies' quadrennial ESP review, each of which was pending before the PUCO. Specifically, the Ohio Stipulation provides that the Ohio Companies' current ESP IV passes the required statutory test for their prospective SEET review as part of the Quadrennial Review of ESP IV, and except for limited circumstances, the signatory parties have agreed not to challenge the Ohio Companies' SEET return on equity calculation methodology for their 2021-2024 SEET proceedings. The Ohio Stipulation additionally affirms that: (i) the Ohio Companies' ESP IV shall continue through its previously authorized term of May 31, 2024; and (ii) the Ohio Companies will file their next base rate case in May 2024, and further, no signatory party will seek to adjust the Ohio Companies' base distribution rates before that time, except in limited circumstances. The Ohio Companies further agreed to refund $96 million to customers in connection with the 2017-2019 SEET cases, and to provide $210 million in future rate reductions for all customers, including $80 million in 2022, $60 million in 2023, $45 million in 2024, and $25 million in 2025. The PUCO approved the 2017-2019 SEET refunds and 2022 rate reductions December 1, 2021, and refunds began in January 2022. As a result of the PUCO approval, FirstEnergy recognized a $96 million pre-tax charge in the fourth quarter of 2021 at the regulated distribution segment within Amortization (deferral) of Regulatory Assets, net, on the Consolidated Statements of Income associated with the refund. The future rate reductions will be recognized as a reduction to regulated distribution segment's revenue in the Consolidated Statements of Income as they are provided to the Ohio Companies' customers.

In connection with an ongoing annual audit of the Ohio Companies' Rider DCR for 2020, and as a result of disclosures in FirstEnergy's Form 10-K for the year ended December 31, 2020 (filed on February 18, 2021), the PUCO expanded the scope of the audit on March 10, 2021, to include a review of certain transactions that were either improperly classified, misallocated, or lacked supporting documentation, and to determine whether funds collected from customers were used to pay the vendors, and if so, whether or not the funds associated with those payments should be returned to customers through Rider DCR or through an alternative proceeding. On August 3, 2021, the auditor filed its final report on this phase of the audit, and the parties submitted comments and reply comments on this audit report in October 2021. Additionally, on September 29, 2021, the PUCO expanded the scope of the audit in this proceeding to determine if the costs of the naming rights for FirstEnergy Stadium have been recovered from the Ohio Companies' customers. On November 19, 2021, the auditor filed its final report, in which the auditor concluded that the FirstEnergy Stadium naming rights expenses were not recovered from Ohio customers. On December 15, 2021, the PUCO further expanded the scope of the audit to include an investigation into an apparent nondisclosure of a side agreement in the Ohio Companies' ESP IV settlement proceedings, but stayed its expansion of the audit until otherwise ordered by the PUCO.

See Note 13, "Commitments, Guarantees and Contingencies" below for additional details on the government investigations and subsequent litigation surrounding the investigation of HB 6.

PENNSYLVANIA

The Pennsylvania Companies operate under rates approved by the PPUC, effective as of January 27, 2017. On November 18, 2021, the PPUC issued orders to each of the Pennsylvania Companies directing they operate under DSPs for the June 1, 2019 through May 31, 2023 delivery period, which DSPs provide for the competitive procurement of generation supply for customers who do not receive service from an alternative EGS. Under the 2019-2023 DSPs, supply will be provided by wholesale suppliers through a mix of 3, 12 and 24-month energy contracts, as well as two RFPs for 2-year SREC contracts for ME, PN and Penn. On December 14, 2021, the Pennsylvania Companies filed proposed DSPs for provision of generation for the June 1, 2023 through May 31, 2027 delivery period, to be sourced through competitive procurements for customers who do not receive service from an alternative EGS. Under the 2023-2027 DSPs, supply is proposed to be provided through a mix of 12 and 24-month energy contracts, as well as long-term solar PPAs.

In March 2018, the PPUC approved adjusted customer rates of the Pennsylvania Companies to reflect the net impact of the Tax Act. As a result, the Pennsylvania Companies established riders that, beginning July 1, 2018, refunded to customers tax savings attributable to the Tax Act as compared to the amounts established in their most recent base rate proceedings on a current and going forward basis. The amounts recorded as savings for the total period of January 1 through June 30, 2018, were tracked and were to be addressed for treatment in a future proceeding. On May 17, 2021, the Pennsylvania Companies filed petitions with

the PPUC proposing to refund the net savings for the January through June 2018 period to customers beginning January 1, 2022. On November 18, 2021, the PPUC approved the Pennsylvania Companies' proposed refunds, but also revised a previous methodology for calculating the net tax savings, which resulted in additional tax savings attributable to the Tax Act to be refunded to customers and directed the Pennsylvania Companies to file new petitions to propose the timing and methodology to provide these additional refunds to customers. The Pennsylvania Companies recalculated the net impact for 2018 through 2021 under the revised PPUC methodology in comparison to amounts already refunded to customers under the existing riders, which resulted in an additional $61 million in savings, with interest, to be provided to customers. As a result, FirstEnergy recognized a pre-tax charge of $61 million in the fourth quarter of 2021 at the regulated distribution segment within Amortization (deferral) of Regulatory Assets, net, on the Consolidated Statement of Income associated with the additional refund associated with the November 2021 PPUC order and methodology. The Pennsylvania Companies are required to file petitions to propose the timing and methodology of the refund of these amounts by March 3, 2022.

Pursuant to Pennsylvania Act 129 of 2008 and PPUC orders, Pennsylvania EDCs implement energy efficiency and peak demand reduction programs. The Pennsylvania Companies' Phase III EE&C plans for the June 2016 through May 2021 period, which were approved in March 2016, with expected costs up to $390 million, are designed to achieve the targets established in the PPUC's Phase III Final Implementation Order with full recovery through the reconcilable EE&C riders. On June 18, 2020, the PPUC entered a Final Implementation Order for a Phase IV EE&C Plan, operating from June 2021 through May 2026. The Final Implementation Order set demand reduction targets, relative to 2007 to 2008 peak demands, at 2.9% MW for ME, 3.3% MW for PN, 2.0% MW for Penn, and 2.5% MW for WP; and energy consumption reduction targets, as a percentage of the Pennsylvania Companies' historic 2009 to 2010 reference load at 3.1% MWH for ME, 3.0% MWH for PN, 2.7% MWH for Penn, and 2.4% MWH for WP. The Pennsylvania Companies' Phase IV plans were filed November 30, 2020 and subsequently approved by PPUC without modification on March 25, 2021.

Pennsylvania EDCs are permitted to seek PPUC approval of an LTIIP for infrastructure improvements and costs related to highway relocation projects, after which a DSIC may be approved to recover LTIIP costs. On January 16, 2020, the PPUC approved the Pennsylvania Companies' LTIIPs for the five-year period beginning January 1, 2020 and ending December 31, 2024 for a total capital investment of approximately $572 million for certain infrastructure improvement initiatives. On June 25, 2021, the Pennsylvania OCA filed a complaint against Penn's quarterly DSIC rate, disputing the recoverability of the Companies' automated distribution management system investment under the DSIC mechanism. On January 26, 2022, the parties filed a joint petition for settlement that resolves all issues in this matter pending PPUC approval.

Following the Pennsylvania Companies' 2016 base rate proceedings, the PPUC ruled in a separate proceeding related to the DSIC mechanisms that the Pennsylvania Companies were not required to reflect federal and state income tax deductions related to DSIC-eligible property in DSIC rates. The decision was appealed to the Pennsylvania Supreme Court and in July 2021 the court upheld the Pennsylvania Commonwealth Court's reversal of the PPUC's decision and remanded the matter back to the PPUC for determination as to how DSIC calculations shall account for ADIT and state taxes. The matter awaits further action by the PPUC. The adverse ruling by the Pennsylvania Supreme Court is not expected to result in a material impact to FirstEnergy.

The PPUC issued an order on March 13, 2020, forbidding utilities from terminating service for non-payment for the duration of the COVID-19 pandemic. On May 13, 2020, the PPUC issued a Secretarial letter directing utilities to track all prudently incurred incremental costs arising from the COVID-19 pandemic, and to create a regulatory asset for future recovery of incremental uncollectibles incurred as a result of the COVID-19 pandemic and termination moratorium. On October 13, 2020, the PPUC entered an order lifting the service termination moratorium effective November 9, 2020, subject to certain additional notification, payment procedures and exceptions, and permits the Pennsylvania Companies to create a regulatory asset for all incremental expenses associated with their compliance with the order. On March 19, 2021, the PPUC entered an order lifting the moratorium in total effective March 31, 2021, subject to certain additional guidelines regarding the duration of payment arrangements and reporting obligations.

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 December 30, 2020, MP and PE filed with the WVPSC a determination of the rate impact of the Tax Act with respect to ADIT. The filing proposed an annual revenue reduction of $2.6 million, effective January 1, 2022, with reconciliation and any resulting adjustments incorporated into annual ENEC proceedings. On August 12, 2021, a unanimous settlement was reached with all the parties agreeing to a $7.7 million rate reduction beginning January 1, 2022, with a true-up in the ENEC proceeding each year. On November 30, 2021, the WVPSC approved the settlement on all terms, except for the proposed effective date of the rate reduction, which was held in abeyance until further notice.

On August 27, 2021, MP and PE filed with the WVPSC their annual ENEC case requesting an increase in ENEC rates of $19.6 million beginning January 1, 2022, which represented a 1.5% increase to the rates currently in effect. WVPSC issued an order on December 29, 2021, granting the requested $19.6 million increase in ENEC rates. Among other things, the order requires MP

and PE to refund to its large industrial customers their respective portion of the $7.7 million rate reduction discussed above and also requires MP and PE to negotiate a PPA for its capacity shortfall and a reasonable reserve margin if certain conditions are met.

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 from other customers through a surcharge for any solar investment not fully subscribed by their customers. A hearing has been set for March 16, 2022. The solar generation project is expected to cost approximately $100 million and begin being in-service by the end of 2023 and finalized no later than the end of 2025.

On August 27, 2021, MP and PE filed with the WVPSC a biennial review of the vegetation management surcharge seeking a $16 million annual revenue increase. A settlement among the parties was reached on December 3, 2021 and on December 27, 2021, the WVPSC approved the settlement, which granted a $16 million increase in rates, and continued the vegetation management program and surcharge for another two years. Additionally, the WVPSC order added a provision requiring equipment inspections be performed within a reasonable time after vegetation management occurs on a circuit.

On December 17, 2021, MP and PE filed with the WVPSC for approval of environmental compliance projects at the Ft. Martin and Harrison Power Stations to comply with the EPA's ELG and operate these plants beyond 2028. The request includes a surcharge to recover the expected $142 million capital investment and $3 million in annual operation and maintenance expense. A ruling from the WVPSC is expected in mid-summer 2022, and if approved, construction would be expected to be completed by the end of 2025. See "Environmental Matters - Clean Water Act" below, for additional details on the EPA's ELG.

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for interstate wholesale sales, transmission of electric power, accounting and other matters, including construction and operation of hydroelectric projects. With respect to their wholesale services and rates, the Utilities, AE Supply and the Transmission Companies are subject to regulation by FERC. FERC regulations require JCP&L, MP, PE, WP and the Transmission Companies to provide open access transmission service at FERC-approved rates, terms and conditions. Transmission facilities of JCP&L, MP, PE, WP and the Transmission Companies are subject to functional control by PJM and transmission service using their transmission facilities is provided by PJM under the PJM Tariff.

The following table summarizes the key terms of rate orders in effect for transmission customer billings for FirstEnergy's transmission owner entities as of December 31, 2021:

Company	Rates Effective	Capital Structure	Allowed ROE
ATSI	January 1, 2015	Actual (13-month average)	10.38%
JCP&L	January 1, 2020	Actual (13-month average)	10.20%
MP	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
PE	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
WP	January 1, 2021[1][2]	Actual (13-month average)[1]	11.35%[1]
MAIT	July 1, 2017	Lower of Actual (13-month average) or 60%	10.3%
TrAIL	July 1, 2008	Actual (year-end)	12.7%(TrAIL the Line & Black Oak SVC) 11.7% (All other projects)

[1] Effective on January 1, 2021, MP, PE, and WP have implemented a forward-looking formula rate, which has been accepted by FERC, subject to refund, pending further hearing and settlement procedures.
[2] See FERC Action on Tax Act below.

FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. The Utilities and AE Supply each have been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and have a market-based rate tariff on file with FERC, although in the case of the Utilities major wholesale purchases remain subject to review and regulation by the relevant state commissions.

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

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

FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations. One of the audit report findings and related recommendations state that FirstEnergy may have used an inappropriate methodology for allocation of certain costs to regulatory capital accounts under certain FERC regulations and reporting. Based on the finding and related recommendations, FirstEnergy is currently performing an analysis of these costs and how it impacted certain wholesale transmission customer rates. FirstEnergy is unable to predict or estimate the final outcome of this analysis and audit, however, it could result in refunds, with interest, to certain wholesale transmission customers and/or write-offs of previously capitalized costs if they are determined to be nonrecoverable.

ATSI Transmission Formula Rate

On May 1, 2020, ATSI filed amendments to its formula rate to recover regulatory assets for certain costs that ATSI incurred as a result of its 2011 move from MISO to PJM, certain costs allocated to ATSI by FERC for transmission projects that were constructed by other MISO transmission owners, and certain costs for transmission-related vegetation management programs. A portion of these costs would have been charged to the Ohio Companies. Additionally, ATSI proposed certain income tax-related adjustments and certain tariff changes addressing the revenue credit components of the formula rate template. On June 30, 2020, FERC issued an initial order accepting the tariff amendments subject to refund and setting the matter for hearing and settlement proceedings. ATSI and the parties to the FERC proceeding subsequently were able to reach settlement, and on October 14, 2021, filed the settlement with FERC. As a result of the filed settlement, FirstEnergy recognized a $21 million pre-tax charge during the third quarter of 2021, which was recognized in Other Operating Expenses on the FirstEnergy Consolidated Statements of Income. This $21 million charge reflects the difference between amounts originally recorded as regulatory assets and amounts which will ultimately be recovered as a result of the pending settlement. From a segment perspective, during the third quarter of 2021, the Regulated Transmission segment recorded a pre-tax charge of $48 million and the Regulated Distribution segment recognized a $27 million reduction to a reserve previously recorded in 2010. In addition, the settlement provides for partial recovery of future incurred costs allocated to ATSI by MISO for the above-referenced transmission projects that were constructed by other MISO transmission owners, which is not expected to have a material impact on FirstEnergy or ATSI. The uncontested settlement is pending before FERC for approval.

FERC Actions on Tax Act

On March 15, 2018, FERC initiated proceedings on the question of how to address possible changes to ADIT and bonus depreciation as a result of the Tax Act. Such possible changes could impact FERC-jurisdictional rates, including transmission rates. On November 21, 2019, FERC issued a final rule (Order No. 864). Order No. 864 requires utilities with transmission formula rates to update their formula rate templates to include mechanisms to: (i) deduct any excess ADIT from or add any deficient ADIT to their rate base; (ii) raise or lower their income tax allowances by any amortized excess or deficient ADIT; and (iii) incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT. Per FERC directives, ATSI submitted its compliance filing on May 1, 2020. MAIT submitted its compliance filing on June 1, 2020. On November 18, 2021, FERC issued an order that: (i) accepted ATSI proposed tariff amendments to its rate base adjustment mechanism, effective January 27, 2020; (ii) directed ATSI to make a further compliance filing by January 17, 2022; and (iii) set the amount of ATSI's recorded ADIT balances as of December 31, 2017, for hearing and settlement procedures. ATSI submitted the compliance filing, and is participating in settlement negotiations. On December 3, 2021, FERC issued an order that (i) accepted MAIT's proposed tariff amendments to its rate base adjustment mechanism, effective January 27, 2020; (ii) directed MAIT to make a further compliance filing by February 1, 2022; and (iii) set the amount of MAIT's recorded ADIT balances as of December 31, 2017 for hearing and settlement procedures. MAIT submitted the compliance filing, and is participating in settlement negotiations. On May 15, 2020, TrAIL submitted its compliance filing and on June 1, 2020, PATH submitted its required compliance filing. On May 4, 2021, FERC staff requested additional information about PATH's proposed rate base adjustment mechanism, and PATH submitted the requested information on June 3, 2021. On July 12, 2021, FERC staff requested additional information about TrAIL's proposed rate base adjustment mechanism. TrAIL filed its response on August 6, 2021. The PATH and TrAIL compliance filings each remain pending before FERC. MP, WP and PE (as holders of a "stated" transmission rate when Order No. 864 issued) are addressing these requirements in the transmission formula rates amendments that were filed on October 29, 2020, and which have been accepted by FERC effective January 1, 2021, subject to refund, pending further hearing and settlement procedures, MP, WP and PE are engaged in settlement negotiations with other parties to

this proceeding. JCP&L addressed these requirements as part of its transmission formula rate case, which was resolved by a settlement approved by FERC on April 15, 2021.

Transmission ROE Methodology

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

On March 20, 2020, FERC initiated a rulemaking proceeding on the transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act. FirstEnergy submitted comments through EEI 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 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 transmission incentive ROE, such changes will be applied on a prospective basis.

JCP&L Transmission Formula Rate

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

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 are engaged in settlement negotiations with the other parties to the formula rate proceedings. KATCo will be included in the Regulated Transmission reportable segment.

13. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

FirstEnergy has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. FirstEnergy enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party.

As of December 31, 2021, outstanding guarantees and other assurances aggregated approximately $1.1 billion, consisting of parental guarantees on behalf of its consolidated subsidiaries ($0.6 billion) and other assurances ($0.5 billion).

COLLATERAL AND CONTINGENT-RELATED FEATURES

In the normal course of business, FE and its subsidiaries may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require FE or its subsidiaries to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon

FE's or its subsidiaries' credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty.

As of December 31, 2021, $55 million of collateral has been posted by FE or its subsidiaries and is included in Prepaid taxes and other current assets on FirstEnergy's Consolidated Balance Sheets.

These credit-risk-related contingent features stipulate that if the subsidiary were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. The following table discloses the potential additional credit rating contingent contractual collateral obligations as of December 31, 2021:

Potential Collateral Obligations	Utilities and FET	FE	Total
		(In millions)	
Contractual Obligations for Additional Collateral			
Upon Further Downgrade	$ 44	$ —	$ 44
Surety Bonds (collateralized amount)[1]	57	258	315
Total Exposure from Contractual Obligations	$ 101	$ 258	$ 359

[1] Surety Bonds are not tied to a credit rating. Surety Bonds' impact assumes maximum contractual obligations, which is ordinarily 100% of the face amount of the surety bond except with respect to $39 million of surety obligations for which the collateral obligation is capped at 60% of the face amount, and typical obligations require 30 days to cure.

OTHER COMMITMENTS AND CONTINGENCIES

FE was previously a guarantor under a $120 million syndicated senior secured term loan facility due November 12, 2024, which Global Holding repaid during the fourth quarter of 2021, and as a result, FirstEnergy's guarantee is no longer in effect.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate FirstEnergy with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While FirstEnergy'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. FirstEnergy 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 complies with SO_2 and NOx emission reduction requirements under the CAA and SIP(s) 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, during this time, 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 NAAQS. 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 addresses, among other things, the remands of the CSAPR Update and the New York Section 126 Petition. Depending on the outcome of any appeals and how the EPA and the states ultimately implement the revised CSAPR Update, the future cost of compliance may materially impact FirstEnergy's operations, cash flows and financial condition.

In February 2019, the EPA announced its final decision to retain without changes the NAAQS for SO_2, specifically retaining the 2010 primary (health-based) 1-hour standard of 75 PPB. As of March 31, 2020, FirstEnergy has no power plants operating in areas designated as non-attainment by the EPA.

Climate Change

There are several initiatives to reduce GHG emissions at the state, federal and international level. Certain northeastern states are participating in the RGGI 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.

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. In November 2020, FirstEnergy published its Climate Story which includes its climate position and strategy, as well as a new comprehensive and ambitious GHG emission goal. FirstEnergy pledged to achieve carbon neutrality by 2050 and set an interim goal for a 30% reduction in GHGs within FirstEnergy's direct operational control by 2030, based on 2019 levels. Future resource plans to achieve carbon reductions, including any determination of retirement dates of the regulated coal-fired generation, will be developed by working collaboratively with regulators in West Virginia. 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 CO_2 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. The D.C. Circuit decision is subject to legal challenge. Depending on the outcomes of further appeals and how any final rules are ultimately implemented, the future cost of compliance may be material.

Clean Water Act

Various water quality regulations, the majority of which are the result of the federal CWA 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. The EPA is reconsidering the ELG rule with a publicly announced target of issuing a proposed revised rule in the Fall of 2022 and a final rule by the Spring of 2023. In the interim, the rule issued on August 31, 2020, remains in effect. Depending on the outcome of appeals and how final rules are ultimately implemented, the compliance with these standards, could require additional capital expenditures or changes in operations at Ft. Martin and Harrison power stations from what was filed with the WVPSC in December 2021 that seeks approval of environmental compliance projects to comply with the EPA's ELG.

After the completion of a negotiated settlement, a complaint was filed by the EPA and PA DEP on January 10, 2022 in Federal District Court for the Western District of Pennsylvania, alleging, among other things, that WP violated the CWA in connection with past boron exceedances at WP's Springdale and Mingo landfills. On January 11, 2022, WP entered into a consent decree with the EPA and PA DEP resolving the matters addressed in the complaint, which, among other things, requires a civil penalty of $610 thousand. The consent decree is subject to final approval by the District Court pending public comment.

Regulation of Waste Disposal

Federal and state hazardous waste regulations have been promulgated as a result of the RCRA, 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 also allows for an extension of the closure deadline based on meeting proscribed site-specific criteria. On November 30, 2020, AE Supply submitted a closure deadline extension request to the EPA seeking to extend the closure date of McElroy's Run CCR impoundment facility until 2024, which request is pending technical review by the EPA. AE Supply continues to operate McElroy's Run as a disposal facility for FG's Pleasants Power Station.

FE or its subsidiaries have been named as potentially responsible parties at waste disposal sites, which may require cleanup under the CERCLA. Allegations of disposal of hazardous substances at historical sites and the liability involved are often unsubstantiated and subject to dispute; however, federal law provides that all potentially responsible parties for a particular site may be liable on a joint and several basis. Environmental liabilities that are considered probable have been recognized on the Consolidated Balance Sheets as of December 31, 2021, based on estimates of the total costs of cleanup, FirstEnergy's proportionate responsibility for such costs and the financial ability of other unaffiliated entities to pay. Total liabilities of approximately $105 million have been accrued through December 31, 2021, of which, approximately $70 million are for environmental remediation of former MGP and gas holder facilities in New Jersey, which are being recovered by JCP&L through a non-bypassable SBC. FE or its subsidiaries could be found potentially responsible for additional amounts or additional sites, but the loss or range of losses cannot be determined or reasonably estimated at this time.

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves this matter. Under the DPA, FE has agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA requires that FirstEnergy, among other obligations: (i) continue to cooperate with the U.S. Attorney's Office in all matters relating to the conduct described in the DPA and other conduct under investigation by the U.S. government; (ii) pay a criminal monetary penalty totaling $230 million within sixty days, which shall consist of (x) $115 million paid by FE to the United States Treasury and (y) $115 million paid by FE to the ODSA to fund certain assistance programs, as determined by the ODSA, for the benefit of low-income Ohio electric utility customers; (iii) publish a list of all payments made in 2021 to either 501(c)(4) entities or to entities known by FirstEnergy to be operating for the benefit of a public official, either directly or indirectly, and update the same on a quarterly basis during the term of the DPA; (iv) issue a public statement, as dictated in the DPA, regarding FE's use of 501(c)(4) entities; and (v) continue to implement and review its compliance and ethics program, internal controls, policies and procedures designed, implemented and enforced to prevent and detect violations of the U.S. laws throughout its operations, and to take certain related remedial measures. The $230 million payment will neither be recovered in rates or charged to FirstEnergy customers nor will FirstEnergy seek any tax deduction related to such payment. The entire amount of the monetary penalty was recognized as expense in the second quarter of 2021, and paid in the third quarter of 2021. Under the terms of the DPA, the criminal information will be dismissed after FirstEnergy fully complies with its obligations under the DPA.

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

On August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers. On April 28, 2021, the SEC issued an additional subpoena to FE. While no contingency has been reflected in its consolidated financial statements, FE believes that it is probable that it will incur a loss in connection with the resolution of the SEC investigation. Given the ongoing

nature and complexity of the review, inquiries and investigations, FE cannot yet reasonably estimate a loss or range of loss that may arise from the resolution of the SEC investigation.

In addition to the subpoenas referenced above under "—United States v. Larry Householder, et. al." and the SEC investigation, certain FE stockholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The plaintiffs in each of the below cases seek, among other things, to recover an unspecified amount of damages (unless otherwise noted). Unless otherwise indicated, no contingency has been reflected in FirstEnergy's consolidated financial statements with respect to these lawsuits as a loss is neither probable, nor is a loss or range of a loss reasonably estimable.

- *In re FirstEnergy Corp. Securities Litigation* (Federal District Court, S.D. Ohio); on July 28, 2020 and August 21, 2020, purported stockholders of FE filed putative class action lawsuits alleging violations of the federal securities laws. Those actions have been consolidated and a lead plaintiff, the Los Angeles County Employees Retirement Association, has been appointed by the court. A consolidated complaint was filed on February 26, 2021. The consolidated complaint alleges, on behalf of a proposed class of persons who purchased FE securities between February 21, 2017 and July 21, 2020, that FE and certain current or former FE officers violated Sections 10(b) and 20(a) of the Exchange Act by issuing misrepresentations or omissions concerning FE's business and results of operations. The consolidated complaint also alleges that FE, certain current or former FE officers and directors, and a group of underwriters violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 as a result of alleged misrepresentations or omissions in connection with offerings of senior notes by FE in February and June 2020. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al.* (Federal District Court, S.D. Ohio) on December 17, 2021, purported stockholders of FE filed a complaint against FE, certain current and former officers, and certain current and former officers of EH. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seeks the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *State of Ohio ex rel. Dave Yost, Ohio Attorney General v. FirstEnergy Corp., et al. and City of Cincinnati and City of Columbus v. FirstEnergy Corp.* (Common Pleas Court, Franklin County, OH, all actions have been consolidated); on September 23, 2020 and October 27, 2020, the OAG and the cities of Cincinnati and Columbus, respectively, filed complaints against several parties including FE (the OAG also named FES as a defendant), each alleging civil violations of the Ohio Corrupt Activity Act in connection with the passage of HB 6. On January 13, 2021, the OAG filed a motion for a temporary restraining order and preliminary injunction against FirstEnergy seeking to enjoin FirstEnergy from collecting the Ohio Companies' decoupling rider. On January 31, 2021, FE reached a partial settlement with the OAG and the cities of Cincinnati and Columbus with respect to the temporary restraining order and preliminary injunction request and related issues. In connection with the partial settlement, the Ohio Companies filed an application on February 1, 2021, with the PUCO to set their respective decoupling riders (CSR) to zero. On February 2, 2021, the PUCO approved the application of the Ohio Companies setting the rider to zero and no additional customer bills will include new decoupling rider charges after February 8, 2021. The cases are stayed pending final resolution of the United States v. Larry Householder, et al. criminal proceeding described above, although on August 13, 2021, new defendants were added to the complaint, including two former officers of FirstEnergy. On November 9, 2021, the OAG filed a motion to lift the agreed-upon stay, which FE opposed on November 19, 2021; the motion remains pending. On December 2, 2021, the cities and FE entered a stipulated dismissal with prejudice of the cities' suit.
- *Smith v. FirstEnergy Corp. et al., Buldas v. FirstEnergy Corp. et al., and Hudock and Cameo Countertops, Inc. v. FirstEnergy Corp. et al.* (Federal District Court, S.D. Ohio, all actions have been consolidated); on July 27, 2020, July 31, 2020, and August 5, 2020, respectively, purported customers of FE filed putative class action lawsuits against FE and FESC, as well as certain current and former FE officers, alleging civil Racketeer Influenced and Corrupt Organizations Act violations and related state law claims. The court denied FE's motions to dismiss and stay discovery on February 10 and 11, 2021, respectively, and the defendants submitted answers to the complaint on March 10, 2021. The plaintiffs moved to certify the case as a class action on June 28, 2021, and moved for leave to amend the complaint to add FES as a defendant on September 27, 2021. The court granted the motion to amend on November 10, 2021. On November 9, 2021, the court issued an order granting Plaintiffs' motion for class certification, but vacated that order on November 19, 2021, to allow defendants to take the named plaintiffs' depositions and to file an opposition to the motion, which they filed on December 14, 2021. On November 19, 2021, FE and FESC moved for judgment on the pleadings. One of the individual defendants moved to dismiss the amended complaint on November 24, 2021. On December 28, 2021, the parties jointly moved the court to stay consideration of the pending motions for class certification, to dismiss, and for judgment on the pleadings for 45 days. The court granted the motion on December 29, 2021, and the cases are currently stayed. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to these lawsuits and the *Emmons* lawsuit below.

- *Emmons v. FirstEnergy Corp. et al.* (Common Pleas Court, Cuyahoga County, OH); on August 4, 2020, a purported customer of FirstEnergy filed a putative class action lawsuit against FE, FESC, the Ohio Companies, along with FES, alleging several causes of action, including negligence and/or gross negligence, breach of contract, unjust enrichment, and unfair or deceptive consumer acts or practices. On October 1, 2020, plaintiffs filed a First Amended Complaint, adding as a plaintiff a purported customer of FirstEnergy and alleging a civil violation of the Ohio Corrupt Activity Act and civil conspiracy against FE, FESC and FES. On May 4, 2021, the court granted the defendants' motion to dismiss plaintiffs' breach of contract claims and denied the remainder of the motions to dismiss. The defendants submitted answers to the complaint on June 1, 2021. Discovery is proceeding. On December 30, 2021, the plaintiff filed a Second Amended Complaint removing one of the named plaintiffs and updating the class definition. FE is engaged with the parties in settlement discussions, and believes that it is probable that it will incur a loss in connection with the resolution of these lawsuits. As a result, FirstEnergy recognized in the fourth quarter of 2021 a pre-tax reserve of $37.5 million in the aggregate with respect to this lawsuit and the lawsuits above consolidated with *Smith* in the S.D. Ohio alleging, among other things, civil violations of the Racketeer Influenced and Corrupt Organizations Act.

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

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

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

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

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

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

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

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to FirstEnergy's normal business operations pending against FE or its subsidiaries. The loss or range of loss in these matters is not expected to be material to FE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 12, "Regulatory Matters."

FirstEnergy accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where FirstEnergy determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that FE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on FE's or its subsidiaries' financial condition, results of operations and cash flows.

14. DISCONTINUED OPERATIONS

On March 31, 2018, the FES Debtors announced that, in order to facilitate an orderly financial restructuring, they filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court. On February 27, 2020, the FES Debtors effectuated their plan, emerged from bankruptcy and FirstEnergy tendered the bankruptcy court approved settlement payments totaling $853 million and a $125 million tax sharing payment to the FES Debtors. The FES Bankruptcy settlement was conditioned on the FES Debtors confirming and effectuating a plan of reorganization acceptable to FirstEnergy.

As contemplated under the FES Bankruptcy settlement agreement, AE Supply entered into an agreement on December 31, 2018, to transfer the 1,300 MW Pleasants Power Station and related assets to FG, while retaining certain specified liabilities. Under the terms of the agreement, FG acquired the economic interests in Pleasants as of January 1, 2019, and AE Supply operated Pleasants until ownership was transferred on January 30, 2020. AE Supply will continue to provide access to the McElroy's Run CCR impoundment facility, which was not transferred, and FE will provide guarantees for certain retained environmental liabilities of AE Supply, including the McElroy's Run CCR impoundment facility. During the first quarter of 2020, FG paid AE Supply approximately $65 million of cash for related materials and supplies (at book value) and the settlement of FG's economic interest in Pleasants.

By eliminating a significant portion of its competitive generation fleet with the deconsolidation of the FES Debtors, FirstEnergy has concluded the FES Debtors meet the criteria for discontinued operations, as this represents a significant event in management's strategic review to exit commodity-exposed generation and transition to a fully regulated company.

Income Taxes

As a result of the FES Debtors' tax return deconsolidation, FirstEnergy recognized a worthless stock deduction, of approximately $4.9 billion, net of unrecognized tax benefits of $316 million, for the remaining tax basis in the stock of the FES Debtors. Based upon completion of the IRS's review of the 2020 federal income tax return during fourth quarter 2021, FirstEnergy recognized the full tax benefit of the worthless stock deduction of approximately $5.2 billion, or $1.1 billion on a tax-effected basis, net of valuation allowances recorded against the state tax benefit ($21 million), eliminating associated uncertain tax position reserves.

Upon emergence, FirstEnergy paid the FES Debtors $125 million to settle all reconciliations under the Intercompany Tax Allocation Agreement for 2018, 2019 and 2020 tax years, including all issues regarding nondeductible interest.

In conjunction with filing the 2020 consolidated federal income tax return during the third quarter of 2021, FirstEnergy computed a final federal NOL allocation between the FES Debtors and FirstEnergy consolidated that resulted in FirstEnergy recording an increase to the consolidated NOL carryforward of approximately $289 million ($61 million tax-effected).

Summarized Results of Discontinued Operations

Summarized results of discontinued operations for the years ended December 31, 2021, 2020, and 2019 were as follows:

(In millions)	For the Years Ended December 31, 2021	2020	2019
Revenues	$ —	$ 7	$ 188
Fuel	—	(6)	(140)
Other operating expenses	—	(6)	(63)
General taxes	—	—	(14)
Pleasants economic interest[1]	—	5	27
Other expense, net	(4)	—	(2)
Loss from discontinued operations, before tax	(4)	—	(4)
Income tax expense (benefit)	(1)	—	47
Loss from discontinued operations, net of tax	(3)	—	(51)
Settlement consideration and services credit	—	(1)	7
Accelerated net pension and OPEB prior service credits	—	18	—
Gain on disposal of FES and FENOC, before tax	—	17	7
Income tax benefits, including worthless stock deduction	(47)	(59)	(52)
Gain on disposal of FES and FENOC, net of tax	47	76	59
Income from discontinued operations	$ 44	$ 76	$ 8

[1] Reflects the estimated amounts owed from FG for its economic interests in Pleasants effective January 1, 2019. As discussed above, settlement of the economic interests occurred during the first quarter of 2020.

FirstEnergy's Consolidated Statements of Cash Flows combines cash flows from discontinued operations with cash flows from continuing operations within each cash flow category. The following table summarizes the major classes of cash flow items from discontinued operations for the years ended December 31, 2021, 2020 and 2019:

(In millions)	For the Years Ended December 31, 2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from discontinued operations	$ 44	$ 76	$ 8
Gain on disposal, net of tax	(47)	(76)	(59)
Deferred income taxes and investment tax credits, net	—	—	47

15. SEGMENT INFORMATION

FE and its subsidiaries are principally involved in the transmission, distribution and generation of electricity through its reportable segments, Regulated Distribution and Regulated Transmission.

The **Regulated Distribution** segment distributes electricity through FirstEnergy's ten utility operating companies, serving approximately six million customers within 65,000 square miles of Ohio, Pennsylvania, West Virginia, Maryland, New Jersey and New York, and purchases power for its POLR, SOS, SSO and default service requirements in Ohio, Pennsylvania, New Jersey, and Maryland. This segment also controls 3,580 MWs of regulated electric generation capacity located primarily in West Virginia and Virginia. The segment's results reflect the costs of securing and delivering electric generation from transmission facilities to customers, including the deferral and amortization of certain related costs. The transaction to transfer TMI-2 to TMI-2 Solutions, LLC was consummated on December 18, 2020, and as a result, during the fourth quarter of 2020 FirstEnergy recognized an after-tax gain of approximately $33 million, primarily associated with the write-off of a tax related regulatory liability. Included within the segment is $45 million of assets classified as held for sale as of December 31, 2020 associated with the asset purchase agreement with Yards Creek; see Note 12, "Regulatory Matters," for additional information.

The **Regulated Transmission** segment provides transmission infrastructure owned and operated by the Transmission Companies and certain of FirstEnergy's utilities (JCP&L, MP, PE and WP) to transmit electricity from generation sources to distribution facilities. The segment's revenues are primarily derived from forward-looking formula rates. Under forward-looking formula rates, the revenue requirement is updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on actual rate base and costs. The segment's results also reflect the net transmission expenses

related to the delivery of electricity on FirstEnergy's transmission facilities. On November 6, 2021, FirstEnergy, along with FET, entered into the FET P&SA, with Brookfield and Brookfield Guarantors pursuant to which FET agreed to issue and sell to Brookfield at the closing, and Brookfield agreed to purchase from FET, certain newly issued membership interests of FET, such that Brookfield will own 19.9% of the issued and outstanding membership interests of FET, for a purchase price of $2.375 billion. The transaction is subject to customary closing conditions, including approval from the FERC and review by the CFIUS. KATCo, which is currently a subsidiary of FET, will become a wholly owned subsidiary of FE prior to the closing of the transaction and will remain in the Regulated Transmission segment.

Corporate/Other reflects corporate support and other costs not charged or attributable to the Utilities or Transmission Companies, including FE's retained Pension and OPEB assets and liabilities of the FES Debtors, interest expense on FE’s holding company debt and other businesses that do not constitute an operating segment. Reconciling adjustments for the elimination of inter-segment transaction are shown separately in the following table of Segment Financial Information. As of December 31, 2021, 67 MWs of electric generating capacity, representing AE Supply's OVEC capacity entitlement, is included in Corporate/Other. As of December 31, 2021, Corporate/Other had approximately $7.9 billion of FE holding company debt.

Financial information for each of FirstEnergy's business segments and reconciliations to consolidated amounts is presented in the tables below. FirstEnergy evaluates segment performance based on Income (loss) from continuing operations.

Segment Financial Information

For the Years Ended	Regulated Distribution	Regulated Transmission	Corporate/ Other	Reconciling Adjustments	FirstEnergy Consolidated
			(In millions)		
December 31, 2021					
External revenues	$ 9,510	$ 1,608	$ 14	$ —	$ 11,132
Internal revenues	201	10	—	(211)	—
Total revenues	9,711	1,618	14	(211)	11,132
Provision for depreciation	911	325	3	63	1,302
Amortization of regulatory assets, net	260	9	—	—	269
DPA penalty	—	—	230	—	230
Miscellaneous income (expense), net	399	41	89	(12)	517
Interest expense	523	248	382	(12)	1,141
Income taxes (benefits)	364	127	(171)	—	320
Income (loss) from continuing operations	1,288	408	(457)	—	1,239
Property additions	$ 1,395	$ 958	$ 92	$ —	$ 2,445
December 31, 2020					
External revenues	$ 9,168	$ 1,613	$ 9	$ —	$ 10,790
Internal revenues	195	17	—	(212)	—
Total revenues	9,363	1,630	9	(212)	10,790
Provision for depreciation	896	313	4	61	1,274
Amortization (deferral) of regulatory assets, net	(64)	11	—	—	(53)
Miscellaneous income (expense), net	332	30	83	(13)	432
Interest expense	501	219	358	(13)	1,065
Income taxes (benefits)	113	138	(125)	—	126
Income (loss) from continuing operations	959	464	(420)	—	1,003
Property additions	$ 1,514	$ 1,067	$ 76	$ —	$ 2,657
December 31, 2019					
External revenues	$ 9,511	$ 1,510	$ 14	$ —	$ 11,035
Internal revenues	187	16	—	(203)	—
Total revenues	9,698	1,526	14	(203)	11,035
Provision for depreciation	863	284	5	68	1,220
Amortization (deferral) of regulatory assets, net	(89)	10	—	—	(79)
Miscellaneous income (expense), net	174	15	80	(26)	243
Interest expense	495	192	372	(26)	1,033
Income taxes	271	113	(171)	—	213
Income (loss) from continuing operations	1,076	447	(619)	—	904
Property additions	$ 1,473	$ 1,090	$ 102	$ —	$ 2,665
As of December 31, 2021					
Total assets	$ 30,812	$ 13,237	$ 1,383	$ —	$ 45,432
Total goodwill	$ 5,004	$ 614	$ —	$ —	$ 5,618
As of December 31, 2020					
Total assets	$ 30,855	$ 12,592	$ 1,017	$ —	$ 44,464
Total goodwill	$ 5,004	$ 614	$ —	$ —	$ 5,618

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

FirstEnergy has established disclosure controls and procedures to ensure that information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure, and ensure that information required to be disclosed in the reports FirstEnergy files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

The management of FirstEnergy, with the participation of the chief executive officer and chief financial officer, have evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2021. Based on that evaluation, the chief executive officer and chief financial officer of FirstEnergy have concluded that its disclosure controls and procedures were effective as of December 31, 2021.

Management's Report on Internal Control over Financial Reporting

Management of the FirstEnergy is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. FirstEnergy's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of FirstEnergy's internal control over financial reporting as of December 31, 2021, based on the framework in "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that FirstEnergy's internal control over financial reporting was effective as of December 31, 2021

The effectiveness of FirstEnergy's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Remediation of Previous Material Weakness in Internal Control over Financial Reporting

As disclosed in FirstEnergy's Form 10-K for the fiscal year ended December 31, 2020, management previously identified a material weakness in FirstEnergy's internal control over financial reporting related to its senior management failing to set an appropriate tone at the top. Management and the FE Board take FirstEnergy's internal control over financial reporting and the integrity of its financial statements seriously. FirstEnergy completed the documentation and testing of the remedial actions and management concluded that as a result of the corrective activities implemented, the previously disclosed material weakness had been remediated as of September 30, 2021. Management, the FE Board, along with the Audit Committee, and its subcommittee, remediated the material weakness by focusing on people, training, and communication as detailed in the following remedial activities:

- the appointment of a new Chief Executive Officer to improve the tone at the top;
- the termination of certain members of senior management, including FirstEnergy's former Chief Executive Officer, for violations of certain FirstEnergy policies and its code of conduct;
- the separation of two senior members of the legal department, due to inaction and conduct that the FE Board determined was influenced by the improper tone at the top;
- the establishment of a subcommittee of FirstEnergy's Audit Committee, who, with the FE Board, assessed the compliance program, provided recommendations, and has overseen and will continue to oversee the implementation of changes (as appropriate) in FirstEnergy's compliance program;
- the appointment of a new Chief Legal Officer;
- the appointment of a new Vice Chair of the FE Board and Executive Director to help lead efforts to enhance FirstEnergy's reputation with external stakeholders;

- the appointment of new independent directors to the FE Board;

- the appointment of a new Chief Ethics & Compliance Officer who is overseeing the ethics and compliance program and implementation of enhancements to the existing compliance structure and role;

- the FE Board's reinforcement of and executive team's recommitment to the importance of setting appropriate tone at the top and the expectation to demonstrate FirstEnergy's core values and behaviors which support an ethical and compliant culture, as well as adherence to internal control over financial reporting; and

- increased communication and training of employees with respect to:

    - FirstEnergy's commitment to ethical standards and integrity of its business procedures,
    - compliance requirements,
    - FirstEnergy's code of conduct and other FirstEnergy policies, and
    - availability of and the process for reporting suspected violations of law or code of conduct.

Management and the FE Board are committed to maintaining a strong internal control environment and believe the above efforts, which have been tested and are operating effectively, have remediated the material weakness.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2021, there were no changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that have materially affected, or are reasonably likely to materially affect, FirstEnergy's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated herein by reference to FirstEnergy's 2022 Proxy Statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to FirstEnergy's 2022 Proxy Statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The Item 403 of Regulation S-K information required by Item 12 is incorporated herein by reference to FirstEnergy's 2022 Proxy Statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

The following table contains information as of December 31, 2021, regarding compensation plans for which shares of FE common stock may be issued.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	3,098,266 [1]	$ — [2]	12,687,546 [3]
Equity compensation plans not approved by security holders[4]	—	$ —	—
Total	3,098,266	$ —	12,687,546

[1] This number includes 1,373,989 shares subject to outstanding awards of stock based RSUs granted under the ICP 2007, ICP 2015 and ICP 2020 if paid at target for the three outstanding cycles, as well as 1,373,989 additional shares assuming maximum performance metrics are achieved for the 2019-2021, 2020-2022, and 2021-2023 cycles of stock based RSUs, 1,381 outstanding EDCP related shares to be paid in stock and 348,907 shares related to the DCPD that will be paid in stock. Not reflected in the table are 23,232 shares related to the AYE Director's Plan that will be paid in stock per the election of the recipient.

[2] There are no outstanding options, therefore, no consideration is required from participants for the exercise or vesting of any outstanding equity compensation awards.

[3] Represents shares available for issuance, assuming maximum performance metrics are achieved (or approximately 4,885,314 under ICP 2015 and 9,176,220 under ICP 2020, available assuming performance at target) for the 2019-2021, 2020-2022, and 2021-2023 cycles of stock-based RSUs, with respect to future awards under the ICP 2020 and future accruals of dividends on awards outstanding under ICP 2015 or ICP 2020. Additional shares may become available under the ICP 2015 or ICP 2020 due to cancellations, forfeitures, cash settlements or other similar circumstances with respect to outstanding awards. In addition, nominal amounts of shares may be issued in the future under the AYE Director's Plan to cover future dividends that may accrue on amounts previously deferred and payable in stock, but new awards are no longer being granted under the Allegheny plan or the ICP 2007.

[4] All equity compensation plans have been approved by security holders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to FirstEnergy's 2022 Proxy Statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

A summary of the audit and all other fees for services rendered by PricewaterhouseCoopers LLP for the years ended December 31, 2021 and 2020, are as follows:

	Audit Fees[1]		All Other Fees[2]	
	2021	2020	2021	2020
	(In thousands)			
FirstEnergy	$ 7,902	$ 7,882	$ 287	$ 225

[1] Professional services rendered for the audits of FirstEnergy's annual financial statements and reviews of unaudited financial statements included in FirstEnergy's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters, agreed upon procedures and consents for financings and filings made with the SEC.

[2] All other fees primarily reflect certain costs incurred as a result of the ongoing SEC investigation, software subscription fees, and accounting research license costs in 2021 and 2020. 2021 also includes fees for ESG metric and reporting assessment, and 2020 also includes fees for system implementation quality assurance services.

Tax Fees and Audit-Related Fees

There were no tax-related or other audit-related fees paid to PricewaterhouseCoopers LLP in 2021 or 2020.

Additional information required by this item is incorporated herein by reference to FirstEnergy's 2022 Proxy Statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

(a) The following documents are filed as a part of this report on Form 10-K:

1. Financial Statements:

Management's Report on Internal Control Over Financial Reporting for FirstEnergy Corp. is listed under Item 9A, "Controls and Procedures" herein.

Report of Independent Registered Public Accounting Firm (PCAOB ID 238) for FirstEnergy Corp. is listed under Item 8, "Financial Statements and Supplementary Data," herein.

The financial statements filed as a part of this report for FirstEnergy Corp. are listed under Item 8, "Financial Statements and Supplementary Data," herein.

2. Financial Statement Schedules:

N/A - Schedules not included are omitted because of the absence of conditions under which they are required or because the required information is provided in the consolidated financial statements, including the notes thereto.

3. Exhibits

Exhibit Number	
3-1	Amended and Restated Articles of Incorporation of FirstEnergy Corp. (incorporated by reference to FE's Form 10-Q filed July 23, 2019, Exhibit 3-1, File No. 333-21011).
3-2	Second Amended and Restated Code of Regulations of FirstEnergy Corp., effective May 18, 2021 (incorporated by reference to FE's Form 8-K on May 19, 2021, Exhibit 3, File No. 333-21011).
4-1	Indenture, dated November 15, 2001, between FirstEnergy Corp. and The Bank of New York Mellon, as Trustee (incorporated by reference to FE's Form S-3 filed September 21, 2001, Exhibit 4(a), File No. 333-69856).
4-2	Officer's Certificate relating to FirstEnergy Corp.'s 2.85% Notes, Series A, due 2022, 3.90% Notes, Series B, due 2027 and 4.85% Notes, Series C, due 2047 (incorporated by reference to FE's Form 8-K filed June 21, 2017, Exhibit 4.1, File No. 333-21011).
4-3	Form of 2.85% Note, Series A, due 2022 (incorporated by reference to FE's Form 8-K filed June 21, 2017, Exhibit 4.1, File No. 333-21011).
4-4	Form of 3.90% Note, Series B, due 2027 (incorporated by reference to FE's Form 8-K filed June 21, 2017, Exhibit 4.1, File No. 333-21011).
4-5	Form of 4.85% Note, Series C, due 2047 (incorporated by reference to FE's Form 8-K filed June 21, 2017, Exhibit 4.1, File No. 333-21011).
4-6	Officer's Certificate relating to FirstEnergy Corp.'s 2.050% Notes, Series A, due 2025, 2.650% Notes, Series B, due 2030 and 3.400% Notes, Series C, due 2050 (incorporated by reference to FE's Form 8-K filed February 20, 2020, Exhibit 4.1, File No. 333-21011).
4-7	Form of 2.050% Note, Series A, due 2025 (incorporated by reference to FE's Form 8-K filed February 20, 2020, Exhibit 4.2, File No. 333-21011).
4-8	Form of 2.650% Note, Series B, due 2030 (incorporated by reference to FE's Form 8-K filed February 20, 2020, Exhibit 4.3, File No. 333-21011).
4-9	Form of 3.400% Note, Series C, due 2050 (incorporated by reference to FE's Form 8-K filed February 20, 2020, Exhibit 4.4, File No. 333-21011).
4-10	Officer's Certificate relating to FirstEnergy Corp.'s 1.600% Notes, Series A, due 2026, 2.250% Notes, Series B, due 2030 (incorporated by reference to FE's Form 8-K filed June 8, 2020, Exhibit 4.1, File No. 333-21011).
4-11	Form of 1.600% Note, Series A, due 2026 (incorporated by reference to FE's Form 8-K filed June 8, 2020, Exhibit 4.2, File No. 333-21011).

Exhibit Number		
4-12		Form of 2.250% Note, Series B, due 2030 (incorporated by reference to FE's Form 8-K filed June 8, 2020, Exhibit 4.3, File No. 333-21011).
4-13		Description of Securities Registered under Section 12(b) of the Securities Exchange Act of 1934 (incorporated by reference to FE's Form 10-K filed February 10, 2020, Exhibit 4-10, File No. 333-21011).
10-1		Credit Agreement, dated as of October 18, 2021, by and among FirstEnergy Corp., FirstEnergy Transmission, LLC, the banks and other financial institutions party thereto, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to FE's Form 8-K filed October 18, 2021, Exhibit 10.1, File No. 333-210111).
10-2		Credit Agreement, dated as of October 18, 2021, by and among The Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo Edison Company, the banks and other financial institutions party thereto, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to FirstEnergy's Form 8-K filed October 18, 2021, Exhibit 10.2, File No. 333-21011).
10-3		Credit Agreement, dated as of October 18, 2021, by and among Metropolitan Edison Company, Pennsylvania Power Company, Pennsylvania Electric Company, West Penn Power Company, the banks and other financial institutions party thereto on the date hereof, as lenders, and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to FirstEnergy's Form 8-K filed October 18, 2021, Exhibit 10.3, File No. 333-21011).
10-4		Credit Agreement, dated as of October 18, 2021, by and among Jersey Central Power & Light Company, the banks and other financial institutions party thereto on the date hereof, as lenders, and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to FirstEnergy's Form 8-K filed October 18, 2021, Exhibit 10.4, File No. 333-21011).
10-5		Credit Agreement, dated as of October 18, 2021, by and among American Transmission Systems, Incorporated, Mid-Atlantic Interstate Transmission, LLC, and Trans-Allegheny Interstate Line Company, the banks and other financial institutions party thereto on the date hereof, as lenders, and PNC Bank, National Association, as administrative agent (incorporated by reference to FirstEnergy's Form 8-K filed October 18, 2021, Exhibit 10.5, File No. 333-21011)
10-6		Credit Agreement, dated as of October 18, 2021, by and among Monongahela Power Company, The Potomac Edison Company, the banks and other financial institutions party thereto on the date hereof, as lenders, and Mizuho Bank, Ltd, as administrative agent (incorporated by reference to FirstEnergy's Form 8-K filed October 18, 2021, Exhibit 10.6, File No. 333-21011)
10-7		Consent Decree dated March 18, 2005 (incorporated by reference to FE's Form 8-K filed March 18, 2005, Exhibit 10-1, File No. 333-21011).
10-8		Settlement Agreement, dated as of August 26, 2018, by and among the Debtors, the FE Non-Debtor Parties, the Ad Hoc Noteholders Group, the Bruce Mansfield Certificateholders Group and the Committee (in each case, as defined therein) (incorporated by reference to FE's Form 8-K filed August 27, 2018, Exhibit 10.1, File No. 333-21011).
10-9		Deferred Prosecution Agreement, dated as of July 21, 2021 (incorporated by reference to FE's Form 8-K filed July 22, 2021, Exhibit 10.1, File No. 333-21011)
10-10	(A)	Purchase and Sale Agreement, dated as of November 6, 2021, among the FirstEnergy Corp. and North American Transmission Company II LLC, and Brookfield Super-Core Infrastructure Partners L.P., Brookfield Super-Core Infrastructure Partners (NUS) L.P. and Brookfield Super-Core Infrastructure Partners (ER) SCSp, as guarantors.
10-11		Common Stock Purchase Agreement, dated as of November 6, 2021, among the FirstEnergy Corp. and BIP Securities II-B L.P. (incorporated by reference to FE's Form S-3 filed on December 13, 2021, Exhibit 4(d), File No. 333-210111).
10-12		Director Appointment and Nomination Agreement, dated March 16, 2021, by and among the Icahn Group and FirstEnergy (incorporated by reference to FE's Form 8-K filed March 16, 2021, Exhibit 10.1, File No. 333-21011).
10-13	(B)	FirstEnergy Corp. Deferred Compensation Plan for Outside Directors, amended and restated January 1, 2005, further amended December 31, 2010 (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-6, File No. 333-21011).
10-14	(B)	Amendment No. 1 to Deferred Compensation Plan for Outside Directors, effective as of January 1, 2012 (incorporated by reference to FE's Form 10-Q filed May 3, 2011, Exhibit 10.7, File No. 333-21011).
10-15	(B)	Amendment No. 2 to FirstEnergy Corp. Deferred Compensation Plan for Outside Directors, effective January 21, 2014, (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-8, File No. 333-21011).
10-16	(B)	Amendment No. 3 to FirstEnergy Corp. Deferred Compensation Plan for Outside Directors, dated January 14, 2019 and effective as of April 1, 2018 (incorporated by reference to FE's Form 10-K filed February 19, 2019, Exhibit 10-7, File No.333-21011).

Exhibit Number		
10-17	(B)	FirstEnergy Corp. Supplemental Executive Retirement Plan, amended and restated January 1, 2005, further amended December 31, 2010 (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-9, File No. 333-21011).
10-18	(B)	Amendment No. 1 to FirstEnergy Corp. Supplemental Executive Retirement Plan, effective January 1, 2012 (incorporated by reference to FE's Form 10-Q filed May 3, 2011, Exhibit 10.8, File No. 333-21011).
10-19	(B)	Amendment No. 2 to FirstEnergy Corp. Supplemental Executive Retirement Plan, dated January 14, 2019 and effective as of April 1, 2018 (incorporated by reference to FE's Form 10-K filed February 19, 2019, Exhibit 10-10, File No. 333-21011).
10-20	(B)	FirstEnergy Corp. Cash Balance Restoration Plan, effective January 1, 2014 (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-11, File No. 333-21011).
10-21	(B)	Retirement Plan for Outside Directors of GPU, Inc. as amended and restated as of August 8, 2000 (incorporated by reference to GPU, Inc. Form 10-K filed March 21, 2001, Exhibit 10-N, File No. 001-06047).
10-22	(B)	Allegheny Energy, Inc. Non-Employee Director Stock Plan (incorporated by reference to FE's Form 8-K filed February 25, 2011, Exhibit 10.4, File No. 21011).
10-23	(B)	Allegheny Energy, Inc. Amended and Restated Revised Plan for Deferral of Compensation of Directors (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-29, File No. 333-21011).
10-24	(B)	Amendment No. 1 to Allegheny Energy, Inc. Amended and Restated Revised Plan for Deferral of Compensation of Directors (incorporated by reference to FE's Form 10-K filed February 27, 2014, Exhibit 10-30, File No. 333-21011).
10-25	(B)	Form of Director and Officer Indemnification Agreement (incorporated by reference to FE's Form 8-K filed May 16, 2018, Exhibit 10.1, File No. 333-21011).
10-26	(B)	Guarantee, dated as of September 16, 2013 by FirstEnergy Corp. in favor of participants under the FirstEnergy Corp. Executive Deferred Compensation Plan (incorporated by reference to FE's Form 10-Q filed November 5, 2013, Exhibit 10.2, File No. 333-21011).
10-27	(B)	Form of Restricted Stock Agreement (incorporated by reference to FE's Form 10-K filed February 17, 2015, Exhibit 10-49, File No. 333-21011).
10-28	(B)	FirstEnergy Corp. Amended and Restated Executive Deferred Compensation Plan, dated July 20, 2015, and effective as of November 1, 2015 (incorporated by reference to FE's Form 8-K filed July 24, 2015, Exhibit 10.1, File No. 333-21011).
10-29	(B)	Amendment No. 1 to FirstEnergy Corp. Amended and Restated Executive Deferred Compensation Plan, dated January 14, 2019 and effective as of April 1, 2018 (incorporated by reference to FE's Form 10-K filed February 19, 2019, Exhibit 10-23, File No. 333-21011).
10-30	(B)	FirstEnergy Corp. 2017 Change in Control Severance Plan, dated as of September 15, 2015, and effective as of January 1, 2017 (incorporated by reference to FE's Form 8-K filed September 18, 2015, Exhibit 10.1, File No. 333-21011).
10-31	(B)	Waiver of Participation in the FirstEnergy Corp. Change in Control Severance Plan, entered into by Charles E. Jones dated as of September 15, 2015 (incorporated by reference to FE's Form 8-K filed September 18, 2015, Exhibit 10.2, File No. 333-21011).
10-32	(B)	Non-Competition and Non-Disparagement Agreement, entered into by Charles E. Jones, dated as of September 15, 2015 (incorporated by reference to FE's Form 8-K filed September 18, 2015, Exhibit 10.3, File No. 333-21011).
10-33	(B)	FirstEnergy Corp. 2015 Incentive Compensation Plan (incorporated by reference to FE's Definitive Proxy Statement filed April 1, 2015, Appendix A, File No. 333-21011).
10-34	(B)	Amendment No. 1 to the FirstEnergy Corp. 2015 Incentive Compensation Plan, effective February 21, 2017 (incorporated by reference to FE's Form 10-K filed February 21, 2017, Exhibit 10-51, File No. 333-21011).
10-35	(B)	Executive Severance Benefits Plan, as amended and restated as of December 20, 2016 (incorporated by reference to FE's Form 8-K filed December 21, 2016, Exhibit 10.1, File No. 333-21011).
10-36	(B)	Amendment No. 2 to FirstEnergy Corp. Amended and Restated Executive Deferred Compensation Plan, dated September 18, 2019 and effective as of November 1, 2015 (incorporated by reference to FE's Form 10-Q filed November 4, 2019, Exhibit 10.3, File No.333-21011).
10-37	(B)	Guarantee, dated as of February 21, 2017, by FirstEnergy Corp. in favor of participants under the FirstEnergy Corp. Cash Balance Pension Restoration Plan (incorporated by reference to FE's Form 10-Q filed July 27, 2017, Exhibit 10.1, File No. 333-21011).

Exhibit Number		
10-38	(B)	Form of 2018-2020 Cash-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-K filed February 20, 2018, Exhibit 10-56, File No. 333-21011).
10-39	(B)	Form of 2018-2020 Stock-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-K filed February 20, 2018, Exhibit 10-57, File No. 333-21011).
10-40	(B)	Form of 2018-2019 Stock-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2018, Exhibit 10.12, File No. 333-21011).
10-41	(B)	FirstEnergy Solutions Corp. Voluntary Enhanced Retirement Option, effective as of January 2, 2019 (incorporated by reference to FE's Form 8-K filed November 21, 2018, Exhibit 10.1, File No. 333-21011).
10-42	(B)	Form of 2019-2021 Cash-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2019, Exhibit 10.2, File No.333-21011).
10-43	(B)	Form of 2019-2021 Stock-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2019, Exhibit 10.3, File No.333-21011).
10-44		Consent and Waiver to the Settlement Agreement, dated April 18, 2019, by and among the Debtors and the FE Non-Debtor Parties (incorporated by reference to FE's Form 10-Q filed April 23, 2019, Exhibit 10.1, File No.333-21011).
10-45		First Amendment to Settlement Agreement dated November 21, 2019, by and among the Debtors, FE Non-Debtor Parties, Ad Hoc Noteholders Group, Bruce Mansfield Certificateholders Group, and the Committee (incorporated by reference to FE's Form 8-K filed November 26, 2019, Exhibit 10.1, File No. 333-21011).
10-46	(B)	Form of 2020-2022 Cash-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2020, Exhibit 10.1, File No.333-21011).
10-47	(B)	Form of 2020-2022 Stock-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2020, Exhibit 10.2, File No.333-21011).
10-48	(B)	Form of 2020 Restricted Stock Award Agreement (incorporated by reference to FE's Form 10-Q filed April 23, 2020, Exhibit 10.3, File No.333-21011).
10-49	(B)	FirstEnergy Corp. 2020 Incentive Compensation Plan (incorporated by reference to FE's Form 8-K filed May 20, 2020, Exhibit 10.1, File No.333-21011).
10-50	(B)	Form of 2021-2023 Cash-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 10.1, File No. 333-21011).
10-51	(B)	Form of 2021-2023 Stock-Based Performance-Adjusted Restricted Stock Unit Award Agreement (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 10.2, File No. 333-21011).
10-52	(B)	Form of Restricted Stock Award Agreement (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 10.3, File No. 333-21011).
10-53	(B)	Voluntary Retirement Agreement with Gary D. Benz (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 10.4, File No. 333-21011).
10-54	(B)	Restricted Stock Award Agreement to John W. Somerhalder II (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 10.5, File No. 333-21011).
14		Code of Business Conduct and Ethics (incorporated by reference to FE's Form 10-Q filed July 22, 2021, Exhibit 14.1, File No. 333-21011).
(A) 21		List of Subsidiaries of the Registrant at December 31, 2021.
(A) 23		Consent of Independent Registered Public Accounting Firm.
(A) 31-1		Certification of chief executive officer, pursuant to Rule 13a-14(a).
(A) 31-2		Certification of chief financial officer, pursuant to Rule 13a-14(a).
(A) 32		Certification of chief executive officer and chief financial officer, pursuant to 18 U.S.C. §1350.

Exhibit Number	
101	The following materials from the Annual Report on Form 10-K for FirstEnergy Corp. for the period ended December 31, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Common Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, (v) related notes to these financial statements and (vi) document and entity information.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document)
(A)	Provided herein in electronic format as an exhibit.
(B)	Management contract or compensatory plan contract or arrangement filed pursuant to Item 601 of Regulation S-K.

Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, FirstEnergy has not filed as an exhibit to this Form 10-K any instrument with respect to long-term debt if the respective total amount of securities authorized thereunder does not exceed 10% of its respective total assets, but hereby agrees to furnish to the SEC on request any such documents.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRSTENERGY CORP.

BY: /s/ Steven E. Strah

Steven E. Strah

President and Chief Executive Officer

Date: February 16, 2022

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ Steven E. Strah
Steven E. Strah
President and Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Donald T. Misheff
Donald T. Misheff
Director
(Non-Executive Chairman of Board)

/s/ John W. Somerhalder II
John W. Somerhalder II
Director
(Vice Chair and Executive Director)

/s/ K. Jon Taylor
K. Jon Taylor
Senior Vice President, Chief Financial Officer and Strategy
(Principal Financial Officer)

/s/ Jason J. Lisowski
Jason J. Lisowski
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ Michael J. Anderson
Michael J. Anderson
Director

/s/ James F. O'Neil III
James F. O'Neil III
Director

/s/ Steven J. Demetriou
Steven J. Demetriou
Director

/s/ Christopher D. Pappas
Christopher D. Pappas
Director

/s/ Lisa Winston Hicks
Lisa Winston Hicks
Director

/s/ Luis A. Reyes
Luis A. Reyes
Director

/s/ Julia L. Johnson
Julia L. Johnson
Director

/s/ Andrew Teno
Andrew Teno
Director

/s/ Paul Kaleta
Paul Kaleta
Director

/s/ Leslie M. Turner
Leslie M. Turner
Director

/s/ Jesse A. Lynn
Jesse A. Lynn
Director

/s/ Melvin D. Williams
Melvin D. Williams
Director

/s/ Thomas N. Mitchell
Thomas N. Mitchell
Director

Date: February 16, 2022

Exhibit 10-10

EXECUTION VERSION

PURCHASE AND SALE AGREEMENT

dated as of November 6, 2021

by and among

FIRSTENERGY CORP.,

FIRSTENERGY TRANSMISSION, LLC

NORTH AMERICAN TRANSMISSION COMPANY II LLC,

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS L.P.,

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS (NUS) L.P.

and

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS (ER) SCSP

TABLE OF CONTENTS

Page

Article I Purchase and Sale Transaction; Purchase Price; The Closing..... 1
Section 1.1 Purchase and Sale..... 1
Section 1.2 Purchase Price..... 1
Section 1.3 Closing..... 2
Section 1.4 The Closing Transactions.....2
Article II Representations and Warranties of the Company.....2
Section 2.1 Formation and Power; Authorization.....3
Section 2.2 Subsidiaries..... 3
Section 2.3 No Violation..... 4
Section 2.4 Governmental Bodies; Consents..... 4
Section 2.5 Equity Interests..... 4
Section 2.6 Financial Statements; No Undisclosed Liabilities..... 5
Section 2.7 Absence of Certain Developments..... 6
Section 2.8 Real Property..... 7
Section 2.9 Tax Matters..... 8
Section 2.10 Contracts..... 10
Section 2.11 Intellectual Property; IT; Data Security..... 12
Section 2.12 Litigation..... 13
Section 2.13 Employees..... 13
Section 2.14 Employee Benefit Plans..... 14
Section 2.15 Insurance..... 14
Section 2.16 Environmental Matters.....15
Section 2.17 Permits; Compliance with Laws..... 16
Section 2.18 Affiliated Transactions..... 16
Section 2.19 Regulatory Matters..... 16
Section 2.20 Anti-Corruption and Anti-Money Laundering Laws.....17
Section 2.21 Broker Fees.....17
Article III Representations and Warranties of Parent.....18
Section 3.1 Formation and Power.....18
Section 3.2 Authorization..... 18
Section 3.3 No Violation..... 18
Section 3.4 Consents.....18
Section 3.5 Litigation.....19
Section 3.6 Anti-Corruption and Anti-Money Laundering Laws..... 19
Section 3.7 Broker Fees..... 19
Article IV Representations and Warranties of Investor..... 19
Section 4.1 Organization and Power..... 20
Section 4.2 Authorization..... 20
Section 4.3 No Violation..... 20
Section 4.4 Consents..... 20
Section 4.5 Litigation..... 20
Section 4.6 Broker Fees..... 21
Section 4.7 Investment Representation; Investigation..... 21

TABLE OF CONTENTS
(continued)

Page

Section 4.8 Financial Capability..... 21
Section 4.9 No Fraudulent Conveyance.....21
Section 4.10 Anti-Corruption and Anti-Money Laundering Laws.....21
Section 4.11 Regulatory..... 22
Article V Covenants..... 22
Section 5.1 Conduct of the Business.....22
Section 5.2 Access..... 24
Section 5.3 Regulatory Filings.....25
Section 5.4 Efforts to Achieve Closing..... 29
Section 5.5 Investor Guaranty.....29
Section 5.6 Company's Obligations in Respect of Financing..... 30
Section 5.7 Permitted Transactions..... 32
Section 5.8 Capital Contributions..... 32
Section 5.9 Affiliate Transactions..... 32
Section 5.10 Further Assurances..... 32
Section 5.11 Provision Respecting Representation..... 32
Section 5.12 R&W Insurance Policy..... 33
Section 5.13 Tax Classification..... 33
Article VI Conditions Precedent..... 34
Section 6.1 Conditions to All of the Parties' Obligations..... 34
Section 6.2 Conditions to Investor's Obligations..... 34
Section 6.3 Conditions to Parent's and the Company's Obligations..... 35
Section 6.4 Waiver of Conditions..... 35
Article VII Termination..... 35
Section 7.1 Termination..... 35
Section 7.2 Effect of Termination.....37
Article VIII Non-Survival of Representations and Warranties and Certain Covenants..... 37
Section 8.1 Non-Survival of Representations and Warranties and Certain Covenants; Certain Waivers..... 37
Section 8.2 Contractual Nature; No Additional Representations or Warranties; No Outside Reliance..... 38
Article IX Certain Tax Matters..... 39
Section 9.1 Transfer Taxes..... 39
Article X Miscellaneous..... 39
Section 10.1 Press Releases and Communications..... 39
Section 10.2 Confidentiality..... 39
Section 10.3 Expenses..... 39
Section 10.4 Notices..... 39
Section 10.5 Assignment..... 41
Section 10.6 Amendment and Waiver..... 41
Section 10.7 Third Party Beneficiaries; Non-Recourse.....41
Section 10.8 Severability..... 42
Section 10.9 Construction..... 42
Section 10.10 Disclosure Schedules..... 42

Page

Section 10.11 Complete Agreement.....43
Section 10.12 Specific Performance; No Recovery of Judgment Against Financing Sources...43
Section 10.13 Jurisdiction and Exclusive Venue.....44
Section 10.14 Governing Law; Waiver of Jury Trial.....44
Section 10.15 No Right of Set-Off.....45
Section 10.16 Counterparts.....45
Section 10.17 Definitions.....45
Section 10.18 Other Definitional Provisions.....56

Exhibit

Exhibit A – Form of Operating Agreement

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT, dated as of November 6, 2021 (this "Agreement"), is entered into by and among FirstEnergy Corp., an Ohio corporation ("Parent"), FirstEnergy Transmission, LLC, a Delaware limited liability company (the "Company"), North American Transmission Company II LLC, a Delaware limited liability company ("Investor"), Brookfield Super-Core Infrastructure Partners L.P., a limited partnership organized under the laws of Ontario, Brookfield Super-Core Infrastructure Partners (NUS) L.P., a limited partnership organized under the laws of Ontario and Brookfield Super-Core Infrastructure Partners (ER) SCSp, a special limited partnership organized under the laws of Luxemburg (each, a "Guarantor" and collectively, the "Guarantors"), solely for the purposes of Sections 5.5, 5.6(c) and 8.1(a) and Article X. The Company, Parent, Investor and Guarantors are each sometimes referred to herein as a "Party" and, collectively, as the "Parties". Defined terms used herein and not otherwise defined herein have the respective meanings set forth in Section 10.17.

W I T N E S S E T H

WHEREAS, Parent owns all of the issued and outstanding membership interests ("Membership Interests") of the Company; and

WHEREAS, on the terms and subject to the conditions set forth herein, the Company wishes to issue and sell to Investor, and Investor wishes to purchase from the Company, certain newly issued Membership Interests such that, after giving effect to the transactions contemplated hereby, Investor will own 19.9% of the Membership Interests (such Membership Interests, the "Purchased Interests").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

PURCHASE AND SALE TRANSACTION; PURCHASE PRICE; THE CLOSING

Section 1.1 Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Investor shall purchase from the Company, and the Company shall sell to Investor, the Purchased Interests, free and clear of all Liens other than (a) those created pursuant to Contracts to which Investor or any of its Affiliates is a party and (b) those that may be deemed to exist pursuant to securities Laws of general applicability.

Section 1.2 Purchase Price.

(a) The aggregate purchase price to be paid by Investor for the Purchased Interests is an amount equal to the sum of (i) $2,375,000,000 (the "Base Purchase Price"), *plus* (ii) the Additional Capital Contribution Amount (the amount equal to such sum, the "Purchase Price").

(b) Not later than ten Business Days prior to the Closing Date, the Company shall provide Investor with a written statement (the "Statement") reflecting the calculation of the

Purchase Price by reference to the total Additional Capital Contribution Amount, based upon the accounting books and records of the Company and its Subsidiaries and in accordance with the definitions contained in this Agreement.

Section 1.3 **Closing**. The closing of the transactions contemplated hereby (the "Closing") shall take place remotely via the exchange of documents (and shall be deemed to be held at the offices of Jones Day, 901 Lakeside Avenue E., Cleveland, Ohio 44114) at 10:00 a.m., New York City time, as soon as reasonably practicable following (and in no event later than the fifth Business Day following) the satisfaction or waiver (by the Party entitled to the benefit thereof, to the extent permitted by applicable Law) of the conditions set forth in Article VI (other than those conditions that by their terms or nature are to be first satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time), or on or at such other date, time or place as is agreed to in writing by the Parties. The date on which the Closing occurs is referred to herein as the "Closing Date."

Section 1.4 **The Closing Transactions**. Subject to the terms and conditions set forth in this Agreement, the Parties shall consummate the following transactions at the Closing:

(a) Investor shall pay, or cause to be paid, to the Company the Purchase Price, by wire transfer of immediately available funds to an account designated in writing to Investor prior to the Closing by the Company;

(b) the Company shall issue to Investor the Purchased Interests (which shall be uncertificated and recorded in the books and records of the Company, including Schedule A to the Operating Agreement) such that after giving effect to such issuance, Investor shall own all right, title and interest to a number of Membership Interests constituting a 19.9% ownership interest in the Company;

(c) the Company shall deliver, or cause to be delivered, to each of Parent and Investor, a copy of the Operating Agreement, duly executed by an authorized representative of the Company, (i) evidencing, effective as of the Closing, the addition of Investor as a member of the Company and (ii) constituting the issuance of the Purchased Interests;

(d) Parent shall deliver, or caused to be delivered, to each of the Company and Investor, a counterpart copy of the Operating Agreement, duly executed by an authorized representative of Parent;

(e) Investor shall deliver, or caused to be delivered, to each of the Company and Parent, a counterpart copy of the Operating Agreement, duly executed by an authorized representative of Investor;

(f) Parent shall deliver, or cause to be delivered, to Investor, a counterpart copy of the document referred to in Schedule 1.4, in substantially the form set forth thereon, duly executed by an authorized representative of Parent;

(g) Investor shall deliver, or cause to be delivered, to Parent, a counterpart copy of the document referred to in Schedule 1.4, in substantially the form set forth thereon, duly executed by an authorized representative of Investor; and

(h) the Company, Parent and Investor shall make such other deliveries as are required by Article VI.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the disclosure schedules of Parent and the Company attached to this Agreement (each, a "Schedule" and, collectively, the "Disclosure Schedules"), subject to Section 10.10, or as disclosed in the Parent SEC Reports (excluding any disclosures set forth in any risk factors section or any disclosure of risks included in any "forward-looking statements" disclaimer to the extent that such disclosures are general or cautionary in nature), the Company represents and warrants to Investor that as of the date of this Agreement and as of the Closing (unless the particular representation speaks expressly as of another date, in which case such representation is made as of such other date):

Section 2.1 Formation and Power; Authorization.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware, and the Company and each of its Subsidiaries has all requisite power and authority necessary to own, lease and operate its properties and to carry on its business as now conducted.

(b) The Company and each of its Subsidiaries is qualified to do business and is in good standing in every jurisdiction in which its ownership of property or the conduct of its business as now conducted requires it to qualify, except where the failure to be so qualified or in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(c) Complete and correct copies of the Organizational Documents of the Company and its Subsidiaries, in each case as in effect as of the date of this Agreement, have been made available to Investor.

(d) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite company action by the Company, and no other company proceedings on the part of the Company is necessary to authorize the execution, delivery or performance of this Agreement by the Company. This Agreement has been duly and validly executed and delivered by the Company, and, assuming that this Agreement is a valid and binding obligation of the other Parties, this Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by the application of bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other Laws relating to or affecting creditors' rights or general principles of equity (the "Bankruptcy and Equity Exception").

Section 2.2 Subsidiaries.

(a) Schedule 2.5(a) sets forth each Person in which the Company, directly or indirectly, owns any Equity Interests, including (i) the name of such Person, (ii) such Person's

jurisdiction of organization and (iii) the name and amount of each such Equity Interests owned, directly or indirectly, by the Company. Other than the Subsidiaries of the Company, each of which are set forth on Schedule 2.5(a), the Company does not, directly or indirectly, own beneficially or of record, or hold the right to acquire, any Equity Interests in any Person.

(b) Each of the Company's Subsidiaries is duly organized, incorporated or formed (as applicable) and validly existing under the Laws of its jurisdiction of organization, incorporation, formation and operation (as applicable).

Section 2.3 **No Violation**. Assuming that (x) the notices, authorizations, approvals, Orders, Permits or consents set forth on Schedule 2.4 are made, given or obtained (as applicable), (y) the Regulatory Approvals are obtained, and (z) any filings required by any applicable federal or state securities or "blue sky" Laws are made, the execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby do not (a) violate, conflict with or breach the Organizational Documents of the Company or any of its Subsidiaries, (b) result in the imposition or creation of any Lien on the Membership Interests, (c) violate or breach any Law applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound, (d) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, create (or, with notice or lapse of time or both, would create) in any party thereto the right to accelerate, amend, terminate or cancel, require any consent under, or give rise to the creation of any Lien (other than a Permitted Lien) on any property or asset of the Company or any of its Subsidiaries under, any Material Contract or Lease (or any Interim Period Contract) or (e) violate, breach, contravene or conflict with the DPA, except, with respect to clauses (c) and (d) above, for any such violations, breaches, defaults or other occurrences that are not material to the Company and its Subsidiaries taken as a whole.

Section 2.4 **Governmental Bodies; Consents**. Neither the Company nor any of its Subsidiaries is required to file, seek or obtain any notice, authorization, approval, Order, Permit, filing or consent of or with any Governmental Body in connection with the execution, delivery and performance by the Company of this Agreement or the consummation of the transactions contemplated hereby, except (a) the requirement to obtain the Regulatory Approvals, (b) such filings as may be required by any applicable federal or state securities or "blue sky" Laws, (c) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, (i) is not material to the Company and its Subsidiaries taken as a whole, and (ii) would not reasonably be expected to prevent the consummation of transactions contemplated hereby prior to the Outside Date, (d) as may be necessary as a result of any facts or circumstances relating to Investor or any of its Affiliates, and (e) notices and filings required to be made or given after the Closing.

Section 2.5 **Equity Interests**.

(a) All of the outstanding Equity Interests of the Company and each of its Subsidiaries are owned legally and beneficially and of record by Parent, the Company or a Subsidiary of the Company as set forth on Schedule 2.5(a), free and clear of all Liens other than (i) those created pursuant to Contracts to which Investor or any of its Affiliates is a party, and (ii) those that may be deemed to exist pursuant to securities Laws of general applicability. The

Membership Interests (which, prior to the Closing, exclude the Purchased Interests) constitute all of the issued and outstanding Equity Interests of the Company, and all of the outstanding Equity Interests of the Company and its Subsidiaries have been duly authorized and validly issued, in compliance with all applicable securities Laws and not in violation of the Organizational Documents of the Company or any of its Subsidiaries or any subscription rights, purchase options, call options, rights of first refusal or other similar rights of any Person, and (to the extent such concepts are applicable to such Equity Interests) are fully paid and nonassessable. Except as set forth in the Organizational Documents of the Company and except for this Agreement and the transactions contemplated hereby, there are no outstanding options, warrants, subscriptions, rights (including preemptive rights), purchase rights, calls or Contracts of any character relating to, or requiring, the issuance, transfer, acquisition, redemption, repurchase, delivery or sale of any issued or unissued shares of capital stock or other Equity Interests, convertible or exchangeable securities (including securities that upon conversion or exchange would require the issuance of any Equity Interest), "phantom" equity rights, equity appreciation rights, equity-based performance units, rights to subscribe, purchase rights, calls or commitments made by the Company or any of its Subsidiaries or similar rights relating to the issuance, purchase, sale or repurchase of any Equity Interests issued by the Company or any of its Subsidiaries containing any equity features, or Contracts by which the Company or any of its Subsidiaries is bound to issue, deliver or sell, or cause to be issued, delivered or sold, additional Equity Interests, or options, warrants, rights to subscribe to, purchase rights, calls or commitments made by the Company or any of its Subsidiaries relating to any Equity Interests of the Company or any of its Subsidiaries.

(b) Upon consummation of the issuance and sale of the Purchased Interests by the Company to Investor, (i) Investor will hold good and valid title to all of the Purchased Interests free and clear of all Liens other than those created pursuant to Contracts to which Investor or any of its Affiliates is a party, and (ii) the Purchased Interests will constitute a 19.9% ownership interest in the Company.

Section 2.6 Financial Statements; No Undisclosed Liabilities.

(a) Schedule 2.6(a) sets forth true, correct and complete copies of the Company's and the Subsidiaries of the Company's (a) unaudited consolidated balance sheet as of June 30, 2021 (the "Balance Sheet Date") and the related unaudited consolidated statements of income, changes in stockholders' equity and cash flow for the 6-month period then ended (the "Unaudited Financial Statements") and (b) audited consolidated balance sheets and related audited consolidated statements of income, changes in stockholders' equity, and cash flow for the fiscal years ended 2020, 2019 and 2018 (together with the Unaudited Financial Statements, the "Financial Statements"). Each of the Financial Statements has been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such Financial Statements and except that Unaudited Financial Statements may not contain footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of Unaudited Financial Statements, to the absence of notes and normal year-end audit adjustments. The books and records of the Company

and its Subsidiaries have been kept and maintained in all material respects in accordance applicable Laws.

(b) The Company and its Subsidiaries do not have any liabilities or obligations, whether accrued, contingent, absolute or otherwise ("Liabilities"), except (i) Liabilities accrued on or reserved against, or otherwise expressly identified, in the Financial Statements, (ii) Liabilities that have arisen since the Balance Sheet Date in the Ordinary Course of Business, (iii) Liabilities arising after the date of this Agreement in connection with the transactions contemplated hereby, (iv) any executory obligations under Contracts (not including Liabilities arising from a breach thereof or default thereunder), and (v) other Liabilities that would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries, taken as a whole.

(c) The Company and each of its Subsidiaries maintains, and at all times since January 1, 2019, has maintained, a system of internal controls over financial reporting sufficient in all material respects to provide reasonable assurances regarding the reliability of financial reporting related to the Company and its Subsidiaries and the preparation of the Financial Statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect in all material respects the transactions and disposition of the assets of the Company and its Subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and its Subsidiaries that could have a material effect on its financial statements.

Section 2.7 Absence of Certain Developments.

(a) Since the Balance Sheet Date, (i) there has not occurred any event, occurrence or development that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (ii) the business of the Company and its Subsidiaries has been conducted in the Ordinary Course of Business in all material respects.

(b) Without limiting the generality of Section 2.7(a), from the Balance Sheet Date until the date of this Agreement, neither the Company nor any of its Subsidiaries has:

(i) amended or modified its Organizational Documents;

(ii) adopted a plan of liquidation, dissolution, merger, consolidation or other reorganization;

(iii) (A) acquired (whether by merger, stock or asset purchase or otherwise) any assets for consideration in excess of $25,000,000 in the aggregate (excluding any capital expenditures or purchases of raw materials or other similar assets, in each case in the Ordinary Course of Business) or (B) sold, leased, licensed, abandoned, permitted to lapse, assigned to an unrelated third party, transferred or otherwise disposed of any of its tangible or intangible assets with a market value in excess of $25,000,000 in the aggregate, other than (1) purchases of equipment and sales of products of their respective

business, or sales of services, in each case in the Ordinary Course of Business, and (2) the disposal of obsolete assets in the Ordinary Course of Business;

(iv) had any of its material properties suffer any casualty loss in excess of $10,000,000 (whether or not covered by insurance) or become subject to any condemnation proceedings;

(v) taken any of the other actions specified in Section 5.1(b)(i), (ii), (iii), (v), (vi) or (vii) that, if taken after the date of this Agreement, would require Investor's consent; or

(vi) agreed or committed in writing to do any of the foregoing.

Section 2.8 Real Property.

(a) Except as would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole, the Company or its applicable Subsidiary has good, valid, indefeasible and marketable fee title to, or a valid and binding leasehold interest in (or has analogous property rights under applicable Law), all Owned Real Property, Leased Real Property and Ancillary Real Property, as the case may be, free and clear of all Liens other than Permitted Liens. Neither the Company nor any of its Subsidiaries has (1) leased or otherwise granted to any Person rights to use or occupy any of the Owned Real Property or the Leased Real Property that impairs or would reasonably be expected to impair in any material respect the value, use or occupancy of the Owned Real Property or the Leased Real Property by the Company or any of its Subsidiaries and (2) any option to acquire any real property or interest therein with respect to the business of the Company or any of its Subsidiaries.

(b) Each of the Leases and Ancillary Real Property Agreements in effect as of the date of this Agreement and each Lease and Ancillary Real Property Agreement executed during the Interim Period in accordance with the terms of this Agreement (if any), is a legal, valid and binding on the Company or one of its Subsidiaries to the extent the Company or such Subsidiary is a party thereto, as applicable, and to the knowledge of the Company, each other party thereto, and is in full force and effect and enforceable in accordance with its terms, except (i) as limited by the Bankruptcy and Equity Exception and (ii) where such failure to be valid, binding, enforceable or in full force and effect would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole. Neither the Company nor any of its Subsidiaries is in breach or violation of any Lease or Ancillary Real Property Agreement in effect as of the date of this Agreement or executed during the Interim Period in accordance with the terms of this Agreement, and, to the knowledge of the Company, no third party to any such Lease or Ancillary Real Property Agreement is in breach or violation of any such Lease or Ancillary Real Property Agreement, and no event has occurred which with the passage of time or the giving of notice or both would result in a default, breach or event of noncompliance by the Company or any of its Subsidiaries under any Lease or Ancillary Real Property Agreement, except in each case for any such breaches or violations that would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole.

(c) As of the date of this Agreement, there are no Contracts, options or rights of first refusal or rights of first offer or similar rights in favor of a third party to purchase any parcel of Owned Real Property or any portion of or interest in it.

(d) Neither the Company nor any of its Subsidiaries or Affiliates has received written notice of an existing or pending condemnation, eminent domain or similar proceeding affecting any of the Owned Real Property or the Leased Real Property that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(e) To the knowledge of the Company, there is no existing structural or other physical defect or deficiency in the condition of any Owned Real Property, or any component or portion thereof, and that has not been corrected in the Ordinary Course of Business, except, in each case, as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(f) To the knowledge of the Company, current local zoning ordinances, general plans and other applicable land use regulations and all private covenants, conditions and restrictions, if any, affecting any Owned Real Property permit the use and operation of such Owned Real Property for its current use, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Neither the Company nor any of its Subsidiaries or Affiliates has at any time in the three years prior to the date of this Agreement received written notice of any violation of Law or pending or threatened proceedings for the rezoning of any Owned Real Property or Leased Real Property or any portion thereof, or the taking of any other action by Governmental Bodies concerning such Owned Real Property and Leased Real Property that would materially hinder or prevent the use thereof for its current use, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(g) The Company and its Subsidiaries each has good, valid and marketable title to, a valid leasehold interest in or a valid right to use all of its tangible assets and properties, other than Owned Real Property, Leased Real Property and Ancillary Real Property, free and clear of all Liens except Permitted Liens, other than any failure to own or hold such tangible property that would not have, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. All such tangible property is in normal operating condition in all material respects for similar facilities of a similar age and in a state of reasonable maintenance and repair suitable for the purposes for which it is being used in the conduct of the business of the Company and its Subsidiaries, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 2.9 Tax Matters.

(a) The Company and each of its Subsidiaries have duly and timely filed with the appropriate Tax authority all material Tax Returns that are required to be filed by them pursuant to applicable Laws, all such Tax Returns are true and complete in all material respects, and the Company and each of its Subsidiaries have timely paid all material Taxes due and payable by them regardless of whether shown as due and owing on a Tax Return, other than Taxes that are being contested in good faith through appropriate proceedings so long as adequate reserves are

maintained in accordance with GAAP. Any material income Taxes due and payable by any consolidated, combined, unitary or similar income tax group of which Parent is the common parent have been timely paid.

(b) All material Taxes which the Company or any of its Subsidiaries is obligated to withhold from amounts owing (including any interest, expenses or fees) to any Person have been deducted, withheld, and timely paid to the appropriate Governmental Body.

(c) No deficiency or proposed adjustment which has not been paid or resolved for any amount of Tax has been asserted or assessed in writing by any Governmental Body against the Company or any of its Subsidiaries.

(d) Neither the Company nor any of its Subsidiaries has consented to extend the time in which any Tax may be assessed or collected by any Governmental Body, which extension is still in effect, other than pursuant to extensions of time to file Tax Returns obtained in the Ordinary Course of Business.

(e) There are no ongoing or pending Tax audits, examinations or other proceedings by any Governmental Body against the Company or any of its Subsidiaries, and no such dispute, audit, examination, claim or proceeding has been threatened in writing.

(f) Neither the Company nor any of its Subsidiaries has any liability for the Taxes of any Person (other than the Company or its Subsidiaries) (i) as a transferee or successor or (ii) under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or non-U.S. Law (other than with respect to the U.S. federal consolidated income tax group of which Parent is the common parent).

(g) Neither the Company nor any of its Subsidiaries has been subject to any claim made in writing by any Governmental Body in a jurisdiction where such Company or Subsidiary does not file a particular type of Tax Return or has not paid a particular type of Tax to the effect that such Company or Subsidiary is required to file such Tax Return or pay such type of Tax in that jurisdiction.

(h) There are no Liens for Taxes (other than Permitted Liens of the type described in clause (a) of the definition of Permitted Liens) upon any of the assets of the Company or any of its Subsidiaries.

(i) Neither the Company nor any of its Subsidiaries has participated in any "reportable transaction" (other than a "loss transaction") within the meaning of Treasury Regulations Section 1.6011-4.

(j) Neither the Company nor any of its Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code in the prior three years.

(k) Neither the Company nor any of its Subsidiaries has executed or entered into any closing agreement pursuant to Section 7121 of the Code or is bound by any "private letter ruling" issued by the IRS."

(l) Neither the Company nor any of its Subsidiaries has any material liability for escheat or unclaimed property obligations.

(m) Neither the Company nor any of its Subsidiaries is, or has ever been, subject to Tax in a jurisdiction outside the country of its organization.

(n) Neither the Company nor any of its Subsidiaries is a party to, bound by, or has any obligation to any other Person under any Tax allocation, Tax sharing or Tax indemnification agreement (other than any such agreement entered into in the Ordinary Course of Business the primary purpose of which is unrelated to Taxes and other than the Intercompany Income Tax Allocation Agreement, dated as of January 31, 2017, among Parent and the other parties thereto).

(o) Neither the Company nor any of its Subsidiaries (nor any predecessor of the Company or any of its Subsidiaries) has waived any statute of limitations in respect of Taxes, nor has any request been made in writing for any such waiver.

(p) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date and made prior to the Closing; (ii) ruling by, or written agreement with, a Governmental Body (including any closing agreement pursuant to Section 7121 of the Code or any similar provision of Law) issued or executed prior to the Closing; (iii) installment sale or open transaction disposition made prior to the Closing; or (iv) prepaid amount received prior to the Closing.

Section 2.10 Contracts.

(a) Except as set forth on Schedule 2.10 and other than (x) the Leases and (y) the Benefit Plans, as of the date of this Agreement neither the Company nor any of its Subsidiaries is a party to any:

(i) Contract relating to any acquisition by the Company or such Subsidiary of any business (whether by asset or stock purchase or otherwise) or any merger, consolidation or similar business combination transaction, in each case, pursuant to which the Company or such Subsidiary has an outstanding obligation to make any payment in excess of $50,000,000 thereunder;

(ii) Contract relating to any disposition by the Company or such Subsidiary of any business (whether by asset or stock purchase or otherwise) or any merger, consolidation or similar business combination transaction, in each case, pursuant to which the Company or such Subsidiary has any outstanding or contingent liabilities in excess of $50,000,000 thereunder;

(iii) Contract that requires the Company or such Subsidiary to post any fidelity or surety bond, completion bond, guarantee, letter of credit or other collateral or credit support obligation, in each case for an amount in excess of $25,000,000;

(iv) Contract under which the Company or such Subsidiary has borrowed any money or issued any note, indenture or other evidence of Indebtedness or guaranteed

Indebtedness or Liabilities of others (other than (A) intercompany Indebtedness solely among the Company and its Subsidiaries, (B) intercompany guarantees of Indebtedness of the Company or any of its Subsidiaries or (C) purchases of equipment or materials made under conditional sales Contracts entered into in the Ordinary Course of Business), in each case, having an outstanding principal amount in excess of $50,000,000;

(v) Contract that by its express terms would limit or restrict or otherwise adversely affect the ability of the Company or its Subsidiaries to pay dividends or distributions;

(vi) Contract that contains a non-compete, right of first refusal, right of first offer or most favored nations obligation or restriction binding on the Company or such Subsidiary or that would be binding on Investor, except for (A) any such Contract that can be terminated without material penalty by the Company or such Subsidiary upon notice of 90 days or less, and (B) any such restrictions that constitute only a *de minimis* restraint on the conduct of the business of the Company and its Subsidiaries;

(vii) interest rate or currency swap, exchange, option or hedging Contract which has (A) a notional amount on or after the date hereof in excess of $50,000,000 or (B) a term extending for a period of longer than one year after the date hereof;

(viii) Contract relating to any partnership, joint venture or other similar arrangement in which the Company or such Subsidiary holds equity interests;

(ix) Contract involving the resolution or settlement of any actual or threatened actions, suits or proceedings against or by the Company or such Subsidiary in an amount greater than $25,000,000 in the aggregate that has not been fully performed by the Company or such Subsidiary or otherwise imposes continuing conduct obligations on the Company or such Subsidiary;

(x) Contract to which any Governmental Body is a party providing for payments by or to the Company or any of its Subsidiaries in excess of $10,000,000 per year or that otherwise impose material obligations on the Company or any of its Subsidiaries (excluding any (A) rights-of-ways, easements or similar Contracts entered into in the Ordinary Course of Business, and (B) Contracts relating to purchase or sale of services in the Ordinary Course of Business and that are immaterial to the Company and its Subsidiaries, taken as whole);

(xi) Contract relating to any outstanding commitment for capital expenditures in excess of either (A) $50,000,000 in the aggregate in the current (or any future) fiscal year, or (B) $100,000,000 over the remaining life of such Contract;

(xii) Contract not addressed in clauses (i) through (xi) of this Section 2.10(a) providing for payments by or to the Company or such Subsidiary (A) in excess of $100,000,000 in the aggregate during the term thereof or (B) in excess of $50,000,000 in any fiscal year, except for any such Contract that can be terminated without material penalty by the Company or such Subsidiary upon notice of 90 days or less; or

(xiii) Contract to enter into any of the foregoing.

(b) Each of the Contracts listed or required to be listed on Schedule 2.10 (a "Material Contract") and each Interim Period Contract (if any) is valid and binding on the Company or one of its Subsidiaries to the extent the Company or such Subsidiary is a party thereto, as applicable, and to the knowledge of the Company, on each other party thereto, and is in full force and effect and enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), except where such failure to be valid, binding, enforceable and in full force and effect would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole. True and complete copies of each Material Contract has been made available to Investor in the Data Room. Neither the Company nor any of its Subsidiaries is in breach or violation of (or, with notice or lapse of time or both, would become in violation of) any Material Contract or any Interim Period Contract and, to the knowledge of the Company, no third party to any such Contract is in breach or violation of any such Contract, except in either case for any such breaches or violations that would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole. As of the date hereof, none of the Company or its Subsidiaries or Affiliates (as applicable) has received a written notice from the counterparty to any Material Contract of its intention to (i) terminate such Contract, (ii) modify such Contract in a manner adverse to the Company or any of its Subsidiaries, or (iii) make a claim of force majeure (except for (x) in each such case, such notices as have been withdrawn or otherwise resolved prior to the date hereof, and (y) in the case of clauses (ii) and (iii), as would not be material to the Company and its Subsidiaries, taken as a whole).

Section 2.11 Intellectual Property; IT; Data Security.

(a) The Company and its Subsidiaries own or have the licenses or rights to use all Intellectual Property that is used or held for use in the conduct of the business of the Company and its Subsidiaries as currently conducted, except for any such failures to own or have the right to use that would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries taken as a whole.

(b) To the knowledge of the Company, neither the Company nor any of its Subsidiaries, nor the Company's nor any of its Subsidiaries' respective businesses infringes, misappropriates or otherwise violates any Intellectual Property of any other Person, except where such infringement, misappropriation or violation is not material to the Company and its Subsidiaries taken as a whole.

(c) To the knowledge of the Company, no third party infringes, misappropriates or otherwise violates any material Intellectual Property owned by the Company or any of its Subsidiaries.

(d) To the knowledge of the Company, all of the issued patents and registered trademarks that constitute Intellectual Property to which the Company and its Subsidiaries have rights are valid, subsisting and enforceable.

(e) The material IT Systems used in the operation of the business of the Company and its Subsidiaries are adequate in all material respects for their intended use and for the operation of the business of the Company and its Subsidiaries as currently conducted, and, to the knowledge of the Company, are free of all viruses, worms, Trojan horses and other known

contaminants and do not contain any bugs, errors or problems of a nature that, in any case, would materially disrupt their operation or have a material adverse impact on the operation of such IT Systems.

(f) Except as would not be reasonably expected to result, individually or in the aggregate, in liability that would be material to the Company and its Subsidiaries, taken as a whole, during the past three years, to the knowledge of the Company, the Company and its Subsidiaries have not experienced any actual or alleged Security Incident or have been required under applicable Law to give notice to any Governmental Body of a Security Incident. The data, privacy, and security practices of the Company and its Subsidiaries are, and during the past three years, have been, in compliance, in all material respects, with applicable Laws. In the past three years neither the Company nor any of its Subsidiaries has received any written complaint concerning the collection, use or disclosure of any Personal Data, nor, to the knowledge of the Company, has the Company or any of its Subsidiaries been the subject of any investigation or proceeding by any Governmental Body in respect thereof.

Section 2.12 Litigation. There are no actions, suits or proceedings pending against or by, or to the knowledge of the Company, threatened by any Person against the Company or any of its Subsidiaries, at law or in equity, or before or by any Governmental Body, other than any action, suit, or proceeding where no injunctive or equitable relief (which, if granted, would be material to the operation of the business of the Company or of any of its Subsidiaries) is sought and where, if adversely determined would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole, or prevent or materially impair the ability of the Company to consummate the Closing. Neither the Company nor any of its Subsidiaries is subject to any outstanding Order, other than any such Order that would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries, taken as a whole or prevent or materially impair the ability of the Company to consummate the Closing.

Section 2.13 Employees.

(a) None of the Company or any of its Subsidiaries have, nor within the past six (6) years have had, any employees or directly engaged any individuals as consultants.

(b) The Company and its Subsidiaries are neither party to, nor bound by, any labor agreement, collective bargaining agreement or any other labor-related agreements or arrangements with any labor union, labor organization or works council.

(c) With respect to each individual who directly or indirectly provides services to the Company or any of its Subsidiaries (including the provision of services to the Company and its Subsidiaries by employees of other Affiliates of Parent) (individually, a "Company Service Provider", and collectively, the "Company Service Providers"), the Company is in compliance with all applicable Laws relating to the employment of labor, except to the extent any non-compliance would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries, taken as a whole. To the knowledge of the Company, each current and former Company Service Provider has been properly classified as an employee or independent contractor under all applicable Laws with respect to services provided to the

Company. Except as would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries, taken as a whole, there are no administrative charges or court complaints pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries before the U.S. Equal Employment Opportunity Commission or any other Governmental Body concerning alleged employment discrimination or any other matters relating to the employment or engagement of labor.

(d) Except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, there are no actions, suits or proceedings pending against, or to the knowledge of the Company, threatened by, any current or former Company Service Provider against the Company or any of its Subsidiaries, at law or in equity, or before any Governmental Body.

Section 2.14 Employee Benefit Plans.

(a) Neither the Company nor any of its Subsidiaries sponsors, maintains or contributes to (or is required to contribute to) any Benefit Plan. Neither the Company nor any of its Subsidiaries, nor any of their respective ERISA Affiliates currently maintains or contributes to, or has at any time in the six years prior to the date of this Agreement maintained or contributed to or been obligated to contribute to any plan, program or arrangement covered by Title IV of ERISA or subject to Section 412 of the Code or Section 302 of ERISA, in each case that would result in Liability to the Company or its Subsidiaries after the Closing. Neither the Company nor any of its Subsidiaries has any Liabilities under Title IV of ERISA.

(b) The consummation of the transactions contemplated hereby, either alone or in combination with any other event, will not (i) result in any payment or benefit becoming due or payable, or required to be provided, to any individual who currently provides, or formerly provided, services to the Company or any of its Subsidiaries; (ii) increase the amount or value of compensation or benefits due or payable to any individual who currently provides, or formerly provided, services to the Company or any of its Subsidiaries or accelerate the time of payment, vesting or funding of any such benefit or compensation; or (iii) result in any amount failing to be deductible by reason of Section 280G of the Code.

Section 2.15 Insurance. With respect to each material insurance policy currently in effect as of the date of this Agreement maintained by or for the benefit of the Company or any of its Subsidiaries on their properties, assets, products, businesses or personnel (true and complete copies of which have been made available to Investor) and each material insurance policy bound during the Interim Period in accordance with the terms of this Agreement: (a) the policy is legal, valid, binding, enforceable and in full force and effect, and all premiums due and payable with respect thereto have been paid in full, and no notice of cancellation, termination, reservation of rights or dispute or denial of coverage for any material claim has been received with respect to any such insurance policy; (b) the Company and its Subsidiaries are not in breach or default of any of the terms or conditions of the policy; (c) none of the Company or its Subsidiaries have received a notice of non-renewal from any of the insurers and there has been no lapse in coverage; (d) the Company, its Subsidiaries, and their respective assets and properties are insured in amounts no less than as required by applicable Law or any Material Contract; and (e) there is no material claim pending or, to the knowledge of the Company, threatened under any such

insurance policy that relates to the Company or the Subsidiaries and in respect of which coverage has been questioned, denied or disputed, or had rights reserved, by the underwriter of such policy. Except as would not reasonably be expected to (x) prevent or materially impede the consummation of the transactions set forth herein or (y) be materially adverse to the Company and its Subsidiaries (taken as a whole), the transactions set forth herein shall not result in a violation under any of such insurance policies and shall not give rise to any right of termination or cancellation in connection therewith.

Section 2.16 Environmental Matters.

(a) Except as would not be material to the Company and its Subsidiaries taken as a whole, the Company and each of its Subsidiaries and their operations are, and, except for matters that have been fully resolved, have been for the past three years, in compliance with all applicable Environmental Laws.

(b) Neither the Company nor any of its Subsidiaries is, or has during the prior three years been, subject to any pending or, to the knowledge of the Company, threatened claim regarding any actual or alleged violation of or liability under any Environmental Laws that is material to the Company and its Subsidiaries taken as a whole or that has not been cured without further obligations that would be material to the Company and its Subsidiaries, taken as a whole.

(c) Except as would not be material to the Company and its Subsidiaries taken as a whole, no Hazardous Substances are present in or have been Released at, in, on or under any real property currently or, to the knowledge of the Company, formerly owned or operated by the Company or any of its Subsidiaries, or, to the knowledge of the Company, at any other location where Hazardous Substances generated by the Company have been transported or disposed of, in each case above, such that the Company or any of its Subsidiaries is obligated to take investigative or remedial action with respect to such Releases of such Hazardous Substances pursuant to any Environmental Law or any Contract entered into with any other Person. Neither the Company nor any of its Subsidiaries are conducting any remedial action that is material to the Company and its Subsidiaries taken as a whole relating to any Release of Hazardous Substances pursuant to the requirements of any applicable Environmental Law or Permit or Contract, and there are no other such remedial actions at or affecting any of the operations or assets of the Company or any of its Subsidiaries.

(d) Except as would not be material to the Company or its Subsidiaries taken as a whole, neither the Company nor any of its Subsidiaries has entered into or agreed to any outstanding consent Order, or is subject to any outstanding Order, relating to compliance with Environmental Laws or the investigation, sampling, monitoring, treatment, remediation, removal or cleanup of Hazardous Substances.

(e) Except as would not be material to the Company and its Subsidiaries taken as a whole, neither the Company nor any of its Subsidiaries has assumed any liability, including any obligation for corrective or remedial action, of any other Person relating to Environmental Laws.

(f) To the knowledge of the Company, the Company has made available to Investor a copy of all material environmental assessment (including Phase I and Phase II) reports in the possession or control of the Company or any of its Affiliates relating to the Owned Real Property

or Leased Real Property that have been issued at any point during the five years preceding the date hereof and, in each case, that is material to the Company and its Affiliates taken as whole.

Section 2.17 Permits; Compliance with Laws.

(a) Each of the Company and its Subsidiaries holds and is (and has been during the past three years) in compliance, in all material respects, with all permits, certificates, licenses, approvals, registrations, waivers, exemptions and other authorizations that are material to the Company or any of its Subsidiaries and required for the use, ownership and operation of the assets of the Company and its Subsidiaries and the conduct of their business under applicable Laws (the "Permits"). All of the Permits are valid and in full force and effect and, during the prior three years, neither the Company nor any of its Subsidiaries or Affiliates has received any written notice of, and to the knowledge of the Company, neither the Company nor any of its Subsidiaries is under investigation by, any Governmental Body with respect to, any material violation of, or any obligation to take material remedial action under, any Permits (other than any such violations that have been fully cured).

(b) The Company and its Subsidiaries are, and have been during the prior three years, in compliance, in all material respects, with all applicable Laws that are, in each case, material to the Company or any of its Subsidiaries, and during the prior three years, neither the Company nor any of its Subsidiaries or Affiliates has received any written notice of any action or proceeding against it alleging any failure to comply in any material respect with any such applicable Laws. No investigation by any Governmental Body with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened, and during the prior three years, neither the Company nor any of its Subsidiaries or Affiliates has received any written notice of any such investigation, except, in each case, for any such investigation that would not reasonably be expected to be material to the Company and its Subsidiaries taken as a whole.

Section 2.18 Affiliated Transactions.

(a) Schedule 2.18(a) sets forth a complete and correct list of the Company affiliate transaction guidelines and cost allocation methodologies as of the date of this Agreement (the "Affiliate Guidelines"), other than those included in the Affiliate Contracts.

(b) Since the Balance Sheet Date, all transactions, charges, services, transfers, payments, accruals and other business or obligations between any member of the Parent Group (not including, for the avoidance of doubt, the Company), on the one hand, and the Company or any of its Subsidiaries, on the other hand, were in compliance in all material respects with the terms of the Affiliate Guidelines.

Section 2.19 Regulatory Matters.

(a) The Company and its Subsidiaries are in compliance in all material respects with the Orders and rules of each of the Governmental Bodies set forth on Schedule 10.17(c), except where the failure to so comply would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or prevent or materially impair the ability of the Company to consummate the transactions contemplated hereby.

(b) To the Company's knowledge, neither the Company nor any of its Subsidiaries is the subject of any non-public investigation or audit by the Governmental Bodies listed in Schedule 10.17(c), except for any non-public investigation or audit that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or prevent or materially impair the ability of the Company to consummate the transactions contemplated hereby.

(c) The Company is not regulated as a "public utility" under the Federal Power Act ("FPA"). The Company is a "holding company" under the Public Utility Holding Company Act of 2005. Except as set forth on Schedule 2.19(c), none of the Company's Subsidiaries is regulated as a "public utility" under the FPA. Solely as a result of the execution, delivery and performance of this Agreement, Investor will not become subject to regulation as a "public utility" under the FPA.

Section 2.20 Anti-Corruption and Anti-Money Laundering Laws.

(a) Neither the Company nor any of its Subsidiaries, or, to the knowledge of the Company, any Representative acting for or on behalf of the Company or any of its Subsidiaries, (i) is the target of any Sanctions, (ii) is or is owned or controlled by a Sanctioned Person or Sanctioned Entity, (iii) is located, organized or resident in a country or territory that is, or whose government is, a Sanctioned Entity, or (iv) engages in (or during the past three years has engaged in) any dealings or transactions, or is (or during the past three years has been) otherwise associated, with any such Sanctioned Person or Sanctioned Entity in violation of any Sanctions.

(b) The Company and each of its Subsidiaries and, to the knowledge of the Company, any Representative acting for or on behalf of the Company or any of its Subsidiaries, is (and for the past three years have been) in compliance in all material respects with all Anti-Corruption Laws and Anti-Money Laundering Laws applicable to such Persons.

(c) To the knowledge of the Company, neither the Company nor any of its Affiliates is the subject of any investigation, inquiry or enforcement proceedings by any Governmental Body regarding any offense or alleged offense under any anti-terrorism Laws, Anti-Corruption Laws or Anti-Money Laundering Laws or Sanctions, and no such investigation, inquiry or proceeding is pending or, to the knowledge of the Company, has been threatened in writing.

(d) The Company and each of its Subsidiaries are subject to, and in compliance with in all material respects, policies and procedures instituted and maintained by an Affiliate thereof that are designed in accordance with applicable Laws to promote and achieve compliance by such Persons, and any Representatives acting on their behalf, with applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.

Section 2.21 Broker Fees. There is no investment banker, broker, finder or other such intermediary that has been retained by, or has been authorized to act on behalf of, the Company or any Subsidiary thereof, that is or would be entitled to a fee or commission in connection with the transactions contemplated hereby from the Company or any of its Subsidiaries.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT

Except as set forth in the Disclosure Schedules, subject to Section 10.10, or as disclosed in the Parent SEC Reports (excluding any disclosures set forth in any risk factors section or any disclosure of risks included in any "forward-looking statements" disclaimer to the extent that such disclosures are general or cautionary in nature), Parent represents and warrants to Investor that as of the date of this Agreement and as of the Closing (unless the particular representation speaks expressly as of another date, in which case such representation is made as of such other date):

Section 3.1 **Formation and Power**. Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Ohio with full power and authority to enter into this Agreement and perform all of its obligations hereunder.

Section 3.2 **Authorization**. The execution, delivery and performance of this Agreement by Parent and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite company action by Parent, and no other company proceedings on the part of Parent is necessary to authorize the execution, delivery or performance of this Agreement by Parent. This Agreement has been duly and validly executed and delivered by Parent, and, assuming that this Agreement is a valid and binding obligation of the other Parties, this Agreement constitutes a valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, except as limited by the Bankruptcy and Equity Exception.

Section 3.3 **No Violation**. Assuming that (x) the notices, authorizations, approvals, Orders, Permits or consents set forth on Schedule 3.4 are made, given or obtained (as applicable), (y) the Regulatory Approvals are obtained, and (z) any filings required by any applicable federal or state securities or "blue sky" Laws are made, the execution, delivery and performance of this Agreement by Parent and the consummation of the transactions contemplated hereby do not (a) violate, conflict with or breach the Organizational Documents of Parent, (b) result in the imposition or creation of any Lien on the Membership Interests, (c) violate or breach any Law applicable to Parent, or by which any of its properties or assets are bound, (d) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under any Contract to which Parent is a party or by which any of Parent's assets are bound or (e) violate, breach, contravene or conflict with the DPA, except, with respect to clauses (c) and (d) above, for any such violations, breaches, defaults or other occurrences which would not reasonably be expected to prevent or materially delay the ability of Parent to consummate the transactions contemplated hereby.

Section 3.4 **Consents**. Except as set forth on Schedule 3.4, no filing or registration with, notification to, or authorization, consent or approval of, any Governmental Body or any other Person (other than the Parties, their equity holders or their Affiliates) is required in connection with the execution and delivery by Parent of this Agreement, the performance of Parent's obligations hereunder or the consummation of the transactions contemplated hereby, except (a) the requirement to obtain the Regulatory Approvals, (b) such filings as may be required by any applicable federal or state securities or "blue sky" Laws, (c) where failure to

obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to prevent or materially impair the ability of Parent to consummate the transactions contemplated hereby, (d) as may be necessary as a result of any facts or circumstances relating to Investor or any of its Affiliates or (e) notices and filings required to be made or given after the Closing.

Section 3.5 **Litigation**. There are no actions, suits or proceedings pending or, to the knowledge of Parent, threatened against or affecting Parent, before or by any Governmental Body, that would reasonably be expected to prevent or otherwise adversely affect Parent's performance of its covenants and obligations set forth in this Agreement or to otherwise prevent or materially impair the ability of Parent to consummate the Closing. There are no bankruptcy proceedings pending or, to the knowledge of Parent, threatened against Parent.

Section 3.6 **Anti-Corruption and Anti-Money Laundering Laws**.

(a) None of Parent or any of its Affiliates, nor any of their respective officers, directors, or employees, (i) is the target of any Sanctions, (ii) is or is owned or controlled by a Sanctioned Person or Sanctioned Entity, (iii) is located, organized or resident in a country or territory that is, or the government of which is, a Sanctioned Entity, or (iv) engages in (or during the past three years has engaged in) any dealings or transactions, or is (or during the past three years has been) otherwise associated, with any such Sanctioned Person or Sanctioned Entity in violation of any Sanctions.

(b) Parent and each of its Affiliates are (and for the past three years have been) in compliance in all material respects with all Anti-Corruption Laws and Anti-Money Laundering Laws applicable to such Persons.

(c) To the knowledge of Parent, neither Parent nor any of its Affiliates is the subject of any investigation, inquiry or enforcement proceedings by any Governmental Body regarding any offense or alleged offense under any anti-terrorism or Anti-Corruption Laws or Sanctions, and no such investigation, inquiry or proceeding is pending or, to the knowledge of Parent, has been threatened in writing.

(d) Parent and its Affiliates have been and are in compliance with, and shall comply in all respects with, all relevant terms of the DPA. The execution, delivery and performance by Parent of this Agreement is not intended to, and will not, circumvent or frustrate the enforcement purposes of the DPA.

Section 3.7 **Broker Fees**. Except as set forth on Schedule 3.7, there is no investment banker, broker, finder or other such intermediary that has been retained by, or has been authorized to act on behalf of, Parent or any of its Affiliates, that is entitled to a fee or commission in connection with the transactions contemplated hereby from the Company or any of its Subsidiaries.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF INVESTOR

Except as set forth in the disclosure schedule of Investor attached to this Agreement (the "Investor Disclosure Schedule"), Investor hereby represents and warrants to the Company that as

of the date of this Agreement and as of the Closing (unless the particular representation speaks expressly as of another date, in which case such representation is made as of such other date):

Section 4.1 **Organization and Power**. Investor is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware, with full power and authority to enter into this Agreement and perform all of its obligations hereunder.

Section 4.2 **Authorization**. The execution, delivery and performance of this Agreement by Investor and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite action by Investor, and no other proceedings on the part of Investor are necessary to authorize the execution, delivery or performance of this Agreement by Investor. This Agreement has been duly and validly executed and delivered by Investor, and, assuming that this Agreement is a valid and binding obligation of the other Parties, this Agreement constitutes a valid and binding obligation of Investor, enforceable against Investor in accordance with its terms, except as limited by the Bankruptcy and Equity Exception.

Section 4.3 **No Violation**. Assuming that (x) the notices, authorizations, approvals, Orders, permits or consents described in Section 4.4 are made, given or obtained (as applicable), (y) the Regulatory Approvals have been obtained, and (z) any filings required by any applicable federal or state securities or "blue sky" Laws are made, the execution, delivery and performance by Investor of this Agreement and the consummation of the transactions contemplated hereby, do not (a) violate, conflict with or breach its Organizational Documents, (b) violate any applicable Law to which Investor is subject or by which any of its assets are bound, or (c) result in any breach of or constitute a default (or an event that, with notice or lapse of time or both, would become a default) under any Contract to which Investor is a party or by which any of its assets are bound, except, with respect to clauses (b) and (c) above, for any such violations, breaches or defaults that would not, individually or in the aggregate, reasonably be expected to prevent or materially delay the ability of Investor to consummate the transactions contemplated hereby.

Section 4.4 **Consents**. No filing or registration with, notification to, or authorization, consent or approval of, any Governmental Body or any other Person (other than the Parties, their equity holders or their Affiliates) is required in connection with the execution and delivery by Investor of this Agreement, the performance of Investor's obligations hereunder or the consummation of the transactions contemplated hereby, except (a) the requirement to obtain the Regulatory Approvals, (b) such filings as may be required by any applicable federal or state securities or "blue sky" Laws, (c) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to prevent or materially delay the ability of Investor to consummate the transactions contemplated hereby, (d) as may be necessary as a result of any facts or circumstances relating to Parent, the Company or any of their respective Affiliates, or (e) notices and filings required to be made or given after the Closing.

Section 4.5 **Litigation**. There are no actions, suits or proceedings pending or, to the knowledge of Investor, threatened against or affecting Investor, before or by any Governmental Body, that would reasonably be expected to prevent or otherwise adversely affect Investor's performance of its covenants and obligations set forth in this Agreement or prevent or materially

impair the ability of Investor or any of its Affiliates to consummate the transactions contemplated hereby. There are no bankruptcy proceedings pending or, to the knowledge of Investor, threatened against Investor or any of its Affiliates contemplated to be involved in the transactions contemplated hereby.

Section 4.6 **Broker Fees**. There is no investment banker, broker, finder or other intermediary which has been retained by, or is authorized to act on behalf of Investor or any of its Affiliates, that is entitled to any fee or commission in connection with the transactions contemplated hereby from Investor or any Affiliate thereof.

Section 4.7 **Investment Representation; Investigation**. Investor is acquiring the Purchased Interests for its own account with the present intention of holding the Purchased Interests for investment purposes and not with a view to, or for sale in connection with, any distribution thereof in violation of any applicable securities Laws. Investor is an "accredited investor" within the meaning of Regulation D promulgated pursuant to the Securities Act of 1933, as amended. Investor is knowledgeable about the industries in which the Company and its Subsidiaries operate, is capable of evaluating the merits and risks of the transactions contemplated hereby and is able to bear the substantial economic risk of such investment for an indefinite period of time. Investor has been afforded full access to the books and records, facilities and personnel of the Company and its Subsidiaries for purposes of conducting a due diligence investigation and has conducted a full due diligence investigation of the Company and its Subsidiaries.

Section 4.8 **Financial Capability**. Guarantors have access to, and Guarantors and Investor will have at the Closing, sufficient immediately available funds to pay in full all amounts required to be paid by Investor under this Agreement, including (a) the amounts payable pursuant to Article I and (b) all of the fees, costs and expenses of Investor arising from or related to this Agreement or the consummation of the transactions contemplated hereby, and to otherwise consummate the transactions contemplated hereby in accordance with the terms hereof. Investor acknowledges and agrees that it is not a condition to the Closing or to any of its other obligations under this Agreement that Investor or the Company or any of its Subsidiaries obtain financing for or related to any of the transactions contemplated hereby.

Section 4.9 **No Fraudulent Conveyance**. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors.

Section 4.10 **Anti-Corruption and Anti-Money Laundering Laws**.

(a) None of Investor or its Affiliates, nor any of their respective officers, directors, or employees, (i) is the target of any Sanctions, (ii) is or is owned or controlled by a Sanctioned Person or Sanctioned Entity, (iii) is located, organized or resident in a country or territory that is, or the government of which is, a Sanctioned Entity, or (iv) engages in any dealings or transactions, or is otherwise associated, with any such Sanctioned Person or Sanctioned Entity in violation of any Sanctions.

(b) Investor and each of its Affiliates are in compliance in all material respects with all Anti-Corruption Laws and Anti-Money Laundering Laws applicable to such Persons.

(c) To the knowledge of Investor, neither Investor nor any of its Affiliates is the subject of any investigation, inquiry or enforcement proceedings by any Governmental Body regarding any offense or alleged offense under any anti-terrorism or Anti-Corruption Laws or Sanctions, and no such investigation, inquiry or proceeding is pending or, to the knowledge of Investor, has been threatened in writing.

Section 4.11 Regulatory.

(a) Except as set forth on the Investor Disclosure Schedule, neither Investor nor any of its Affiliates has an interest greater than five percent in a Person that owns, manages, controls or operates any electricity transmission business operating in the United States.

(b) Investor is not a "public utility" as defined in the Federal Power Act.

ARTICLE V

COVENANTS

Section 5.1 Conduct of the Business.

(a) From the date of this Agreement until the earlier of the Closing or the termination of this Agreement pursuant to Section 7.1 (the "Interim Period"), except as (i) otherwise expressly contemplated or expressly permitted by this Agreement, (ii) set forth on Schedule 5.1(a), (iii) consented to in writing by Investor (such consent not to be unreasonably withheld, delayed or conditioned), (iv) required by any Lease or Contract to which the Company or any of its Subsidiaries is a party that is disclosed in the Disclosure Schedules and made available to Investor or required by applicable Law, or (v) in connection with any Extraordinary Event Response, Parent shall cause the Company and each of the Company's Subsidiaries to use its commercially reasonable efforts to conduct its respective business in the Ordinary Course of Business (including with respect to the Company's and its Subsidiaries' management of their respective levels of working capital, levels of cash and cash equivalents, and capital expenditures, in each case in the Ordinary Course of Business), and Parent shall cause the Company and each of the Company's Subsidiaries to use their respective commercially reasonable efforts to (A) preserve in all material respects the goodwill, reputation and present relationships with suppliers, customers, Governmental Bodies and others having significant business relationships with the Company or any of its Subsidiaries, and (B) maintain and renew in the Ordinary Course of Business their respective insurance policies (or obtain replacement or substitute insurance policies providing substantially similar coverage) and material Permits. The failure to take any action prohibited by Section 5.1(b) shall be deemed not a breach by Parent of this Section 5.1(a).

(b) During the Interim Period, except as (w) otherwise expressly contemplated or expressly permitted by this Agreement, (x) set forth on Schedule 5.1(b), (y) consented to in writing by Investor (such consent not to be unreasonably withheld, delayed or conditioned) or (z) required by applicable Law, Parent shall cause the Company and each of the Company's Subsidiaries not to:

(i) amend or modify any of its Organizational Documents in a manner that would reasonably be expected to be adverse to Investor, the Company or any of its Subsidiaries;

(ii) create, issue, acquire, reclassify, combine, split, subdivide, redeem, sell, pledge, encumber or otherwise dispose of any of its Equity Interests or any options, warrants, convertible or exchangeable securities, subscriptions, rights, phantom equity, equity appreciation rights, calls or commitments with respect to its Equity Interests;

(iii) other than in the Ordinary Course of Business consistent with the Company's financing plan made available to Investor, create, incur, assume or guarantee any Indebtedness other than, in each case, (A) in connection with any Extraordinary Event Response, (B) Existing Indebtedness and guarantees under Existing Indebtedness or (C) intercompany Indebtedness solely among the Company and its Subsidiaries or intercompany guarantees of Indebtedness of the Company or any of its Subsidiaries;

(iv) merge or consolidate with any other Person or adopt a plan of liquidation, dissolution, merger, consolidation or other reorganization;

(v) (A) employ or retain any individual as an employee or consultant of the Company or any of its Subsidiaries, (B) adopt, enter into, or become required to contribute to, any Benefit Plan, (C) become subject to any collective bargaining agreement or (D) accelerate the vesting, funding or payment of any compensation or benefits, or materially increase the compensation payable to, any Company Service Provider;

(vi) (A) acquire (whether by merger, stock or asset purchase or otherwise) any assets for consideration in excess of $25,000,000 in the aggregate (excluding any capital expenditures incurred in the Ordinary Course of Business) or (B) sell, lease, sublease, license, encumber, grant any purchase options or rights with respect to, or otherwise dispose of, any of its assets with a market value in excess of $25,000,000 in the aggregate, other than purchases of equipment and sales of products of their respective business, or sales of services, in each case in the Ordinary Course of Business;

(vii) make, change or revoke any material Tax election, settle or compromise any Tax claim or liability or claim for a refund of Taxes, change (or request any Governmental Body to change) any aspect of its method of accounting for Tax purposes, change its annual Tax accounting period, enter into any closing agreement or other binding written agreement relating to Taxes with any Governmental Body, file any amended Tax Return, surrender any claim for a refund of Taxes, file any Tax Return other than one prepared in a manner consistent with past practice, or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment (other than pursuant to an extension of time to file any Tax Return obtained in the Ordinary Course of Business); provided, however, that the foregoing limitations shall not apply with respect to any action (i) in respect of a consolidated, combined, unitary or similar income tax group of which Parent is the common parent or (ii) that would not reasonably be expected to have a material adverse impact on Investor as compared to the other members of the Company;

(viii) declare or pay any dividend or distribution to the holders of any Equity Interests in such entity (other than to the Company or a Subsidiary of the Company);

(ix) take any other action that would require consent from Investor Member or Investor Director (in each case, as such terms are defined in the Operating Agreement) under the Operating Agreement if the Operating Agreement were in effect as of the date of this Agreement; or

(x) agree or commit to any of the foregoing.

(c) Notwithstanding the foregoing, Parent may cause or permit the Company during the Interim Period to take, and cause or permit the Company's Subsidiaries to take, reasonable actions in accordance with Good Industry Practice, as reasonably necessary (i) in connection with any Emergency Situations, and (ii) to undertake any Extraordinary Event Response; provided, that Parent shall, upon the occurrence of any of the circumstances described above, as promptly as reasonably practicable, inform Investor in writing of such occurrence. No such actions under this Section 5.1(c) taken in compliance with the foregoing shall be deemed to violate or breach this Agreement in any way, or serve as a basis for Investor to terminate this Agreement pursuant to Article VII or assert that any of the conditions to the Closing set forth in Article VI have not been satisfied.

(d) To the extent Parent requests consent from Investor pursuant to Section 5.1(a) or Section 5.1(b) and Investor has not responded within five Business Days of Investor receiving written notice of such request, Investor shall be deemed to have consented for the relevant matter.

Section 5.2 Access.

(a) During the Interim Period, upon reasonable advance notice and subject to compliance with all applicable regulatory rules and regulations and other applicable Laws, Parent and the Company shall provide Investor and its authorized Advisors and Representatives with reasonable access during regular business hours to the properties, offices, assets, members of senior management of Parent or its Affiliates (to the extent related to the business of the Company or any of its Subsidiaries), facilities and books and records of the Company and its Subsidiaries; provided, that (i) such access does not unreasonably interfere with the normal operations of Parent, the Company or any of their respective Affiliates, (ii) such access shall occur in such a manner as the Company reasonably determines to be appropriate to protect the confidentiality of the transactions contemplated hereby, (iii) such access shall be subject to reasonable health and safety conditions and to reasonable limitations relating to the properties, offices and facilities, of the Company, as may be imposed by Parent, (iv) all requests for access shall be directed to such Person(s) as the Company may designate in writing from time to time, and (v) nothing herein shall require the Company or any of its Subsidiaries to provide access to, or to disclose any information to, Investor if such access or disclosure (A) would require the Company or any of its Subsidiaries to disclose any financial or proprietary information of or regarding the Affiliates of the Company or any of its Subsidiaries or otherwise disclose information regarding the Affiliates of the Company that the Company or any of its Subsidiaries reasonably deems to be commercially sensitive, (B) upon the written advice of counsel would waive any legal privilege or (C) would be in violation of applicable Laws or the provisions of any Contract to which Parent, the Company or any of its Subsidiaries is a party (provided, that Parent shall promptly notify Investor in writing if any information is withheld by reason of the exception under this clause (C), including a description of the general nature of such information and the reason for it being withheld, and Parent shall cause the Company or its applicable Subsidiary to use its reasonable best efforts to obtain the required consent of such third party to disclose such document or information). Notwithstanding anything to the contrary contained in this Agreement, none of the Parent, the Company or any of its Subsidiaries shall be required to (x) disclose to any Person any Tax information or Tax Return that does not relate solely to the

Company or any of its Subsidiaries or (y) provide any information regarding the Company or any of its Subsidiaries in any format other than as then exists, or otherwise to manipulate or reconfigure any data regarding the Company's or any of its Subsidiaries' business, assets, financial performance or condition or operations. For the avoidance of doubt, nothing in this Section 5.2 shall be construed to permit Investor or any of its Advisors to have access to any files, records, agreements, communications or documents of Parent to the extent related to Parent or any of its Affiliates (other than the Company and its Subsidiaries), including any bids or offers received by Parent or any of its Affiliates for the sale of any Membership Interests, it being agreed that all such bids or offers shall be the sole property of Parent. No investigation by Investor or other information received by Investor shall operate as a waiver or otherwise affect any representation, warranty, covenant or agreement given or made by the Company or Parent in this Agreement.

(b) Investor agrees to indemnify, defend and hold harmless the Parent Group from and against any and all actual losses, damages, Liabilities, claims, demands, causes of action, legal proceedings, Orders, remedies, obligations, assessments, awards, payments, costs and expenses, interest, penalties, fines, judgments and settlements (collectively, "Losses") (including for loss or injury to or death of any Representative of Investor, and for any loss or damage to or destruction of any property owned by any member of the Parent Group or others (including for loss of use of any property)) resulting directly or indirectly from the action or inaction of Investor or any of its Representatives during any visit to the business or property sites of the Company or any of its Subsidiaries prior to the Closing Date, whether pursuant to this Section 5.2 or otherwise, except to the extent caused by the gross negligence or willful misconduct of the Company or its Affiliates or Representatives. During any visit to the business or property sites of the Company or any of its Subsidiaries, Investor shall, and shall cause its Affiliates and direct its other Representatives accessing such properties to, comply with all applicable Laws and all of the Company's or such Subsidiary's safety and security procedures and conduct itself in a manner that could not be reasonably expected to interfere with the operation, maintenance or repair of the assets of the Company or such Subsidiary. Neither Investor nor any of its Representatives shall conduct any environmental testing or sampling of soil, surface water, groundwater, indoor or outdoor air, soil, gas, surface or subsurface strata, sediments, other environmental media or building materials on any of the business or property sites of the Company or any of its Subsidiaries without the prior written consent of the Company which may be granted or denied in the Company's sole discretion.

Section 5.3 Regulatory Filings.

(a) The Parties shall as promptly as practicable and no later than 45 Business Days following the date of this Agreement, make the filings with the applicable regulatory authorities for the transactions contemplated hereby to obtain the Regulatory Approvals. Each of the Parties will furnish to each other's counsel such necessary information related to such Party or any of its Affiliates and reasonable assistance as a Party may reasonably request in connection with its preparation of any filing or submission that is necessary in connection with the Regulatory Approvals, including by timely providing any additional or supplemental information or documentation (in either case related to such Party or any of its Affiliates) requested by the relevant Governmental Body in connection therewith; provided, that materials provided by a

Party to the other Parties' counsel may be redacted and/or subject to a confidentiality agreement (i) to remove and/or protect references concerning the valuation of the Company and its Subsidiaries; (ii) as necessary to comply with contractual arrangements or applicable Laws; and (iii) as necessary to address reasonable attorney-client or other privilege or confidentiality concerns, including concerns related to protecting personal identifying information or business confidential information. Subject to the terms of this Section 5.3, each of the Parties will comply as promptly as practicable with any reasonable requests made by any Party, or any requests made by any Governmental Body, for any additional information related to such Party or any of its Affiliates in connection with such filings. Investor will be responsible for all filing fees payable in connection with such filings. Otherwise, each Party shall pay its own costs and expenses associated with the Regulatory Approvals.

(b) In furtherance and not in limitation of their obligations under this Agreement, the Parties shall, and shall cause their Affiliates (in the case of Investor, limited to its Restricted Affiliates) to, use their respective reasonable best efforts to promptly obtain any clearance, consent or Order of any Governmental Body that may be, or become, required in connection with the Regulatory Approvals or otherwise necessary for the consummation of this Agreement and the transactions contemplated hereby prior to the Outside Date, and to avoid the entry of, or effect the dissolution of, any permanent, preliminary or temporary Order that would otherwise have the effect of preventing or materially delaying the transactions contemplated hereby or that would cause the Closing not to occur prior to the Outside Date. In furtherance of the foregoing, Investor shall take, and not refrain from taking, and shall cause its Restricted Affiliates to take and to not refrain from taking, any and all steps necessary to avoid or eliminate each and every impediment in connection with the Regulatory Approvals that may be asserted by any Governmental Body so as to enable the Parties to consummate the transactions contemplated hereby as expeditiously as practicable (and in any event prior to the Outside Date), including (i) with the consent of the Company, opposing (including through litigation on the merits) any motion or action for a temporary, preliminary or permanent injunction or Order against or preventing or delaying the consummation of the transactions contemplated hereby, (ii) promptly complying with any requests for additional information or documentation in respect of Investor or any of its Affiliates (including promptly making available any such information and personnel that may be requested by a Governmental Body), (iii) proposing, negotiating, committing to, entering into a consent decree, consent agreement or other agreement or arrangement containing Investor's or its Restricted Affiliates' agreement to hold separate, license, sell or divest (pursuant to such terms as may be required by any Governmental Body) such assets or businesses of the Company, Investor and their respective Affiliates (in the case of Investor, limited to its Restricted Affiliates) and effecting such holding separate, license, sale or divestiture sufficiently prior to the Outside Date to permit the Closing to occur on the terms of this Agreement prior to the Outside Date, effective as of the Closing (including proposing, committing to, and/or entering into customary ancillary agreements relating to any such sale, divestiture, licensing or disposition of such assets or businesses), (iv) subject to Section 5.3(g), making amendments or modifications to this Agreement and the other transaction documents contemplated hereby to the extent required by a Governmental Body (it being understood no such amendments or modifications will be effective against any Party prior to the Closing, and none of them will detrimentally impact the benefits (including economic benefits) contemplated to be received by any Party in connection with the transactions contemplated hereby), and (v) agreeing to such

limitations on conduct or actions of members of Investor and its Restricted Affiliates or the Company and its Subsidiaries effective as of the Closing, in each case, as may be required in order to obtain satisfaction of the closing conditions set forth in Section 6.1(a) prior to the Outside Date; provided, however, that any action contemplated by clauses (i), (iii), and (v) above is conditioned upon consummation of the transactions contemplated hereby.

(c) The Parties shall instruct their respective counsel to cooperate with each other and use reasonable best efforts to facilitate and expedite the identification and resolution of any issues arising in connection with the Regulatory Approvals as promptly as practicable. Such reasonable best efforts and cooperation include counsel's undertaking (i) to keep the other Party's counsel appropriately and reasonably informed of material communications from and to personnel of the reviewing Governmental Bodies and (ii) to confer with the other Party's counsel regarding appropriate material contacts with and response to personnel of such Governmental Bodies and the content of any such contacts or presentations, in each case in connection with the transactions contemplated by this Agreement. Unless prohibited by applicable Law or by the applicable Governmental Body, and to the extent reasonably practicable, no Party shall participate in any substantive meeting or discussion with any Governmental Body with respect of any such filings, applications, investigation or other inquiry without giving the other Parties prior notice of the meeting or discussion and, to the extent permitted by the relevant Governmental Body, the opportunity to attend and participate in such meeting or discussion. In the event any Party or its Representatives are prohibited by applicable Law or by the applicable Governmental Body from participating in or attending any such meeting or engaging in any such discussion, such Party shall keep the other Parties reasonably and promptly apprised with respect thereto. To the extent reasonably practicable, each Party shall provide the other Parties with copies of all material correspondence, filings and communications between it and its Subsidiaries and Affiliates and their respective Representatives, on the one hand, and any Governmental Body, on the other hand, with respect to this Agreement or the transactions contemplated hereby. Each Party will have the right to review (subject to appropriate redactions for confidentiality and attorney-client privilege concerns) and approve the content of any presentations, white papers, economic analysis or other written materials to be submitted by the other Party or Parties to any Governmental Body in advance of any such submission. In exercising the foregoing rights, each Party shall act reasonably and as promptly as practicable. No Party shall withdraw its filing or extend the waiting period in connection with the Regulatory Approvals without the prior written consent of the other Parties.

(d) The Parties shall as promptly as practicable and no later than 45 Business Days following the date of this Agreement, submit either (A) a draft joint voluntary notice regarding the transactions contemplated hereby to CFIUS in accordance with the CFIUS Regulations (the "Draft Voluntary Notice") or (B) a declaration regarding the transactions contemplated hereby to CFIUS in accordance with the CFIUS Regulations (the "Declaration"). Promptly after the date hereof, the Parties shall consult with each other in good faith in respect of whether to file the Draft Voluntary Notice or the Declaration, provided that Parent shall be entitled to make the final determination in its sole discretion after reasonably considering the facts and circumstances, such determination to be made not later than seven days after the date hereof. Promptly after receipt of (A) written notification (including by e-mail) from CFIUS that, based on its assessment of the Declaration, CFIUS requests the parties file a notice of the transactions contemplated hereby pursuant to 31 C.F.R. 800.407(a)(1) or (B) comments from CFIUS on the Draft Voluntary

Notice, the Parties shall prepare and submit a final joint voluntary notice of the transactions contemplated hereby to CFIUS in accordance with the CFIUS Regulations (the "Final Notice"). Following submission of the Declaration and/or Final Notice, the Company and the Investor shall cooperate in all respects (to the extent permitted by Law) to obtain CFIUS Clearance, including by (A) providing any additional or supplemental information or documentation requested by CFIUS or any other branch or agency of the U.S. government during the CFIUS review process as promptly as practicable, and in all cases within the amount of time allowed by CFIUS, (B) promptly informing each other of any communication received by Investor or the Company, or given by Investor or the Company to, CFIUS by promptly providing copies to the other party of any such written communication, except for any exhibits to such communications providing the personal identifying information required by 31 C.F.R. §800.402(c)(6)(vi), information otherwise requested by CFIUS to remain confidential or information reasonably determined by Investor or the Company to be business confidential information and (C) permitting each other to review in advance any written or oral communication that Investor or the Company gives to CFIUS, and consult with the Company in advance of any meeting, telephone call or conference with CFIUS, and to the extent not prohibited by CFIUS, give each other the opportunity to attend and participate in any telephonic conferences or in-person meetings with CFIUS. Without limiting the Parties' respective obligations with respect to obtaining Regulatory Approvals set forth in the other provisions of this Agreement, Investor shall take, and not refrain from taking, and shall cause its Affiliates to take and to not refrain from taking, any and all steps necessary to obtain the CFIUS Clearance so as to enable the Parties to consummate the transactions contemplated hereby as expeditiously as practicable (and in any event prior to the Outside Date), including by the provision of all such assurances as may be requested or required by CFIUS, including entering into a mitigation agreement, letter of assurance, national security agreement, proxy agreement, trust agreement or other similar arrangement or agreement, in relation to the Company and its Subsidiaries.

(e) During the Interim Period, Investor shall not, and shall not permit any of its Affiliates to, acquire or agree to acquire (by merging or consolidating with, or by purchasing a material portion of the assets of or equity in, or by any other manner), any Person or portion thereof, or otherwise acquire or agree to acquire any assets, licenses, rights, operations or businesses of any Person, if the entering into a definitive agreement relating to, or the consummation of, such acquisition, merger or consolidation in the United States would be reasonably expected to impose any material delay in the obtaining of, or increase in any material respect the risk of not obtaining the Regulatory Approvals or increase in any material respect the risk of entry of a Restraint or any other Order prohibiting the consummation of the transactions contemplated hereby.

(f) Each of the Parties further agrees that it shall, and shall cause its Affiliates to, comply with any applicable post-Closing notification or requirements of any antitrust, trade competition, investment control reporting or similar Law of any Governmental Body with competent jurisdiction.

(g) For the avoidance of doubt, except as otherwise expressly provided in this Section 5.3, nothing in this Section 5.3 shall limit the generality of the Parties' covenants and agreements set forth in Section 5.4. The Parties expressly acknowledge that a Governmental Body may place conditions on a Regulatory Approval that may affect, impair or otherwise implicate the Parties' rights and obligations under the Operating Agreement and require amendment thereto.

Without limiting the other provisions set forth in this Section 5.3 or in Section 5.4 (and assuming that any Party seeking to enforce this Section 5.3(g) has complied therewith), the Parties shall use their respective reasonable best efforts to negotiate mutually acceptable and reasonable amendments to the form of the Operating Agreement to permit the consummation of the transactions contemplated hereby; provided that no Party shall be required to agree to any amendment to the Operating Agreement that would materially and adversely impact, or would otherwise materially impair, the benefits (including economic benefits) contemplated to be received by such Party in connection with the transactions contemplated hereby. Other than pursuant to the immediately preceding sentence of this Section 5.3(g), and notwithstanding anything else to the contrary in this Agreement, in no event shall Parent or the Company be required to agree to any requirement or condition in connection with any Regulatory Approval that would adversely impact or otherwise impair the benefits (including economic benefits) contemplated to be received by Parent or the Company in connection with the transactions contemplated hereby, including for the avoidance of doubt any adverse impact on the businesses, financial condition or operating results (present or future) of the Company or any of its Subsidiaries.

Section 5.4 Efforts to Achieve Closing. Subject to, and not in limitation of, the other terms of this Agreement (including the separate obligations of Investor under Section 5.3), during the Interim Period, each of the Parties agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws and regulations to satisfy the conditions to the Closing set forth in Article VI and to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated hereby, including (a) obtaining consents, waivers or approvals of any third parties necessary under applicable Law to consummate the transactions contemplated hereby, (b) defending any lawsuits or other legal proceedings, whether judicial or administrative, initiated by a third party challenging this Agreement or any matter contemplated hereby, and (c) executing and delivering such instruments, and taking such other actions, as any other Party may reasonably require in order to carry out the intent of this Agreement. Without limiting the generality of the foregoing, no Party shall, and no Party shall permit any of its Affiliates or Advisors to, take any action designed to prevent, impede or delay the Closing. For purposes of this Agreement, except as otherwise expressly contemplated by this Agreement, the "reasonable best efforts" of a Party shall not require such Party to expend any money to remedy any breach of any representation or warranty hereunder, to commence any litigation or arbitration proceeding, to modify any Lease or Contract, to offer or grant any accommodation or concession (financial or otherwise) to any third party or to otherwise suffer any detriment, to obtain any consent required for the consummation of the transactions contemplated hereby, to waive or forego any right, remedy or condition hereunder or to provide financing to any other Party or any of its Affiliates for the consummation of the transactions contemplated hereby.

Section 5.5 Investor Guaranty. Guarantors hereby unconditionally and irrevocably guarantee to the Company and Parent, until the earlier of (x) the valid termination of this Agreement in accordance with its terms or (y) the occurrence of the Closing and the complete consummation of the transactions contemplated hereby to occur at or substantially

contemporaneously with the Closing, the due and punctual payment and performance by Investor (and any permitted assignees thereof) of Investor's obligations and liabilities under this Agreement, including to pay the Purchase Price and other amounts payable pursuant to this Agreement (the "Guaranteed Obligations"). The foregoing sentence is an absolute, unconditional and irrevocable guaranty of the full and punctual discharge and performance of the Guaranteed Obligations. Should Investor default in the discharge or performance of all or any portion of the Guaranteed Obligations, the obligations of Guarantors hereunder shall, upon the Company's or Parent's demand, become immediately due and, if applicable, payable; provided, that notwithstanding anything to the contrary in this Agreement, Guarantors shall retain all defenses under this Agreement available to Investor. Each Guarantor represents and warrants to the Company as follows: (a) Guarantor is duly organized and validly existing under the Laws of the jurisdiction recited in the Preamble hereto and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (b) the execution, delivery and performance of this Agreement by Guarantor have been duly authorized by all requisite action by Guarantor, and no other proceedings on the part of Guarantor are necessary therefor; (c) this Agreement constitutes a valid and binding obligation of Guarantor, and is enforceable against Guarantor in accordance with its terms, except as limited by the Bankruptcy and Equity Exception; (d) none of the execution, delivery or performance by Guarantor of this Agreement will result in a violation of any Laws to which Guarantor is subject or bound, and there is no action, suit, proceeding pending or, to its knowledge, threatened against it or affecting it with respect to any of the transactions contemplated by this Section 5.5; (e) it will have at the Closing sufficient funds immediately available to pay and perform all of its obligations under this Section 5.5; and (f) it is not relying upon, and will not rely upon, any representation or warranty, expressed or implied, at law or in equity, made by any Person in respect of the Company or any of its Subsidiaries or any of their respective businesses, assets, liabilities, operations, prospects or condition (financial or otherwise). Except for the Express Representations, neither Parent nor the Company nor any other Person on behalf of Parent or the Company makes any representation, warranty or statement of any kind or nature (whether in written, electronic or oral form) with respect to the Company, any of its Subsidiaries, Parent or otherwise, including any representation or warranty as to the quality, merchantability, fitness for a particular purpose or condition of the Company's or its Subsidiaries' businesses, operations, assets, Liabilities, prospects or any portion thereof. Except for the Express Representations, all representations, warranties and statements of any kind or nature (whether in written, electronic or oral form) are, in each case, specifically disclaimed by the Parent on behalf of themselves and the Parent Group. Neither the Parent nor the Company or any other Person shall have or be subject to any liability whatsoever to Guarantors or any other Person resulting from the distribution to any Person, or any Person's use of or reliance on, any information (whether in written, electronic or oral form) provided by or on behalf of the Parent other than the Express Representations, including in the Projections or otherwise in expectation of the transactions contemplated hereby or any discussions with respect to any of the foregoing information.

Section 5.6 Company's Obligations in Respect of Financing.

(a) Subject to Section 5.6(b), prior to the Closing, Parent and the Company shall use their respective commercially reasonable efforts to provide to Investor such customary cooperation that is reasonably requested by Investor in connection with any effort by Investor to

obtain debt financing, the proceeds of which will be used to consummate the transactions contemplated hereby (provided, that such requests shall not unreasonably interfere with the ongoing operations of the Parent and the Company and their respective Subsidiaries) (the "Debt Financing"), including (i) participation by senior management of Parent and the Company in, and assistance with, the preparation of customary rating agency presentations and up to two meetings with each of the main rating agencies, at times and locations to be mutually agreed and upon reasonable notice; (ii) delivery to Investor of the Financing Information; and (iii) assisting in the preparation of schedules to the definitive loan documentation, as may be reasonably requested.

(b) Notwithstanding anything in Section 5.6(a) or this Agreement to the contrary, the cooperation requested by Investor pursuant to Section 5.6(a) shall not (i) unreasonably interfere with the ongoing operations of the Company and its Subsidiaries, or (ii) require any of Parent or any of its Subsidiaries to (A) pay any commitment or other similar fee, (B) have or incur any liability or obligation in connection with the Debt Financing, including under any agreement or any document related to the Debt Financing, (C) commit to taking any action (including entering into any Contract) whether or not contingent upon the Closing or to otherwise execute any document, agreement, certificate or instrument in connection with any Debt Financing, (D) take any action that would conflict with, violate or breach or result in a violation or breach of or default under any Organizational Documents of Parent or any of its Affiliates, any Contract, this Agreement or any other document contemplated hereby or any Law, (E) take any action that could subject any director, manager, officer or employee of Parent or any of its Affiliates to any actual or potential personal liability, (F) provide access to or disclose information that the Company determines in good faith could jeopardize any attorney-client privilege of, or conflict with any confidentiality requirements applicable to, the Company or any of its Affiliates, (G) reimburse any expenses or provide any indemnities, (H) make any representation, warranty or certification, (I) adopt resolutions or otherwise approve agreements, documents or instruments in connection with the Debt Financing or (J) provide any cooperation or information that does not pertain to the Company or its Subsidiaries. In no event shall Parent or the Company be in breach of Section 5.6(a) because of its failure to deliver any financial or other information that is not currently readily prepared in the Ordinary Course of Business at the time requested by Investor or for the failure to obtain review of any financial or other information by its accountants. Investor shall promptly reimburse Parent or the Company (as applicable) for all reasonable and documented out-of-pocket cost and expenses incurred by Parent, the Company or any of their Subsidiaries in connection with the cooperation contemplated by Section 5.6(a), including (i) reasonable and documented attorneys' fee and (ii) expenses of the Company's accounting firms engaged to assistance in connection with the Debt Financing. Investor shall indemnify and hold harmless Parent, the Company and its Subsidiaries, and their respective Representatives, from and against any and all Losses suffered or incurred by them in connection with the arrangement of the Debt Financing and any information utilized in connection therewith (except to the extent such Losses result from such Person's gross negligence or willful misconduct). In no event shall any failure on the part of Parent or the Company to comply with its obligations under Section 5.6(a) give rise to the failure of a condition set forth in Article VI or be grounds for termination of this Agreement under Article VII.

(c) For the avoidance of doubt, receipt of any third party financing (including any Debt Financing) is not a condition precedent to the Closing, to a grant of specific performance as

contemplated in Section 10.12, to the full and timely performance of the Guaranteed Obligations by Guarantors, or to any other matter hereunder, and, subject to the express terms and conditions of this Agreement, Investor hereby affirms its obligation to effect the Closing and the other transactions contemplated by this Agreement regardless of whether Investor obtains any third party financing (including any Debt Financing).

(d) Any information provided pursuant to this Section 5.6 shall be subject to the Confidentiality Agreement.

Section 5.7 Permitted Transactions. Notwithstanding anything to the contrary set forth in this Agreement, the members of the Parent Group shall be permitted to take such actions and make such modifications as may be necessary or advisable to effectuate the purposes of and otherwise implement the transactions set forth on Schedule 5.7 (such transactions, the "Permitted Transactions"). In furtherance of the foregoing, the Company shall have the right to amend Schedule 5.7 to reflect the implementation of the Permitted Transactions contemplated thereon as of the date of this Agreement without the consent of Investor.

Section 5.8 Capital Contributions. During the Interim Period, Parent may not make any capital contributions to, or investments of any additional capital in, the Company other than as may be determined by the Company (acting reasonably) to be necessary (a) in response to an Emergency Situation, (b) to undertake any Extraordinary Event Response, (c) for the operations of the Company and its Subsidiaries, or (d) as may be required by any applicable Law or Order.

Section 5.9 Affiliate Transactions. Investor acknowledges and agrees that each of the Affiliate Contracts will continue in accordance with their terms after the Closing except as set forth on Schedule 5.9.

Section 5.10 Further Assurances. From and after the Closing, from time to time, as and when requested by any Party and at such Party's expense, any other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such requesting Party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated hereby.

Section 5.11 Provision Respecting Representation. Investor hereby agrees, on its own behalf and on behalf of its directors, members, partners, managers, members, officers, employees and Affiliates, that (a) Jones Day has been retained by, and may serve as counsel to, Parent and its respective Affiliates, on the one hand, and the Company and its Subsidiaries, on the other hand, in connection with the negotiation, preparation, execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, (b) that Jones Day has not acted as counsel for any other Party in connection with the transactions contemplated hereby and that no other Party has the status of a client of Jones Day for conflict of interest or any other purposes as a result thereof and (c) that, following consummation of the transactions contemplated hereby, Jones Day (or any successor) may serve as counsel to Parent or any director, member, partner, manager, officer, employee or Affiliate of Parent or any of its respective Affiliates (including the Company and its Subsidiaries), in connection with any litigation, claim, action, suit, proceeding or obligation arising out of or relating to this Agreement or the transactions contemplated hereby. Notwithstanding such representation or any continued representation of the Company or any of its Subsidiaries,

Investor (on its own behalf and on behalf of its Affiliates) hereby consents thereto and waives any conflict of interest arising therefrom, and Investor shall cause its Affiliates to consent to waive any conflict of interest arising from such representation. Investor and Parent hereby agree that, in the event that a dispute arises after the Closing between Investor or its Affiliates, on the one hand, and any member of Parent Group, on the other hand, Jones Day may represent such member in such dispute even though the interests of such member may be directly adverse to Investor or its Affiliates, and even though Jones Day may have represented, or may be handling ongoing matters for, Investor or its Affiliates. Investor agrees that (x) all communications among any member of the Parent Group, the Company and its Subsidiaries, any of their respective Affiliates, directors, officers, employees or Advisors, on the one hand, and Jones Day, on the other hand, that relate in any way to the negotiation, preparation, execution, delivery and closing under, or any dispute arising in connection with, this Agreement, or otherwise relating to any potential sale of Equity Interests in the Company or the transactions contemplated hereby (the "Protected Parent Communications"), shall be deemed to be privileged and confidential communications, (y) all rights to such Protected Parent Communications, the expectation of client confidentiality, and the control of the confidentiality and privilege applicable thereto, belong to and shall be retained by the Parent Group and (z) to the extent Investor or any of its Affiliates should discover in its possession after the Closing any Protected Parent Communications, it shall take reasonable steps to preserve the confidentiality thereof and promptly deliver the same to Parent, keeping no copies, and shall not by reason thereof assert any loss of confidentiality or privilege protection. As to any such Protected Parent Communications prior to the Closing Date, Investor, together with any of its respective Affiliates, Subsidiaries, successors or assigns, further agree that none of the foregoing may use or rely on any of the Protected Parent Communications in any action against or involving the Parent Group or Jones Day after the Closing. The Protected Parent Communications may be used by the Parent Group in connection with any dispute that relates in any way to this Agreement or the transactions contemplated hereby.

Section 5.12 R&W Insurance Policy

. In the event that Investor or any of its Affiliates obtains a representations and warranties insurance policy in respect of the representations and warranties contained in this Agreement or in any certificate or other instrument contemplated by or delivered in connection with this Agreement (such policy, an "R&W Insurance Policy"), (a) all premiums, underwriting fees, brokers' commissions and other costs and expenses related to such R&W Insurance Policy shall be borne solely by Investor or such Affiliate, (b) such R&W Insurance Policy shall not provide for any "seller retention" (as such phrase is commonly used in the representations and warranties insurance policy industry), and (c) such R&W Insurance Policy shall expressly waive any claims of subrogation against any member of the Parent Group or any of their respective Affiliates, except in the event of Fraud. Parent and the Company shall reasonably cooperate with Investor with respect to the underwriting of any such R&W Insurance Policy at the sole cost of Investor.

Section 5.13 Tax Classification. Notwithstanding anything herein to the contrary, the Company will elect prior to the Closing to be treated as an association taxable as a corporation for U.S. federal income tax purposes (which election shall be effective at least one Business Day

prior to the Closing) and will be properly treated as an association taxable as a corporation for U.S. federal income tax purposes as of the Closing. The Company shall provide a copy of IRS Form 8832 electing such status in accordance with the foregoing, along with proof of filing, to Investor reasonably promptly after filing such form.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.1 **Conditions to All of the Parties' Obligations**. The respective obligations of the Parties to consummate the Closing are subject to the satisfaction of the following conditions at or prior to the Closing:

(a) the Regulatory Approvals shall have been retained, and shall not, as of the Closing, have been rescinded; and

(b) there shall not have been issued, enacted, entered, promulgated or enforced any Law or Order (that has not been vacated, withdrawn or overturned) restraining, enjoining or otherwise prohibiting the Closing, in each case by a Governmental Body of competent jurisdiction (a "Restraint").

Section 6.2 **Conditions to Investor's Obligations**. The obligation of Investor to consummate the Closing is subject to the satisfaction (or waiver by Investor in writing, which may be given or withheld at Investor's sole discretion) of the following conditions at or prior to the Closing:

(a) the representations and warranties set forth in Articles II and III shall be true and correct as of the Closing Date (disregarding all qualifications or limitations as to "materiality" or "Material Adverse Effect" (other than the use of "Material Adverse Effect" in Section 2.7(a)(i)) and words of similar import set forth therein), as though such representations and warranties had been made on and as of the Closing Date (except that representations and warranties that speak to a specified date or period need be true and correct only with respect to such specified date or period), except where the failure of such representations and warranties to be true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; provided, that the Fundamental Representations set forth in Article II and Article III shall be true and correct in all respects (except where the failure of such Fundamental Representations to be true and correct is *de minimis* in nature); provided, further, that the representation and warranty set forth in Section 2.7(a)(i) shall be true and correct in all respects;

(b) the Company and Parent shall have each performed in all material respects all of the covenants and agreements required to be performed by each of them under this Agreement at or prior to the Closing; provided, that the Company shall have performed the covenants and agreements set forth in Section 5.13 in all respects at or prior to the Closing;

(c) the Company shall have delivered to Investor a properly completed and executed IRS Form W-9; and

(d) the Company and Parent shall have delivered to Investor a certificate of the Company and Parent signed by an authorized officer of each of the Company and Parent and dated as of the Closing Date, certifying that the conditions specified in Section 6.2(a) and Section 6.2(b) have been satisfied.

Section 6.3 Conditions to Parent's and the Company's Obligations. The obligation of Parent and the Company to consummate the Closing is subject to the satisfaction (or waiver by Parent or the Company, as applicable, in writing, which may be given or withheld at such Party's sole discretion) of the following conditions at or prior to the Closing:

(a) the representations and warranties set forth in Article IV shall be true and correct as of the Closing Date (disregarding all qualifications or limitations as to "materiality" or words of similar import set forth therein), as though such representations and warranties had been made on and as of the Closing Date (except that representations and warranties that speak to a specified date or period need be true and correct only with respect to such specified date or period), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or impair the ability of Investor to perform its obligations under this Agreement or consummate the transactions contemplated hereby; provided, that the Fundamental Representations set forth in Article IV shall be true and correct in all respects (except where the failure of such Fundamental Representations to be true and correct is *de minimis* in nature);

(b) Investor shall have performed in all material respects each of the covenants and agreements required to be performed by it under this Agreement at or prior to the Closing;

(c) Investor shall have delivered to the Company a properly completed and executed IRS Form W-9 or IRS Form W-8, as applicable; and

(d) Investor shall have delivered to Parent and the Company a certificate signed by an authorized representative of Investor and dated as of the Closing Date, certifying that the conditions specified in Section 6.3(a) and Section 6.3(b) have been satisfied.

Section 6.4 Waiver of Conditions. None of the Parties may rely, as a basis for not consummating the Closing, on the failure of any condition set forth in this Article VI (excluding the conditions set forth in Section 6.1(a)) to be satisfied if such failure was caused by the failure of such Party to perform any of its obligations under this Agreement.

ARTICLE VII
TERMINATION

Section 7.1 Termination. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing as set forth in this Article VII and in no other manner:

(a) by the mutual written consent of Parent, Investor and the Company;

(b) by Parent, by Investor or by the Company:

(i) if the Closing shall not have occurred on or before the date which is nine (9) months after the date of this Agreement (as such date may be extended pursuant to the terms of this Agreement, the "Outside Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not be available to a

Party if the failure to consummate the Closing on or before the Outside Date was caused by the failure of such Party to perform any of its obligations under this Agreement; or

(ii) if any Restraint having the effect set forth in Section 6.1(c) shall be in effect and shall have become final and non-appealable; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(ii) shall not be available to a Party if the issuance of such final, non-appealable Restraint was caused by the failure of such Party to perform any of its obligations under this Agreement;

(c) by Investor, if the Company or Parent shall have breached or failed to perform any of their respective representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 6.1 or Section 6.2, respectively, and (ii) cannot be cured such that the failure of the applicable condition set forth in Section 6.1 or Section 6.2 in respect thereof would be resolved or, if capable of being so cured, has not been so cured by the earlier of (A) 30 days following receipt of written notice from Investor stating Investor's intention to terminate this Agreement pursuant to this Section 7.1(c) and the basis for such termination and (B) the Outside Date; provided, that Investor shall not have the right to terminate this Agreement pursuant to this Section 7.1(c) if it is then in material breach of any representation, warranty, covenant or other agreement hereunder;

(d) by Investor, if (i) the conditions set forth in Sections 6.1 and 6.3 (other than those conditions that by their nature are to be first satisfied at the Closing) have been satisfied or waived, (ii) the conditions set forth in Section 6.2 have been first satisfied (other than those conditions that by their nature are to be satisfied at the Closing) or waived by Investor and (iii) Parent or the Company fails to effect the Closing within two Business Days after the date on which the Closing was required to have occurred pursuant to Section 1.2 (or, if earlier, the Outside Date) (a "Company Closing Failure").

(e) by the Company if Investor shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 6.1 or Section 6.3, respectively, and (ii) cannot be cured such that the failure of the applicable condition set forth in Section 6.1 or Section 6.3 in respect thereof would be resolved or, if capable of being so cured, has not been so cured by the earlier of (A) 30 days following receipt of written notice from the Company stating its intention to terminate this Agreement pursuant to this Section 7.1(d) and the basis for such termination and (B) the Outside Date; provided, that the Company shall not have the right to terminate this Agreement pursuant to this Section 7.1(d) if the Company is then in material breach of any representation, warranty, covenant or other agreement hereunder; or

(f) by the Company, if (i) the conditions set forth in Sections 6.1 and 6.2 (other than those conditions that by their nature are to be first satisfied at the Closing) have been satisfied or waived, (ii) the conditions set forth in Section 6.3 have been first satisfied (other than those conditions that by their nature are to be satisfied at the Closing) or waived by the Company, and (iii) Investor fails to effect the Closing within two Business Days after the date on which the Closing was required to have occurred pursuant to Section 1.2 (or, if earlier, the Outside Date) (an "Investor Closing Failure").

Section 7.2 **Effect of Termination**. In the event of the termination of this Agreement as provided in Section 7.1, written notice thereof shall be given by the terminating Party to the other Party or Parties (except in the event of a termination pursuant to Section 7.1(a)), specifying the provision hereof pursuant to which such termination is made, and, thereafter, this Agreement shall forthwith become null and void (other than this Section 7.2, Section 8.2 and Article X (excluding Section 10.12 except in relation to enforcement of any Surviving Provision), and Investor's indemnification obligations under Section 5.2(b) (collectively, the "Surviving Provisions"), all of which shall survive termination of this Agreement), and there shall be no liability on the part of any Party under this Agreement other than in respect of the Surviving Provisions; provided, however, that no Party shall be relieved or released from any Losses (which the Parties acknowledge and agree shall not be limited to reimbursement of out-of-pocket expenses, and, in the case of Liabilities or damages payable by Investor, would include the benefits of the transactions contemplated hereby lost by the Company and Parent (taking into consideration all relevant matters, including other investment opportunities and the time value of money)) arising out of any Fraud or Willful Breach of this Agreement by such Party. Nothing in this Article VII shall prohibit any Party from seeking specific performance of the terms of this Agreement prior to the termination of this Agreement pursuant to, and on the terms and conditions of, Section 10.12.

ARTICLE VIII

NON-SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND CERTAIN COVENANTS

Section 8.1 **Non-Survival of Representations and Warranties and Certain Covenants; Certain Waivers**.

(a) Each of the representations and warranties and the covenants and agreements (to the extent such covenant or agreement contemplates or requires performance by a Party prior to the Closing) of the Parties set forth in this Agreement or in any other document contemplated hereby (other than the Operating Agreement), or in any certificate delivered hereunder or thereunder, will terminate effective immediately as of the Closing such that no claim for breach of any such representation, warranty, covenant or agreement, detrimental reliance or other right or remedy (whether in contract, in tort or at law or in equity) may be brought with respect thereto after the Closing, other than in respect of Fraud. In no event shall any Person be liable for the Fraud of any other Person, and a claim for Fraud may only be asserted against the Person that committed such Fraud.

(b) Each covenant and agreement that explicitly contemplates performance at or after the Closing, will, in each case and to such extent, expressly survive the Closing in accordance with its terms, and if no term is specified, then for 20 years following the Closing Date, and nothing in this Section 8.1 will be deemed to limit any rights or remedies of any Person for breach of any such surviving covenant or agreement (it being understood that nothing herein will limit or affect Investor's or any of its Affiliates' liability, or Guarantors' liability, as the case may be, for the failure to pay the full Purchase Price and to pay any other amounts payable by it or them at or prior to the Closing as and when required by this Agreement). Notwithstanding anything to the contrary in this Agreement, nothing in this Section 8.1 shall affect or otherwise

limit any claim made or available under an R&W Insurance Policy. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement shall limit the right of any Party with respect to any claims or remedies of a Party for Fraud.

(c) Investor and Parent acknowledge and agree, on their own behalf and on behalf of the Investor Group or the Parent Group, as the case may be, that the agreements contained in this Section 8.1 are an integral part of the transactions contemplated hereby and that, without the agreements set forth in this Section 8.1, none of the Parties would enter into this Agreement.

Section 8.2 No Additional Representations or Warranties; No Outside Reliance.

(a) Investor acknowledges and agrees, on behalf of itself and the Investor Group, that (i) the representations and warranties regarding the Company and its Subsidiaries expressly contained in Article II and regarding Parent expressly contained in Article III (collectively, the "Express Representations") are the sole and exclusive representations, warranties and statements of any kind or nature made to Investor, any member of the Investor Group or any other Person related to them, (ii) except for the Express Representations, (A) none of Parent, the Company or any other Person on behalf of Parent or the Company makes, and neither Investor nor any member of the Investor Group has relied on or is relying on the accuracy or completeness of, or any other matter with respect to, any representation, warranty or statement of any kind or nature (whether in written, electronic or oral form) with respect to the Company, any of its Subsidiaries, Parent or otherwise, including any representation or warranty as to the quality, merchantability, fitness for a particular purpose or condition of the Company's or its Subsidiaries' businesses, operations, assets, liabilities, prospects or any portion thereof, (iii) except for the Express Representations, all representations, warranties and statements of any kind or nature (whether in written, electronic or oral form) are, in each case, specifically disclaimed by Parent and the Company on behalf of themselves and the Parent Group and (iv) none of Parent, the Company or any other Person shall have or be subject to any liability whatsoever to Investor or any other Person resulting from the distribution to any member of the Investor Group of, or any member of the Investor Group's use of or purported reliance on, any information (whether in written, electronic or oral form) provided by or on behalf of Parent other than the Express Representations, including the financial model, CIM, any information, statements, disclosures, documents or other materials made available in the Data Room, any projections, forward-looking statements or other forecasts (including in the financial model, CIM, Data Room, management meetings and similar items) (collectively, "Projections") or otherwise in expectation of the transactions contemplated hereby or any discussions with respect to any of the foregoing information.

(b) Investor acknowledges and agrees, on behalf of itself and the Investor Group, that (i) Investor has conducted to its full satisfaction an independent investigation and verification of the business, financial condition, results of operations, assets, Liabilities, properties, Contracts and prospects of the Company and its Subsidiaries and (ii) in making its determination to proceed with the transactions contemplated hereby, Investor and the Investor Group have relied solely on the results of the Investor Group's own independent investigation and verification, and have not relied on and are not relying on any member of the Parent Group, the CIM, any information, statements, disclosures, documents or other materials made available in the Data Room, the Projections or any other information (whether in written, electronic or oral form),

except for the Express Representations. Without limiting the generality of the foregoing, Investor acknowledges and agrees, on its own behalf and on behalf of the Investor Group, that (A) the Projections are being provided solely for the convenience of Investor to facilitate its own independent investigation of the Company and its Subsidiaries, (B) there are uncertainties inherent in attempting to make such Projections, (C) Investor is familiar with such uncertainties and (D) Investor is taking full responsibility for making its own evaluation of the adequacy and accuracy of all Projections (including the reasonableness of the assumptions underlying such Projections).

(c) Except for the representations and warranties expressly contained in Article IV, each of the Company and Parent acknowledges and agrees, on behalf of itself and the Parent Group, that neither Investor nor any other Person on behalf of Investor makes, and none of the Company, Parent or any member of the Parent Group has relied on or is relying on the accuracy or completeness of, any other express or implied representation, warranty or statement of any kind or nature with respect to Investor or any Affiliate of Investor or with respect to any other information provided to the Company and Parent by Investor or any of its Affiliates.

ARTICLE IX
CERTAIN TAX MATTERS

Section 9.1 Transfer Taxes. At the Closing or, if due thereafter, promptly when due, all transfer Taxes, real property transfer Taxes, sales Taxes, use Taxes, stamp Taxes, conveyance Taxes and any other similar Taxes applicable to, arising out of or imposed upon the sale of the Purchased Interests hereunder (collectively, "Transfer Taxes") shall be borne and paid by Investor. Investor shall prepare all necessary documentation and Tax Returns with respect to such Transfer Taxes, and Parent and the Company shall reasonably cooperate with Investor in the preparation and filing of such Tax Returns.

ARTICLE X
MISCELLANEOUS

Section 10.1 Press Releases and Communications. No press release or public announcement related to this Agreement (including any of the terms of this Agreement) or the transactions contemplated hereby (including any press release or other public announcement disclosing the transaction consideration (or any other amounts related thereto)) shall be issued or made without the approval of each of the Parties, unless required by Law or stock exchange rules or regulations, in which case the other Parties shall have the right to review and comment on such press release or announcement prior to publication.

Section 10.2 Confidentiality. The Confidentiality Agreement shall survive the termination of this Agreement in accordance with its terms, and upon the Closing, the Confidentiality Agreement shall terminate in accordance with its terms.

Section 10.3 Expenses. Whether or not the Closing takes place, except as otherwise expressly provided herein (including Sections 5.3(a) and 9.1), each Party shall bear its own fees, costs and expenses (including fees, costs and expenses of Advisors) incurred in connection with the evaluation of the transactions contemplated hereby and with the negotiation of this

Agreement and the other agreements contemplated hereby; provided, that Parent shall be responsible for all Company Transaction Expenses.

Section 10.4 Notices. Except as otherwise expressly provided herein, all notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted by electronic mail (unless if transmitted after 5:00 p.m. Eastern time or other than on a Business Day, then on the next Business Day) to the address specified below in which case such notice shall be deemed to have been given when the recipient transmits manual written acknowledgment of successful receipt, which the recipient shall have an affirmative duty to furnish promptly after successful receipt, (c) sent by internationally-recognized courier, in which case it shall be deemed to have been given at the time of actual recorded delivery, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case, to the respective Party at the number, electronic mail address or street address, as applicable, set forth below, or at such other number, electronic mail address or street address as such Party may specify by written notice to the other Party.

Notices to Investor:

North American Transmission Company II LLC
c/o Brookfield Infrastructure Group
1200 Smith Street, Suite 640
Houston, Texas 77002
Attention: Fred Day
Email: fred.day@brookfield.com

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1000 Louisiana, Suite 6800
Houston, Texas 77002
Attention: Eric Otness
Email: eric.otness@skadden.com

Notices to Parent or the Company:

FirstEnergy Corp.
76 South Main St.
Akron, Ohio 44308
Attention: David W. Pinter
Email: dpinter@firstenergycorp.com

with copies to (which shall not constitute notice):

Jones Day
901 Lakeside Ave.
Cleveland, Ohio 44114
Attention: Peter Izanec, George Hunter
Email: peizanec@jonesday.com, ghunter@jonesday.com

Section 10.5 **Assignment**. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, that (i) neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned or delegated without the prior written consent of all of the Parties, and (ii) this Agreement shall not be assignable unless such prior written consent is so obtained, and any attempted or purported assignment hereof in the absence of such prior written consent shall be void ab initio.

Section 10.6 **Amendment and Waiver**. Any provision of this Agreement or the Disclosure Schedules or exhibits hereto may be (a) amended only in a writing signed by the Company, Investor and Parent or (b) waived only in a writing executed by the Person against which enforcement of such waiver is sought. No waiver of any provision hereunder or any breach or default thereof shall extend to or affect in any way any other provision or prior or subsequent breach or default. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Notwithstanding anything to the contrary contained herein, Sections 5.6, 10.7, 10.12(b), 10.14(b), 10.14(c) and this sentence of Section 10.6 (and any other provision of this Agreement to the extent an amendment, supplement, waiver or other modification of such provision would modify the substance of such provision) may not be amended, supplemented, waived or otherwise modified in any manner that is adverse in any respect to the Financing Sources without the prior written consent of the Financing Sources.

Section 10.7 **Third Party Beneficiaries; Non-Recourse.**

(a) Except as otherwise expressly provided herein, nothing expressed or referred to in this Agreement shall be construed to give any Person other than the Parties any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except that the Financing Sources, if any, shall be express third party beneficiaries of Sections 10.7, 10.12(b), 10.14(b), 10.14(c) and the last sentence of Section 10.6, in each case, to the extent contemplated thereby.

(b) This Agreement may only be enforced against, and any claim, action, suit, proceeding or investigation based upon, arising out of or related to this Agreement may only be brought against, the Persons that are expressly named as parties to this Agreement. Except to the extent named as a party to this Agreement, and then only to the extent of the specific obligations of such Parties set forth in this Agreement, no past, present or future shareholder, member, partner, manager, director, officer, employee, Affiliate, agent or Advisor of any Party, the Company or any Subsidiary of the Company shall have any liability (whether in contract, tort, equity or otherwise or by or through theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, undercapitalization or any other attempt to avoid or disregard the entity form of any Person not a Party) for any of the representations, warranties, covenants, agreements or other obligations or Liabilities of any of the Parties or for any claim, action, suit, proceeding or investigation based upon, arising out of or related to this Agreement.

Section 10.8 **Severability**. If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and, to the extent permitted and possible, any invalid, void or unenforceable term shall be deemed replaced by a term that is valid and enforceable and that comes closest to expressing the intention of such invalid, void or unenforceable term.

Section 10.9 **Construction**. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Person. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

Section 10.10 **Disclosure Schedules**. The Disclosure Schedules have been arranged for purposes of convenience in separately numbered sections corresponding to the sections of this Agreement. Any item or matter disclosed in any section or subsection of the Disclosure Schedules shall be deemed disclosed with respect to any other section or subsection of the Disclosure Schedules to the extent that the relevance of such item or matter to such other section or subsection is reasonably apparent on the face of such disclosure. The specification of any dollar amount or the inclusion of any item in the representations and warranties contained in this Agreement, the Disclosure Schedules or the attached exhibits is not intended to imply that the amounts, or higher or lower amounts, or the items so included, or other items, are or are not required to be disclosed (including whether such amounts or items are required to be disclosed as material or threatened) or are within or outside of the Ordinary Course of Business, and no Party shall use the fact of the setting of the amounts or the fact of the inclusion of any item in this Agreement, the Disclosure Schedules or exhibits in any dispute or controversy between the Parties as to whether any obligation, item or matter not set forth or included in this Agreement, the Disclosure Schedules or exhibits is or is not required to be disclosed (including whether the amount or items are required to be disclosed as material or threatened) or are within or outside of the Ordinary Course of Business. In addition, matters reflected in the Disclosure Schedules are not necessarily limited to matters required by this Agreement to be reflected in the Disclosure Schedules. Such additional matters are set forth for informational purposes only and do not necessarily include other matters of a similar nature. No information set forth in the Disclosure Schedules shall be deemed to broaden in any way the scope of the Parties' representations and warranties. Any description of any agreement, document, instrument, plan, arrangement or other item set forth on any Disclosure Schedule is a summary only and is qualified in its entirety by the terms of such agreement, document, instrument, plan, arrangement or item to the extent made available to Investor. The information contained in this Agreement, in the Disclosure Schedules and exhibits hereto is disclosed solely for purposes of this Agreement, and no information contained herein or therein shall be deemed to be an admission by any Party to any third party of any matter whatsoever, including any violation of Law or breach of contract.

Section 10.11 **Complete Agreement**. This Agreement, together with the Confidentiality Agreement and any other agreements expressly referred to herein or therein, contains the entire agreement of the Parties respecting the sale and purchase of the Purchased Interests and the transactions contemplated hereby and supersedes all prior agreements among the Parties respecting the sale and purchase of the Purchased Interests.

Section 10.12 **Specific Performance; No Recovery of Judgment Against Financing Sources**.

(a) The Parties agree that irreparable damage, for which monetary relief, even if available, may not be an adequate remedy, may occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, including if any Party fails to take any action required of it hereunder to consummate the transactions contemplated hereby. It is accordingly agreed that (a) the Parties shall be entitled to seek an injunction or injunctions, specific performance or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the courts described in Section 10.13 without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement, and (b) the right of specific performance and other equitable relief is an integral part of the transactions contemplated hereby, and without that right, none of the Parties would have entered into this Agreement. The Parties acknowledge and agree that any Party pursuing an injunction or injunctions or other Order to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 10.12 shall not be required to provide any bond or other security in connection with any such Order. The remedies available to the Parties pursuant to this Section 10.12 shall be in addition to any other remedy to which they may be entitled at law or in equity, and the election to pursue an injunction or specific performance shall not restrict, impair or otherwise limit any Party from seeking to collect or collecting damages. Each of the Parties agrees that it shall not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. If, prior to the Outside Date, any Party brings any action, in each case in accordance with Section 10.13, to enforce specifically the performance of the terms and provisions hereof by any other Party, the Outside Date shall, solely for the benefit of the Party or Parties seeking relief and not for the benefit of the other Parties, automatically be extended (i) for the period during which such action is pending, plus 10 Business Days or (ii) by such other time period established by the court presiding over such action, as the case may be. The Parties further agree that nothing set forth in this Section 10.12 shall require any Party to institute any action for (or limit any Party's right to institute any action for) specific performance under this Section 10.12 prior or as a condition to exercising any termination right under Article VII (and pursuing available remedies, including damages, after such termination).

(b) In no event shall Parent or the Company be entitled to seek or obtain any recovery or judgment against the Financing Sources, including for any type of damage relating to this Agreement or the transactions contemplated hereby, whether at law or in equity, in contract, in tort or otherwise. No Financing Source shall be subject to any special, consequential, punitive or indirect damages or damages of a tortious nature under this Agreement.

Section 10.13 Jurisdiction and Exclusive Venue. Each of the Parties irrevocably agrees that any claim, action, suit, investigation or proceeding of any kind whatsoever, including a counterclaim, cross-claim or defense, regardless of the legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or tort, or whether at law or in equity, or otherwise under any legal or equitable theory, that may be based upon, arising out of or related to this Agreement or the negotiation, execution or performance of this Agreement and the transactions contemplated hereby brought by any other Party or its successors or assigns shall be brought and determined only in the Delaware Chancery Court and any state court sitting in the State of Delaware to which an appeal from the Delaware Chancery Court may be validly taken (or, if the Delaware Chancery Court declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware), and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such claim, action, suit, proceeding or investigation arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties agrees not to commence any claim, action, suit, proceeding or investigation relating thereto except in the courts described above in Delaware, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Delaware as described herein, and no Party shall file a motion to dismiss any action filed in a state or federal court in the State of Delaware, on any jurisdictional or venue-related grounds, including the doctrine of *forum non conveniens*. The Parties irrevocably agree that venue would be proper in any of the courts in Delaware described above, and hereby irrevocably waive any objection that any such court is an improper or inconvenient forum for the resolution of such suit, action or proceeding. Each of the Parties further irrevocably and unconditionally consents to service of process in the manner provided for notices in Section 10.4. Nothing in this Agreement shall affect the right of any Party to serve process in any other manner permitted by applicable Law.

Section 10.14 Governing Law; Waiver of Jury Trial.

(a) This Agreement, and any claim, action, suit, investigation or proceeding of any kind whatsoever, including a counterclaim, cross-claim or defense, regardless of the legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or tort, or whether at law or in equity, or otherwise under any legal or equitable theory, that may be based upon, arising out of or related to this Agreement or the negotiation, execution or performance of this Agreement or the transactions contemplated hereby shall be governed by and construed in accordance with the internal Laws of the State of Delaware applicable to agreements executed and performed entirely within such State without regard to conflicts of law principles of the State of Delaware or any other jurisdiction that would cause the Laws of any jurisdiction other than the State of Delaware to apply.

(b) Notwithstanding anything herein to the contrary and without limiting Section 10.12(b), each Seller Related Party and each of the other Parties agrees that it will not bring or support any action, cause of action, claim, cross-claim or third-party claim of any kind or description, whether in law or in equity, whether in Contract or in tort or otherwise, against the Financing Sources in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the Debt

Financing or the performance thereof or the transactions contemplated thereby, in any forum other than exclusively in the Supreme Court of the State of New York, County of New York, or, if under applicable Law exclusive jurisdiction is vested in the federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof).

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY, PROCEEDING, COUNTERCLAIM OR ACTION (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) THAT MAY ARISE UNDER THIS AGREEMENT, THE DOCUMENTS AND AGREEMENTS CONTEMPLATED HEREBY AND THE TRANSACTIONS CONTEMPLATED HEREBY, IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND THEREFORE HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY CLAIM, ACTION, SUIT, INVESTIGATION OR PROCEEDING BASED ON, ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL OR EQUITABLE THEORY. EACH OF THE PARTIES AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR PROCEEDING SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE IRREVOCABLE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY (I) CERTIFIES THAT NO ADVISOR OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.14.

Section 10.15 **No Right of Set-Off**. Each Party, on its own behalf and on behalf of its successors and permitted assigns, hereby waives any rights of set-off, retention, netting, offset, recoupment or similar rights that such Party or any of its respective successors and permitted assigns has or may have with respect to any payments to be made by such Party pursuant to this Agreement or any other document or instrument delivered by or on behalf of such Party in connection herewith.

Section 10.16 **Counterparts**. This Agreement may be executed in counterparts, and any Party may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute one and the same instrument. This Agreement shall become effective when each Party shall have received a counterpart hereof signed by the other Parties. The Parties agree that the delivery of this Agreement, and any other agreements and documents at the Closing, may be effected by means of an exchange of facsimile or electronically transmitted signatures.

Section 10.17 **Definitions**. As used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Additional Capital Contribution Amount" means an amount that is equal to the product of (a) 19.9% multiplied by (b) the aggregate amount of any capital contributions to, or investments of any additional capital in, the Company made by Parent on or after the date of this Agreement and prior to the Closing in accordance with Section 5.8 in excess of the capital contributions set forth on Schedule 5.8.

"Advisors" means, with respect to any Person, the accountants, attorneys, consultants, advisors, investment bankers or other representatives of such Person.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, Contract or otherwise.

"Affiliate Contract" means any Contract between the Company or one of its Subsidiaries, on the one hand, and Parent or any Affiliate of Parent (other than the Company or one of its Subsidiaries), on the other hand.

"Affiliate Guidelines" has the meaning set forth in Section 2.18(a).

"Agreement" has the meaning set forth in the Preamble.

"Ancillary Real Property" means all real property to which the Company or any of its Subsidiaries has rights pursuant to an easement, right of way, license, crossing agreement or other similar Contract for real property rights that are material to the Company or any of its Subsidiaries and their respective businesses.

"Ancillary Real Property Agreement" means each Contract pursuant to which rights in Ancillary Real Property are granted or otherwise provided to the Company or any of its Subsidiaries, together with all amendments, supplements and modifications relating thereto.

"Anti-Corruption Laws" means any Law concerning or relating to bribery or corruption imposed, administered or enforced by any Governmental Body.

"Anti-Money Laundering Laws" means any Law concerning or relating to money laundering, any predicate crime to money laundering or any record keeping, disclosure or reporting requirements related to money laundering imposed, administered or enforced by any Governmental Body.

"Balance Sheet Date" has the meaning set forth in Section 2.6(a).

"Bankruptcy and Equity Exception" has the meaning set forth in Section 2.1(d).

"Base Purchase Price" has the meaning set forth in Section 1.2(a).

"Benefit Plan" means (a) all "employee benefit plans," as defined in Section 3(3) of ERISA, whether or not subject to ERISA and (b) all plans, contracts, agreements, programs or arrangements of any kind (whether written or oral, qualified or nonqualified, funded or unfunded, foreign or domestic) providing for workers' compensation, supplemental unemployment benefits, severance, terms of employment, salary continuation, retention, retirement, pension, life, health, disability or accident benefits or for deferred compensation,

bonuses, stock options, stock appreciation rights, phantom stock or other forms of incentive compensation, profit sharing or post retirement insurance, compensation or benefits.

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions located in New York, New York are closed generally.

"CFIUS" means the Committee on Foreign Investment in the United States, or any member agency thereof acting in its capacity as a member agency.

"CFIUS Clearance" means, after submission of a filing by the parties with respect to the transactions contemplated hereby in accordance with the requirements of the CFIUS Regulations: (a) that the parties shall have received written notice from CFIUS that the transactions contemplated hereby are not a "covered transaction" within the meaning of the CFIUS Regulations, (b) the parties shall have received written notice from CFIUS that it has concluded its review or investigation, as applicable, of the transactions contemplated hereby, determined that there are no unresolved national security concerns with respect to the transactions contemplated hereby, and concluded all action under the CFIUS Regulations, (c) that CFIUS is not able to complete action under section 721 and has notified the Parent, the Company, and Investor that they may file a written notice under 31 C.F.R. Part 800 or (d) if CFIUS has sent a report to the President of the United States (the "President") requesting the President's decision with respect to the transactions contemplated hereby, either (i) the President has announced a decision not to take any action to suspend, prohibit or place any limitations on the transactions contemplated hereby, or (ii) the time permitted under the CFIUS Regulations for the President to take action to suspend or prohibit the transactions contemplated hereby has lapsed.

"CFIUS Regulations" means Section 721 of Title VII of the Defense Production Act of 1950, as amended (50 U.S.C. § 4565), and all applicable rules and regulations issued and effective thereunder.

"CIM" means the Confidential Information Memorandum prepared by or on behalf of Parent.

"Closing" has the meaning set forth in Section 1.3.

"Closing Date" has the meaning set forth in Section 1.3.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the Recitals.

"Company Closing Failure" has the meaning set forth in Section 7.1(d).

"Company Transaction Expenses" means, the legal, accounting, financial advisory, and other advisory, transaction or consulting fees and expenses incurred by the Company or any of its Subsidiaries (whether accrued or otherwise) in connection with the transactions contemplated by this Agreement.

"Confidentiality Agreement" means that certain Confidentiality Agreement between Parent and Brookfield Infrastructure Group LLC, dated as of July 31, 2021.

"Contract" means any written agreement, arrangement, commitment, indenture, instrument, purchase order, license or other binding agreement.

"Data Room" means that certain "Project Aether" datasite administered by Intralinks, Inc., which has been made available to Investor.

"Debt Financing" has the meaning set forth in Section 5.6(a).

"Declaration" has the meaning set forth in Section 5.3(d).

"Disclosure Schedules" has the meaning set forth in Article II.

"DPA" means the three-year Deferred Prosecution Agreement entered into by Parent with the Southern District of Ohio arising out of certain political contributions it made between approximately March 2017 and March 2020.

"Emergency Situation" means, with respect to the business of the Company and its Subsidiaries, any abnormal system condition or abnormal situation requiring immediate action to maintain system frequency, loading within acceptable limits or voltage or to prevent loss of firm load, material equipment damage or tripping of system elements that would reasonably be expected to materially and adversely affect reliability of an electric system or any other occurrence or condition that otherwise requires immediate action to prevent an immediate and material threat to the safety of Persons or the operational integrity of the assets and business of the Company or its Subsidiaries or any other condition or occurrence requiring prompt implementation of emergency procedures as defined by the applicable transmission grid operator or transmitting utility.

"Environmental Laws" means all applicable Laws concerning (a) the presence, use, production, generation, handling, labeling, transportation, treatment, recycling, storage, disposal, emission, discharge, Release, threatened Release, control or cleanup of Hazardous Substances, (b) public or worker/occupational health and safety (in each case to the extent related to exposure to Hazardous Substances), (c) pollution or (d) the preservation or protection of the environment or natural resources.

"Equity Interest" means any stock, partnership interest, membership interest, joint venture interest or other equity ownership interest.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means, with respect to any Person, any other Person that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA that includes or included the first Person, or any Person that is, or was at the relevant time, a member of the same "controlled group" as the first Person pursuant to Section 4001(a)(14) of ERISA.

"Existing Indebtedness" means the Indebtedness set forth on Schedule 10.17(b).

"Express Representations" has the meaning set forth in Section 8.2(a).

"Extraordinary Event Response" means any action otherwise prohibited by Section 5.1 to the extent determined in good faith by the Company or such Subsidiary to be reasonably

necessary to avoid or mitigate a material risk of immediate physical injury to any human Person, or to otherwise address COVID-19.

"Final Notice" has the meaning set forth in Section 5.3(d).

"Financing Information" means all information with respect to the business, operations, financial condition, projections and prospects of the Company or any of its Subsidiaries as may be reasonably required by the Financing Sources, including (a) financial statements, and (b) such other information relating to the Company and its subsidiaries as is reasonably requested in connection with the Debt Financing, in each case, to enable the Investor to prepare pro forma financial statements to the extent customary and reasonably required pursuant to the Debt Financing and to the extent reasonably available and prepared in past practice.

"Financing Sources" means the agents, arrangers, lenders and other entities that may commit to provide or arrange or otherwise enter into agreements in connection with all or any part of the Debt Financing in connection with the transactions contemplated hereby, including the parties to any joinder agreements, indentures or credit agreements entered into in connection therewith, together with their respective Affiliates and their and their respective Affiliates' officers, directors, employees, controlling persons, agents and representatives and their respective successors and assigns. For the avoidance of doubt, in no event will any Party hereto be deemed to constitute a "Financing Source," it being understood that the provisions herein referring to Financing Sources (or to their Affiliates or other related persons) shall not apply in any way to the Parties.

"Financial Statements" has the meaning set forth in Section 2.6(a).

"FPA" has the meaning set forth in Section 2.19(c).

"Fraud" means an act, committed by a Person, with intent to deceive another Person, or to induce such Person to enter into this Agreement, or otherwise act or refrain from acting, and requires (a) the making of a false Express Representation in Article II (in the case of the Company), or Article III (in the case of Parent) or Article IV (in the case of Investor), in the Disclosure Schedules or in any certificate delivered pursuant to this Agreement by the applicable Party; (b) with knowledge that such Express Representation is false; (c) with an intention to induce reliance by the Party to whom such Express Representation is made; and (d) justifiable reliance by the Party to whom the representation is made on such Express Representation; provided, however, that any reckless or similar misrepresentation of a material fact will not be deemed "Fraud" for purposes of this Agreement or any other agreements, instruments or certificates to be entered into or delivered by the Parties pursuant to the terms of this Agreement, it being the intention of the Parties that "reckless fraud" and other forms of constructive fraud shall not constitute "Fraud" for any purpose under this Agreement.

"Fundamental Representations" means the representations and warranties set forth in Section 2.1(a) (*Formation and Power*), Section 2.2 (*Subsidiaries*), Section 2.5 (*Equity Interests*), Section 2.21 (*Broker Fees*), Section 3.1 (*Formation and Power*), Section 3.2 (*Authorization*), Section 3.7 (*Broker Fees*), Section 4.1 (*Organization and Power*), Section 4.2 (*Authorization*), Section 4.6 (*Broker Fees*), Section 4.8 (*Financial Capability*) and Section 4.9 (*No Fraudulent Conveyance*).

"GAAP" has the meaning set forth in Section 2.6(a).

"Good Industry Practice" means (a) any of the practices, methods and acts engaged in or approved by a significant portion of the electricity transmission industry operating in the United States during the relevant time period or (b) any of the practices, methods or acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with applicable Law, good business practices, reliability, safety and expedience. Good Industry Practice is not intended to be limited to optimum practices, methods or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the United States of the performance of such practice, method or act.

"Governmental Body" means any national, foreign, federal, state, local, municipal or other governmental authority of any nature (including any division, department, agency, commission or other regulatory body thereof) and any court or arbitral tribunal.

"Guaranteed Obligations" has the meaning set forth in Section 5.5.

"Guarantor" has the meaning set forth in the Preamble.

"Hazardous Substances" means any pollutant, contaminant or hazardous or toxic substance, material or waste, including petroleum, petroleum byproducts and all derivatives thereof, asbestos, per- or polyfluoroalkyl substances, polychlorinated biphenyls, explosive substances or pesticides, regulated by, defined under or that would reasonably be expected to give rise to liability under Environmental Laws.

"Indebtedness" means, with respect to any Person, (a) all indebtedness of such Person, whether or not contingent, for borrowed money or in respect of any loans or advances, (b) all other indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments or debt securities (excluding trade account payables constituting short term Liabilities under GAAP), (c) any obligation of such Person evidenced by any letter of credit or bankers' acceptance (whether or not drawn), (d) any accrued interest, premiums, penalties, related expenses, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and other obligations relating to the foregoing and (e) all indebtedness of others referred to in clause (a) through (d) above guaranteed directly or indirectly in any manner by such Person.

"Intellectual Property" means all of the following: (a) patents, patent applications and patent disclosures; (b) trademarks, service marks, trade dress, corporate names and Internet domain names, together with all goodwill associated with each of the foregoing; (c) copyrights; (d) registrations and applications for any of the foregoing; (e) trade secrets; (f) computer software; (g) drawings, schematics and other technical plans; and (h) all other intellectual property.

"Interim Period" has the meaning set forth in Section 5.1(a).

"Interim Period Contract" means any Contract entered into by the Company or any of its Subsidiaries during the Interim Period that would have been required to be set forth on Schedule 2.10 had such Contract been entered into as of the date of this Agreement.

"Investor" has the meaning set forth in the Preamble.

"Investor Closing Failure" has the meaning set forth in Section 7.1(f).

"Investor Disclosure Schedule" has the meaning set forth in Article IV.

"Investor Group" means Investor and Brookfield Super-Core Infrastructure Partners L.P., together with its controlled investment vehicles (excluding, for the avoidance of doubt, after the Closing, the Company and its Subsidiaries) and each of their respective former, current or future officers, directors, employees, partners, members, managers, agents, successors or permitted assigns.

"IRS" means the United States Internal Revenue Service.

"IT Systems" means all material information systems, including material electronic data processing, information, recordkeeping, communications, telecommunications, account management, inventory management and other computer systems (including all computer programs, software, databases, firmware, hardware and related documentation) to the extent used by or on behalf of the Company or any of its Subsidiaries in the conduct of the business of the Company or any of its Subsidiaries.

"knowledge of Investor" means the actual knowledge (as opposed to any constructive or imputed knowledge) of Eduardo Salgado and Natalie Hadad, in each case after reasonable due inquiry.

"knowledge of Parent" means the actual knowledge (as opposed to any constructive or imputed knowledge) of Samuel Belcher, Robert Mattiuz Jr. and Carl Bridenbaugh, in each case after reasonable due inquiry.

"knowledge of the Company" means the actual knowledge (as opposed to any constructive or imputed knowledge) of Milorad Pokrajac, Robert Mattiuz Jr. and Carl Bridenbaugh, in each case after reasonable due inquiry.

"Law" means any law (statutory, common or otherwise), rule, regulation, code or ordinance enacted, adopted, promulgated or applied by any Governmental Body.

"Leased Real Property" means all land, buildings, structures, improvements or other real property material to the Company or any of its Subsidiaries and their respective businesses, other than Ancillary Real Property or Owned Real Property, which the Company or any of its Subsidiaries has the right to use pursuant to leases, subleases or other similar Contracts.

"Leases" means any Contract pursuant to which any Leased Real Property is leased, subleased, licensed or occupied, together with all modifications, amendments, extensions, guarantees, assignments and supplement thereto, other than Ancillary Real Property Agreements.

"Liabilities" has the meaning set forth in Section 2.6(b).

"Liens" means all liens, encumbrances, mortgages, deeds of trust, leases, subleases, licenses, sublicenses, pledges, security interests, hypothecations, options, right-of-way, servitude, easements, encroachments, conditional or contingent sales or other title retention agreements, defects in title, charges, claims, proxy, voting trust or transfer restrictions, including rights of

first refusal, rights of first offer or preemptive rights, under any stockholder or similar agreement or Organizational Document, and in each case, including any contract to give any of the foregoing in the future.

"Losses" has the meaning set forth in Section 5.2(b).

"Material Adverse Effect" means any change, circumstance, development, state of facts, effect or condition that, individually or in the aggregate, with any such other changes, circumstances, developments, states of facts, effects or conditions, is or would reasonably be expected to have a material adverse effect on the business, operations, assets or financial condition or operating results of the Company and its Subsidiaries, taken as a whole; provided, that none of the following, either alone or taken together with other changes, circumstances, developments, states of facts, effects or conditions, shall constitute, or be taken into account in determining whether there has been or would be expected to be, a Material Adverse Effect: (a) changes in, or effects arising from or relating to, general business or economic conditions affecting the industry in which Parent, the Company and its Subsidiaries operate; (b) changes in, or effects arising from or relating to, national or international political or social conditions, including the engagement by any country in hostilities or the escalation thereof, whether or not pursuant to the declaration of a national emergency or war, or the occurrence or the escalation of any military, cyber or terrorist attack upon any country, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, asset, equipment or personnel of any country; (c) changes in, or effects arising from or relating to, financial, banking or securities markets (including (i) any disruption of any of the foregoing markets, (ii) any change in currency exchange rates, (iii) any decline or rise in the price of any security, commodity, contract or index and (iv) any increased cost, or decreased availability, of capital or pricing or terms related to any financing for the transactions contemplated hereby); (d) changes in, or effects arising from or relating to changes in, GAAP; (e) changes in, or effects arising from or relating to changes in, Laws, Orders or other binding directives or determinations issued or made by or agreements with or consents of any Governmental Body (including any such items related to Section 5.3); (f) changes or effects arising from or relating to (i) the taking of any action expressly permitted or expressly contemplated by this Agreement (including Section 5.1) or at the written request of Investor or its Affiliates, (ii) the failure to take any action if such action is expressly prohibited by this Agreement or (iii) the announcement of this Agreement or the transactions contemplated hereby or the identity, nature or ownership of Investor, including the impact thereof on the relationships, contractual or otherwise, of the Company or any of its Subsidiaries with employees, customers, lessors, suppliers, vendors or other commercial partners; (g) strikes, work stoppages or other labor disputes; (h) any failure, in and of itself, to achieve any budgets, projections, forecasts, estimates, plans, predictions, performance metrics or operating statistics or the inputs into such items (but not the underlying causes of any such failure to the extent such underlying cause is not otherwise excluded from the definition of Material Adverse Effect); (i) the effect of any action taken by Investor or its Affiliates with respect to the transactions contemplated hereby; (j) the matters expressly set forth on the Disclosure Schedules; or (k) any effects or consequences of, or Extraordinary Event Response to, any epidemic, pandemic or disease outbreak (including any coronavirus) or any civil protests, riots or other civil unrest, except in the case of the foregoing clause (a), (b), (c), (d) or (e), to the extent such changes or effects have a materially disproportionate impact on the Company and its Subsidiaries, taken as a

whole, as compared to other market participants engaged in the same industry and geographic region.

"Material Contract" has the meaning set forth in Section 2.10(b).

"Membership Interests" has the meaning set forth in the Recitals.

"Operating Agreement" means the Third Amended and Restated Limited Liability Company Agreement of the Company, by and among the Company, Parent and Investor, to be executed, subject to the terms and conditions hereof, on the Closing Date, substantially in the form attached hereto as Exhibit A (as such form may be modified from time to time (without requiring any separate amendment to this Agreement) pursuant to the mutual agreement of the Parties as contemplated in Section 5.3(f)).

"Order" means any order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction, or other similar determination or finding by, before, or under the supervision of any Governmental Body.

"Ordinary Course of Business" with respect to a Person means the ordinary course of business of such Person, consistent with past practice (including, for the avoidance of doubt, past practice concerning the effects of any responses to COVID-19).

"Organizational Documents" means, with respect to any corporation, its articles or certificate of incorporation, memorandum or articles of association and by-laws or documents of similar substance; with respect to any limited liability company, its articles of association, articles of organization or certificate of organization, formation or association and its operating agreement or limited liability company agreement or documents of similar substance; with respect to any limited partnership, its certificate of limited partnership and partnership agreement or documents of similar substance; and with respect to any other entity, documents of similar substance to any of the foregoing, in each case, including any member agreements, shareholders agreements, voting agreements or documents of similar substance relating to ownership or governance matters.

"Outside Date" has the meaning set forth in Section 7.1(b)(i).

"Owned Real Property" means all real property owned by the Company or any of its Subsidiaries.

"Parent" has the meaning set forth in the Preamble.

"Parent Group" means Parent, any Affiliate of Parent (excluding, for the avoidance of doubt, the Company and its Subsidiaries) and each of their respective former, current or future Affiliates, officers, directors, employees, partners, members, managers, agents, Advisors, successors or permitted assigns.

"Parent SEC Reports" means the forms, reports, schedules, statements and other documents required to be filed or furnished under the U.S. Securities Exchange Act of 1934 filed or furnished with the U.S. Securities and Exchange Commission by Parent since January 1, 2020.

"Parties" or "Party" has the meaning set forth in the Preamble.

"Permits" has the meaning set forth in Section 2.17(a).

"Permitted Liens" means (a) Liens for Taxes not yet delinquent or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings so long as adequate reserves are maintained in accordance with GAAP, (b) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees to the extent arising under and in accordance with the terms of the disclosed Leases arising or incurred in the Ordinary Course of Business, (c) Liens arising under the Existing Indebtedness, (d) mechanics Liens and similar Liens for labor, materials, or supplies relating to obligations as to which there is no breach or default on the part of the Company or any of its Subsidiaries, as the case may be, or the validity or amount of which is being contested in good faith through appropriate proceedings so long as adequate reserves are maintained on the Financial Statements in accordance with GAAP, (e) zoning, building codes, and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon that are imposed by any Governmental Body having jurisdiction over such real property, in each case that do not adversely impact in any material respect the current use, occupancy or operation of the Owned Real Property or the Leased Real Property, and are not violated by the current use, occupancy or activity conducted thereon by the Company or any of its Subsidiaries, as applicable, which does not in any material respect affect the value or current use thereof, (f) easements, servitudes, covenants, conditions, restrictions, and other similar matters of record affecting title to any assets of the Company or any of its Subsidiaries and other title defects that do not or would not reasonably be expected to, individually or in the aggregate, materially impair the use or occupancy of such assets in the operation of the business of the Company and its Subsidiaries, (g) all matters set forth on title policies or surveys made available by or on behalf of the Parent Group to Investor other than those Liens that, individually or in the aggregate, impair in any material respect the current use or occupancy of the subject real property to which they relate, and (h) Liens arising under Laws of general applicability, other than to the extent such Liens arise from or relate to any applicable Person's failure to comply with any such Law.

"Permitted Transactions" has the meaning set forth in Section 5.7.

"Personal Data" means any data or other information that, alone or in combination with other data or information, can be reasonably used to identify (directly or indirectly) an individual, household, computer or device, including any personally identifiable data (*e.g.*, name, address, phone number, email address, financial account number, payment card data, and government issued identifier.

"Persons" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Body.

"Projections" has the meaning set forth in Section 8.2(b).

"Protected Parent Communications" has the meaning set forth in Section 5.11.

"Purchase Price" has the meaning set forth in Section 1.2(a).

"Purchased Interests" has the meaning set forth in the Recitals.

"R&W Insurance Policy" has the meaning set forth in Section 5.12.

"Regulatory Approvals" means the CFIUS Clearance and each consent, approval or authorization of, permit or license issued or granted by, Order, waiver or exemption by, negative clearance from, or the expiration or early termination of any waiting period imposed by, any Governmental Body, in each case with respect to the Laws (or, as applicable, the Governmental Bodies) set forth on Schedule 10.17(c).

"Release" means any depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, migrating or other release of any Hazardous Substance into the environment.

"Representatives" means the directors, officers, employees, agents and Advisors of a Party.

"Restraint" has the meaning set forth in Section 6.1(c).

"Restricted Affiliate" means Brookfield Super-Core Infrastructure Partners L.P., together with its controlled investment vehicles (excluding, for the avoidance of doubt, after the Closing, the Company and its Subsidiaries).

"Sanctioned Entity" means (a) an agency of the government of, (b) an organization directly or indirectly owned 50% or more or controlled by, or (c) an individual that acts on behalf of, a country or territory that is subject to, or the target of, comprehensive Sanctions, including a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/programs, or as otherwise published from time to time, to the extent that such program administered by OFAC is applicable to any such agency, organization or individual.

"Sanctioned Person" means a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time or any other Sanctions-related list of designated Persons maintained by an applicable Governmental Body described in the definition of "Sanctions."

"Sanctions" means any sanctions imposed, administered or enforced from time to time by OFAC, the U.S. Department of State, Her Majesty's Treasury, the United Nations, the European Union or any agency or subdivision of any of the foregoing, including any regulations, rules and executive orders issued in connection therewith.

"Schedule" has the meaning set forth in Article II.

"Security Incident" means an occurrence that materially impairs the confidentiality, integrity or availability of any of the IT Systems or any material information that the IT Systems process, store or transmit.

"Seller Related Party" shall mean Parent, the Company and each of their respective Affiliates and their and their respective Affiliates' officers, directors, employees, controlling persons, agents and representatives.

"Statement" has the meaning set forth in Section 1.2(b).

"Subsidiary" means, with respect to any Person, any entity of which a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof or any partnership, association or other entity of which a majority of the partnership or other similar ownership interest is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof. For purposes of this definition, a Person is deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity if such Person is allocated a majority of the gains or losses of such partnership, limited liability company, association or other entity or is or controls the managing director, managing member or general partner of such partnership, limited liability company, association or other business entity.

"Surviving Provisions" has the meaning set forth in Section 7.2.

"Tax" or "Taxes" means (a) any federal, state, local, foreign or other income, gross receipts, capital stock, capital gains, franchise, profits, withholding, payroll, social security, unemployment, disability, real property, ad valorem/personal property, stamp, excise, occupation, sales, use, excise, escheat, unclaimed property, transfer, value added, import, export, alternative minimum, estimated or other tax, duty, assessment or governmental charge of any kind whatsoever, including any interest, penalty or addition thereto and (b) any amount described in clause (a) payable by reason of Contract, assumption, transferee or successor liability, operation of Law, Treasury Regulations Section 1.1502-6 or otherwise.

"Tax Return" means any return, claim for refund, report, election, form, statement or information return relating to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

"Transfer Taxes" has the meaning set forth in Section 9.1.

"Unaudited Financial Statements" has the meaning set forth in Section 2.6(a).

"Willful Breach" means a material breach or failure to perform that is the consequence of an act or omission of a Party, with the knowledge that the taking of, or failure to take, such act would, or would be reasonably expected to, cause a breach of this Agreement. For the avoidance of doubt, "Willful Breach" includes an Investor Closing Failure and a Company Closing Failure.

Section 10.18 **Other Definitional Provisions**. The following shall apply to this Agreement, the Disclosure Schedules and any other certificate, instrument, agreement or other document contemplated hereby or delivered hereunder.

(a) Accounting terms which are not otherwise defined in this Agreement have the meanings given to them under GAAP. To the extent that the definition of an accounting term defined in this Agreement is inconsistent with the meaning of such term under GAAP, the definition set forth in this Agreement shall control.

(b) The terms "hereof," "herein" and "hereunder" and terms of similar import are references to this Agreement as a whole and not to any particular provision of this Agreement. Section, clause, schedule and exhibit references contained in this Agreement are references to sections, clauses, schedules and exhibits in or to this Agreement, unless otherwise specified.

(c) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Where the context permits, the use of the term "or" shall be equivalent to the use of the term "and/or."

(d) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a day other than a Business Day, the period in question shall end on the next succeeding Business Day.

(e) Words denoting any gender shall include all genders, including the neutral gender. Where a word is defined herein, references to the singular shall include references to the plural and vice versa.

(f) The word "will" will be construed to have the same meaning and effect as the word "shall". The words "shall," "will," or "agree(s)" are mandatory, and "may" is permissive.

(g) All references to "$" and dollars shall be deemed to refer to United States currency unless otherwise specifically provided.

(h) All references to a day or days shall be deemed to refer to a calendar day or calendar days, as applicable, unless otherwise specifically provided.

(i) Any document or item shall be deemed "delivered", "provided" or "made available" by Parent within the meaning of this Agreement and the Disclosure Schedules if such document or item (i) is included in the Data Room as of the close of business on November 4, 2021 immediately preceding the date hereof, or (ii) actually delivered or provided to Investor or any of its Advisors prior to the close of business on the Business Day immediately preceding the date hereof.

(j) Any reference to any Contract shall be a reference to such Contract, as amended, amended and restated, modified, supplemented or waived.

(k) Any reference to any particular Code section or any Law shall be interpreted to include any amendment to, revision of or successor to that section or Law regardless of how it is numbered or classified; provided, that, for the purposes of the representations and warranties contained herein, with respect to any violation of or non-compliance with, or alleged violation of

or non-compliance, with any Code section or Law, the reference to such Code section or Law means such Code section or Law as in effect at the time of such violation or non-compliance or alleged violation or non-compliance.

[*signature pages follow*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

PARENT:

FIRSTENERGY CORP.

By: /s/ K. Jon Taylor
Name: K. Jon Taylor
Title: Senior Vice President and Chief Financial Officer

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

THE COMPANY:

FIRSTENERGY TRANSMISSION, LLC

By: /s/ Samuel L. Belcher
Name: Samuel L. Belcher
Title: President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

INVESTOR:

NORTH AMERICAN TRANSMISSION COMPANY II LLC

By: /s/ Fred Day
Name: Fred Day
Title: President

GUARANTORS:

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS L.P.

By: Brookfield Super-Core Infrastructure Partners GP LLC, its general partner
By: Brookfield Super-Core Infrastructure Partners GP of GP LLC, its manager

By: /s/ Fred Day
Name: Fred Day
Title: Vice President

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS (NUS) L.P.

By: Brookfield Super-Core Infrastructure Partners GP LLC, its general partner
By: Brookfield Super-Core Infrastructure Partners GP of GP LLC, its manager

By: /s/ Fred Day
Name: Fred Day
Title: Vice President

BROOKFIELD SUPER-CORE INFRASTRUCTURE PARTNERS (ER) SCSP

By: BSIP GP, S.À R.L., its general partner

By: /s/ Carolina Parisi
Name: Carolina Parisi
Title: Manager

By: /s/ Luc Leroi
Name: Luc Leroi
Title: Manager

Exhibit A
Form of Operating Agreement

FINAL FORM

FORM

OF

THIRD AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

FIRSTENERGY TRANSMISSION, LLC

TABLE OF CONTENTS

Page

ARTICLE I General Matters 1
Section 1.1 Formation 1
Section 1.2 Name 1
Section 1.3 Purpose 1
Section 1.4 Registered Office 2
Section 1.5 Registered Agent 2
Section 1.6 Members 2
Section 1.7 Powers 3
Section 1.8 Limited Liability Company Agreement 3
Section 1.9 Issuance of Additional Membership Interests 3
ARTICLE II Management 3
Section 2.1 Directors 3
Section 2.2 Number of Directors; Proportional Appointment Rights 4
Section 2.3 Removal of Directors 5
Section 2.4 Vacancies 6
Section 2.5 Acts of the Board 6
Section 2.6 Compensation of Directors 6
Section 2.7 Meetings of Directors; Notice 6
Section 2.8 Quorum 7
Section 2.9 Place and Method of Meetings 7
Section 2.10 Action by the Board Without a Meeting 7
Section 2.11 Duties of Directors 8
Section 2.12 Committees 8
Section 2.13 Investor Member Board Observer 8
Section 2.14 Related Party Matters 9
ARTICLE III Officers 12
Section 3.1 Appointment and Tenure 12
Section 3.2 Removal 12
Section 3.3 President 12
Section 3.4 Vice Presidents 12
Section 3.5 Secretary; Assistant Secretaries 12
Section 3.6 Treasurer; Assistant Treasurers 13
ARTICLE IV Default; Dissolution 13
Section 4.1 Events of Default 13
Section 4.2 Default Notice 13
Section 4.3 Dissolution 14
ARTICLE V Capital Contributions; Distributions 14
Section 5.1 Capital Contributions 14

TABLE OF CONTENTS
(continued)

Page

Section 5.2 Distributions Generally 18
Section 5.3 Distributions upon the Occurrence of an Event of Dissolution 18
Section 5.4 Withdrawal of Capital; Interest 19
ARTICLE VI Transfers of Membership Interests 19
Section 6.1 General Restriction 19
Section 6.2 Transfers to Permitted Transferees; Liens by Members 19
Section 6.3 Right of First Offer 20
Section 6.4 Tag-Along Rights 22
Section 6.5 Drag-Along Rights 23
Section 6.6 Cooperation 26
Section 6.7 Contracts Inhibiting Transfer 26
ARTICLE VII Preemptive Rights 26
Section 7.1 Preemptive Rights 26
ARTICLE VIII Protective Provisions 27
Section 8.1 Investor Member No Threshold Matters 27
Section 8.2 Investor Member Threshold Matters 29
Section 8.3 Consultation Matters 30
Section 8.4 Actions by the Investor Director on behalf of the Investor Member 31
Section 8.5 Certain Excluded Matters 31
Section 8.6 Acknowledgement of Purpose of Provisions 31
ARTICLE IX Other Covenants and Agreements 32
Section 9.1 Books and Records 32
Section 9.2 Financial Reports 32
Section 9.3 Other Business; Corporate Opportunities 33
Section 9.4 Compliance with Laws 34
Section 9.5 Non-Solicit 35
Section 9.6 Confidentiality 35
Section 9.7 Expenses 36
ARTICLE X Tax Matters 36
Section 10.1 Tax Classification 36
Section 10.2 Tax Matters Shareholder 37
Section 10.3 Tax Allocation Agreement 37
Section 10.4 Cooperation 37
Section 10.5 Withholding 37
Section 10.6 Certain Representations and Warranties 37
Section 10.7 Intended Tax Treatment 38
ARTICLE XI Liability; Exculpation; Indemnification 38
Section 11.1 Liability; Member Duties 38

TABLE OF CONTENTS
(continued)

Page

Section 11.2 Exculpation 38
Section 11.3 Indemnification 38
Section 11.4 Authorization 39
Section 11.5 Reliance on Information 39
Section 11.6 Advancement of Expenses 39
Section 11.7 Non-Exclusive Provisions 39
Section 11.8 Survival of Indemnification and Advancement of Expenses 40
Section 11.9 Limitations 40
ARTICLE XII Representations and Warranties 40
Section 12.1 Members Representations and Warranties 40
ARTICLE XIII Miscellaneous 40
Section 13.1 Notices 40
Section 13.2 Assignment 42
Section 13.3 Waiver of Partition 42
Section 13.4 Further Assurances 42
Section 13.5 Third Party Beneficiaries 43
Section 13.6 Parties in Interest 43
Section 13.7 Severability 43
Section 13.8 Construction 43
Section 13.9 Complete Agreement 43
Section 13.10 Amendment; Waiver 43
Section 13.11 Governing Law 44
Section 13.12 Specific Performance 44
Section 13.13 Arbitration 44
Section 13.14 Counterparts 46
Section 13.15 Fair Market Value Determination 46
Section 13.16 Certain Definitions 46
Section 13.17 Terms Defined Elsewhere in this Agreement 53
Section 13.18 Other Definitional Provisions 54

Schedules

Schedule 1 – Schedule of Members
Schedule 2 – Prohibited Competitors

THIRD AMENDED & RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

This THIRD AMENDED & RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of FirstEnergy Transmission, LLC (the "Company") is made and entered into as of [●] (the "Effective Date"), by and among the Company, FirstEnergy Corp., an Ohio corporation (the "FE Member"), and North American Transmission Company II LLC, a Delaware limited liability company (the "Investor Member"). The Company, the FE Member and the Investor Member are each sometimes referred to herein as a "Party" and, together, as the "Parties".

RECITALS

1. Immediately prior to the execution and delivery hereof, the FE Member was the owner of 100% of the Membership Interests.

2. On November 6, 2021, the Company, the FE Member, the Investor Member and, solely for the purposes of Sections 5.5, 5.6(c) and 8.1(a) and Article X thereof, the Guarantors (as defined therein) entered into the PSA, pursuant to which the Company has, concurrently with the execution and delivery of this Agreement, issued to the Investor Member Membership Interests constituting a 19.9% Percentage Interest.

3. Upon the execution and delivery hereof, and in connection with the closing of the transactions contemplated by the PSA, the FE Member will be the owner of Membership Interests constituting an 80.1% Percentage Interest, and the Parties collectively will be the owners of 100% of the Membership Interests.

4. The Parties desire to, and by the execution and delivery of this Agreement hereby do, amend and restate in its entirety the Second Amended and Restated Limited Liability Company Agreement of the Company, dated as of May 9, 2014, in order to provide for, among other things, the admission of the Investor Member as a Member, the rights and responsibilities of the Parties with respect to the governance, financing and operation of the Company, and certain other matters relating to the business arrangements between the Parties with respect to the Company.

Therefore, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valid consideration the receipt of which is hereby acknowledged by each Party, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I
GENERAL MATTERS

Section 1.1 Formation. The FE Member formed the Company as a limited liability company pursuant to the Act.

Section 1.2 Name. The name of the Company is "FirstEnergy Transmission, LLC".

Section 1.3 Purpose.

(a) The purpose of the Company is to engage in all lawful business for which limited liability companies may be formed under the Act and the Laws of the State of Delaware in furtherance of the following activities (the "Company Business"):

(i) making direct or indirect investments in, or directly or indirectly developing, constructing, commercializing, operating, maintaining or owning, electric transmission assets and facilities (including ownership of the Company's Subsidiaries);

(ii) undertaking any business activities presently conducted by the Company;

(iii) other activities that are eligible to earn recovery through cost-based transmission rates approved by FERC; and

(iv) engaging in such other activities as the Board deems necessary, convenient or incidental to the conduct, promotion or attainment of the activities described in the foregoing sub-clauses (i), (ii) and (iii).

(b) The Company shall not engage in any activity or conduct inconsistent with the Company Business or any reasonable extensions thereof.

Section 1.4 Registered Office. The address of the registered office of the Company in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 1.5 Registered Agent. The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 1.6 Members.

(a) Each of the FE Member and the Investor Member is hereby or was heretofore admitted to the Company as a Member, and hereby continues as such. Unless admitted to the Company as a Member as provided in this Agreement, no Person shall be, in fact or for any other purpose, a Member.

(b) No Member shall have any right to withdraw from the Company except as expressly set forth herein. No Membership Interest is redeemable or repurchasable by the Company at the option of a Member. Except as expressly set forth in this Agreement, no event affecting a Member (including dissolution, bankruptcy or insolvency) shall affect its obligations under this Agreement or affect the Company.

(c) The Members' names, addresses and Percentage Interests are set forth on the Schedule of Members attached to this Agreement as Schedule 1.

(d) No Member, acting in its capacity as a Member, shall be entitled to vote on any matter relating to the Company other than as specifically required by the Act or as expressly set forth in this Agreement.

(e) Except as otherwise expressly set forth in this Agreement, any matter requiring the action, consent, vote or other approval of the Members hereunder shall require action,

consent, vote or approval of the Members owning at least a majority of the Membership Interests.

(f) A Member shall automatically cease to be a Member upon Transfer of all of such Member's Membership Interests made pursuant to and in accordance with the terms of this Agreement. Immediately upon any such permissible Transfer, the Company shall cause such Member to be removed from Schedule 1 to this Agreement and to be substituted by the transferee or transferees in such Transfer, and, except as otherwise expressly provided for herein, such transferee or transferees shall be deemed to be a "Party" for all purposes hereunder and all references to the FE Member or the Investor Member, as the case may be, shall be deemed to be references to such transferee or transferees (notwithstanding, in the case that more than one Person is a transferee of such Membership Interests, that such defined terms as used herein are singular in number).

Section 1.7 Powers. The Company shall have the power and authority to do any and all acts necessary or convenient to or in furtherance of the purposes described in Section 1.3, including all power and authority, statutory or otherwise, possessed by, or which may be conferred upon, limited liability companies under the Laws of the State of Delaware.

Section 1.8 Limited Liability Company Agreement. This Agreement shall constitute the "limited liability company agreement" of the Company for the purposes of the Act. The rights, powers, duties, obligations and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights, powers, duties, obligations and liabilities of any Member are different by reason of any provision of this Agreement than they would be under the Act in the absence of such provision, this Agreement shall control to the fullest extent permitted by the Act and other applicable Law.

Section 1.9 Issuance of Additional Membership Interests. Except for (a) the issuance of any Excluded Membership Interests or (b) the issuance of Membership Interests made pursuant to and in accordance with Section 5.1(c) or Article VII, the Company shall not issue any new Membership Interests, or any securities convertible into Membership Interests or other equity interests of the Company, to any Third Party or to the Members other than in accordance with their respective Percentage Interests or pursuant to and in accordance with Section 5.1(c) or Article VII.

ARTICLE II
MANAGEMENT

Section 2.1 Directors. Subject to the provisions of the Act and any limitations in this Agreement as to action required to be authorized or approved by the Members, the business and affairs of the Company shall be managed and all its powers shall be exercised by or under the direction of a board of directors (the "Board" and each duly appointed and continuing member thereof from time to time, a "Director"), and no Member, by virtue of having the status of a Member, shall have any management power over the business and affairs of the Company or any actual or apparent authority to enter into Contracts on behalf of, or to otherwise bind, the Company. Without prejudice to such general powers, but subject to the same limitations, the Board shall be empowered to conduct, manage and control the business and affairs of the Company and to make such rules and regulations therefor not inconsistent with applicable Law

or this Agreement, as the Board shall deem to be in the best interest of the Company. Each Director is hereby designated as a "manager" of the Company within the meaning of Section 18-101 of the Act.

Section 2.2 Number of Directors; Proportional Appointment Rights.

(a) The authorized number of Directors constituting the Board shall be five Directors, subject to any increase effected pursuant to Section 2.2(e) (the "Total Number of Directors").

(b) The Investor Member shall, as of the Effective Date, be entitled to appoint one Director, and the Investor Member shall retain the right to appoint at least one Director for so long as it holds at least a 9.9% Percentage Interest. In the event that the Investor Member's Percentage Interest is reduced below 9.9%, the Investor Member shall cease to be entitled to appoint any Investor Directors. Directors appointed by the Investor Member are referred to herein as "Investor Directors". From and after the Effective Date, the Investor Member shall be entitled to appoint such number of Investor Directors so that the total number of Investor Directors on the Board is equal to the product of the Investor Member's Percentage Interest (at any applicable time) multiplied by the Total Number of Directors, in each case rounded up to the next whole number; provided, however, that the appointment of any particular proposed Investor Director shall be subject to the FE Member's prior written consent of the identity of such individual prior to his or her appointment to the Board (such consent not to be unreasonably withheld, delayed or conditioned); provided, further, that the FE Member shall not have any such consent right over the appointment of any proposed Investor Director that is a Qualified Designee.

(c) In the event that the Investor Member's Percentage Interest decreases such that the Investor Member would be entitled to appoint a number of Investor Directors that is less than the number of Investor Directors then serving on the Board, the Investor Member will, concurrently with such decrease, designate (in the Investor Member's sole discretion) one or more Investor Directors for removal from the Board, such that the number of Investor Directors serving on the Board is equal to the number of Investor Directors that the Investor Member is entitled to appoint at such time pursuant to Section 2.2(b), such removal or removals being effective immediately upon such designation. If the Investor Member fails to so designate Investor Directors concurrently with such decrease in the Investor Member's Percentage Interest, then the FE Member may designate (in the FE Member's sole discretion) for removal the number of Investor Directors required to be removed from the Board pursuant to the immediately foregoing sentence, such removal or removals being effective immediately upon such designation.

(d) The FE Member shall be entitled to appoint all of the remaining Total Number of Directors that the Investor Member is not entitled to appoint pursuant to Section 2.2(b). Directors appointed by the FE Member are referred to herein as "FE Directors". The FE Member shall further be entitled to designate an FE Director to serve as the chairperson of the Board.

(e) In the event that the Investor Member's Percentage Interest increases such that the Investor Member would be entitled to appoint a number of Investor Directors that is greater than the number of Investor Directors then serving on the Board, the FE Member will,

concurrently with such increase, elect (such election to be made in the FE Member's sole discretion) to either (i) designate (in the FE Member's sole discretion) one or more FE Directors for removal from the Board, such that the number of directorships available for Investor Directors is equal to the number of Investor Directors that the Investor Member is entitled to appoint at such time pursuant to Section 2.2(b), such removal or removals being effective immediately upon such designation, or (ii) increase the Total Number of Directors to create a number of new vacancies on the Board such that the number of directorships available for Investor Directors is equal to the number of Investor Directors that the Investor Member is entitled to appoint at such time pursuant to Section 2.2(b). If the FE Member fails to so act concurrently with such increase in the Investor Member's Percentage Interest, then the Investor Member may designate (in the Investor Member's sole discretion) for removal the number of FE Directors required to be removed from the Board had the FE Member elected the actions set forth in clause (i) of the immediately foregoing sentence, such removal or removals being effective immediately upon such designation.

(f) For so long as the Investor Member is entitled to appoint an Investor Director, the Investor Member shall be further entitled to identify an individual (the "Designated Alternate") who is authorized to attend meetings of the Board (or meetings of Board committees) in lieu of the Investor Director in the event that the Investor Director is unable to attend such meeting. The Designated Alternate will be entitled to exercise the powers of the Investor Director at such meetings, and will be subject to all of the responsibilities of an Investor Director hereunder at such meeting as if they were the Investor Director. The appointment of such Designated Alternate shall be subject to the same approval right of the FE Member applicable to Investor Directors under Section 2.2(b). If the Designated Alternate is serving in lieu of the Investor Director at any Board or committee meeting, the Investor Member shall provide notice to the FE Member of this fact prior to the commencement of such meeting (which notice may be in the form of written notice, including by way of an email to the FE Directors, or an oral announcement by the Designated Alternate of such fact at the commencement of such meeting), and such notice shall be recorded in the minutes of such meeting. For the avoidance of doubt, (i) the Investor Director and the Designated Alternate may not both function as a Director at any meeting of the Board (or committee thereof), and (ii) any references to approval or notice by the Investor Director in this Agreement will be deemed to refer to the Investor Director, and not the Designated Alternate, except in respect of the voting on matters presented at the meeting at which the Designated Alternate is attending. In the event that the Designated Alternate is also a Board Observer, at any Board or committee meeting in which he or she is serving as the Investor Director pursuant to this Section 2.2(f), he or she shall be deemed to be serving only as an Investor Director and not as a Board Observer at such meeting.

Section 2.3 Removal of Directors. Any one or more Directors may be removed at any time, with or without cause, by the Member that appointed such Director, and except as provided in Section 2.2(c) and Section 2.2(e), may not be removed by any other means. If a Director is convicted by a court or equivalent tribunal of any felony (or equivalent crime in the applicable jurisdiction), or of any misdemeanor (or equivalent crime in the applicable jurisdiction) that involves financial dishonesty or moral turpitude, then the Member that appointed such Director shall, unless consented to by the other Member, promptly remove such Director. Delivery of a

written notice to the Company by a Member designating for removal a Director appointed by such Member shall conclusively and with immediate effect constitute the removal of such Director, without the necessity of further action by the Company, the Board, or by the applicable removed Director. Each Director duly appointed by a Member pursuant to and in accordance with the provisions of Section 2.2 shall hold office until his or her resignation, death, permanent disability, removal pursuant to and in accordance with Section 2.2 or with this Section 2.3, or until a successor Director is duly appointed by the Member that appointed (and continues to be entitled to appoint) such Director.

Section 2.4 Vacancies. A vacancy shall be deemed to exist in case of the resignation, death, permanent disability or removal of any Director, or pursuant to an increase in the Total Number of Directors pursuant to and in accordance with the provisions of Section 2.2(e). The Member entitled to appoint a Director to the vacant directorship may appoint or elect a Director thereto to take office (a) immediately, (b) effective upon the departure of the vacating Director, in the case of a resignation, or (c) at such other later time as may be determined by such Member.

Section 2.5 Acts of the Board. Except as otherwise expressly set forth in this Agreement (including Sections 8.1 and 8.2), a vote of a majority of the Directors present at a duly called and noticed meeting of the Board at which a quorum is present shall be required to authorize or approve any action of the Board. Every act of or decision taken or made by the Directors pursuant to the vote required by this Section 2.5 shall be conclusively regarded as an act of the Board.

Section 2.6 Compensation of Directors. The Board shall have the authority to fix the compensation of Directors for their service to the Company, if any. The Board shall also have the authority (but not the obligation) to reimburse Directors for expenses incurred for attendance at meetings of the Board or otherwise in connection with their respective service on the Board. Nothing herein shall be construed to preclude any Director from serving the Company in any other capacity and receiving compensation therefor. If approved by the Board, the Board Observer may be entitled to reimbursement for expenses incurred for attendance at meetings of the Board to the same extent as if he or she were a Director.

Section 2.7 Meetings of Directors; Notice. Except as provided pursuant to Section 2.10, meetings of the Board, both regular and special, for any purpose or purposes may be called at any time by the Board or by any Director, by providing at least seven calendar days' written notice to each Director unless the chairperson of the Board determines, acting reasonably, that there is a significant and time sensitive matter that requires shorter notice to be given, in which case a meeting of the Board may be called by giving at least 48 hours' written notice to each Director. Each notice shall state the purpose(s) of and agenda for the meeting and include all required information, including dial-in numbers or other applicable access information, in order to participate in the meeting by telephonic means, over the internet or by means of any other customary electronic communications equipment. Unless otherwise agreed by unanimous consent of the Board, no proposal shall be put to a vote of the Board unless it has been listed on the agenda for such meeting. Notice of the time and place of meetings shall be delivered personally or by telephone to each Director, or sent by e-mail to any e-mail address of the Director in the records of the Company. Any notice given personally or by telephone shall be communicated to the applicable Director. A Director may waive the notice requirement set forth

in this Section 2.7 by any means reasonable in the circumstances, including by communication to one or more other Directors, and the presence of a Director at a meeting or the approval by a Director of the minutes thereof shall conclusively constitute a waiver by such Director of such notice requirement.

Section 2.8 Quorum.

(a) Except as otherwise expressly set forth herein, the presence (whether physical, telephonic, over the internet or by means of other customary electronic communications equipment) of a majority of the number of Directors then serving on the Board (without regard to the Total Number of Directors), including at least one Investor Director, at a meeting of the Board shall constitute a quorum of the Board for the transaction of all business thereat; provided, that if quorum fails at an attempted meeting that is called with proper notice due to the failure of the Investor Director(s) to attend, then at the next attempted meeting only a majority of the number of Directors then serving on the Board (without regard to the Total Number of Directors or the attendance of the Investor Director(s)) must be present in person, by telephone or other electronic means or by proxy in order to constitute a quorum for the transaction of business for purposes of considering only those matters that were included on the agenda for the attempted meeting immediately preceding such meeting.

(b) If a quorum is not present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting, without notice other than announcement at the meeting, and the Board or Director that called for the meeting shall attempt to reschedule such meeting until a quorum is present.

Section 2.9 Place and Method of Meetings.

(a) Meetings of the Board may be held at any place, whether within or outside the State of Delaware or the State of Ohio, and meetings may be held, in whole or in part, by telephonic means, over the internet or by means of any other customary electronic communications equipment. The place at which (or, if applicable, the electronic communication methods by which) a meeting will be held may be specified in the applicable notice of the meeting; provided, that in the absence of such specification, or in the event that any Director objects to the place or electronic communication methods (if any) specified in the applicable notice, then the applicable meeting shall be held solely in physical presence at the principal executive office of the Company, it being understood that a Director may participate in the applicable meeting in accordance with Section 2.9(b).

(b) The Directors may participate in meetings of the Board by telephonic means, over the internet or by means of any other customary electronic communications equipment, and, to the fullest extent permitted by applicable Law, shall be deemed to be present at such meeting for all purposes, including for purposes of determining quorum and of voting.

Section 2.10 Action by the Board Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if a number of Directors the vote of whom would be minimally necessary to approve such action at a meeting of the Board shall individually or collectively consent in writing to such action; provided, however, that, if (i) one or more Investor Directors are serving on the Board at the time of such written action, (ii) the

subject matter of such written action had not previously been addressed during a duly called and noticed meeting of the Board at which quorum was present, and (iii) no Investor Director joins such written action, then, in such case, the written action shall not be effective until 48 hours after the Secretary of the Company has notified all then-serving Investor Directors of such action, it being understood that, during such 48-hour period, any Investor Director shall be entitled to call a special meeting of the Board (to be held within such period and solely telephonically, over the internet or by means of other customary electronic communications equipment) for purposes of discussing with the Board the subject matter of such written action (without regard, for purpose of such discussion, to whether a quorum is present to constitute a duly convened meeting of the Board). Notwithstanding the foregoing, no action set forth in Section 8.1 or Section 8.2 that requires the consent of the Investor Member shall be effected by written action entered into pursuant to this Section 2.10 without the Investor Member's consent. Any written actions of the Board may be in counterparts and transmitted by e-mail and shall be filed with the minutes of the proceedings of the Board. Such written actions shall have the same force and effect as a vote of the Board.

Section 2.11 Duties of Directors. Each member of the Board shall have fiduciary duties identical to those of directors of a business corporation organized under the General Corporation Law of the State of Delaware; provided, however, that the Members acknowledge and agree that the enforcement or exercise by the Investor Member of any of its rights under Section 8.1 or Section 8.2 shall in no event constitute a violation of the fiduciary duties of the Investor Director or the Investor Member, which are hereby disclaimed in all respects with respect thereto. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of the Board, otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of the Board.

Section 2.12 Committees. The Board may create one or more committees of the Board, delegate responsibilities, duties and powers to such one or more committees, and appoint Directors to serve thereon; provided, that, for so long as the Investor Member is entitled to appoint at least one Investor Director, at least one Investor Director shall be entitled to be a member of any such committee(s). Each Director appointed to serve on any such committee shall serve at the pleasure of the Board, or otherwise in accordance with the terms of the resolution designating the applicable committee. Section 2.4, Section 2.7, Section 2.8, Section 2.9 and Section 2.10 shall each apply to any committee of the Board with the same terms applicable to the Board, *mutatis mutandis*.

Section 2.13 Investor Member Board Observer. The Investor Member shall be entitled to appoint one Person (which shall be an individual) to serve as an observer of the Board (the "Board Observer") for so long as the Investor Member's Percentage Interest is greater than 5%, which individual shall be a Representative of the Investor Member and the identity of whom shall be subject to the prior written consent of the FE Member (such consent not to be unreasonably withheld, delayed or conditioned); provided, that the FE Member shall not have any such consent right over the appointment of any proposed Board Observer that is a Qualified Designee. The Board Observer shall have the right to receive notice of, attend and participate in all meetings of the Board (and any committee thereof) and to receive all information provided to Directors at the same time and in the same manner as provided to such Directors; provided,

however, that the Company and the Board will be entitled to withhold access to any portion of the information and to exclude the Board Observer from any portion of any meeting of the Board (or any committee thereof) if the Company or the Board determines in good faith in reliance upon the advice of counsel that access to such information or attendance at such meeting (i) is reasonably necessary to preserve an attorney-client privilege of the Company or the Board or (ii) otherwise implicates any conflict of interest between the Investor Member and a particular matter or transaction under consideration by the Board; provided, however, that the Investor Member shall be notified of any intent to exclude the Board Observer in reliance on clause (ii) above in advance of any meeting from which the Board Observer is to be excluded; provided, further, that, any Board Observer that is excluded shall only be excluded for such portion of the meeting during which such matter or transaction is being discussed. For the avoidance of doubt, the Board Observer shall not have any voting rights with respect to any matter brought before the Board and shall not be counted in any manner with respect to whether a quorum is present at a meeting of the Board, and (without limiting the Company's obligations to provide the Board Observer with notice of meetings of the Board and any committee thereof as set forth in this Section 2.13) no defect in the provision of notice to the Board Observer of any meeting of the Board shall be construed to constitute a defect in the provision of notice to Directors. In the event that the Board Observer is also the Designated Alternate and, in such capacity, he or she is serving at a Board or committee meeting as the Investor Director pursuant to Section 2.2(f), the Investor Member shall not be entitled to appoint an additional individual to serve as a replacement Board Observer to exercise the rights and duties of a Board Observer for that meeting. The Board Observer shall be bound by the same confidentiality obligations as the Directors as set forth in Section 9.4. The Investor Member may cause the Board Observer to resign or appoint a replacement Board Observer from time to time by giving written notice to the Company. In the event that the Investor Member's Percentage Interest becomes less than 5%, the Investor Member's rights under this Section 2.13 shall immediately cease. For the avoidance of doubt, the sole purpose of this Section 2.13 is to provide observation rights (subject to the limitations and conditions set forth in this Section 2.13) to an individual Representative of the Investor Member, and in no event will any Board Observer be construed to be a third-party beneficiary of this Agreement, an agent of the Company of any kind or for any purpose, or have any other claim against the Company or the Members in relation to any matter whatsoever.

Section 2.14 Related Party Matters.

(a) Subject to the final sentence of this Section 2.14(a), all transactions (including corporate allocations) between any member of the FE Outside Group, on the one hand, and the Company Group, on the other hand (such transactions, "Affiliate Transactions"), shall be (i) entered into and carried out in a manner that, except as may be required by any applicable Law or Order, is (A) consistent with past practices and the corporate allocation and affiliate transaction policies of the FE Outside Group and the Company Group in effect at such time and (B) on terms and conditions that are commercially reasonable with respect to the subject matter thereof (it being understood that transactions undertaken pursuant to the corporate allocation policies and intercompany service agreements of the FE Outside Group as of such time to the extent that they are non-discriminatory against the Company and its Subsidiaries and are generally consistent with the corporate allocation policies and intercompany service agreements of comparable publicly traded utilities, shall be deemed to be commercially

reasonable), and (ii) entered into and carried out in accordance with the requirements of any applicable Law or Order (including, for the avoidance of doubt, on such terms and conditions as may be required to obtain the approval of the applicable Governmental Body in respect of such transaction). Notwithstanding anything to the contrary in this Agreement, except as required by applicable Law, the FE Member shall ensure during the term of this Agreement that any methodologies used to allocate costs to the Company Group (A) are and will be consistently applied to other members of the FE Outside Group in a manner that does not have a disproportionate adverse impact on the Company or any of its Subsidiaries as compared to any member of the FE Outside Group and (B) would not result in any fines or penalties that are imposed on any member of the FE Outside Group being allocated to the Company or any of its Subsidiaries.

(b) The Investor Member acknowledges and agrees that (i) the Company Group and the FE Outside Group has prior to the Effective Date engaged in Affiliate Transactions, and will, pursuant to and in accordance with the provisions of Section 2.14(a), from and after the Effective Date engage in Affiliate Transactions, subject to the Investor Member's approval rights under Sections 8.1 and 8.2 (if applicable to any such Affiliate Transactions), (ii) all services provided by any member of the FE Outside Group to any member of the Company Group as of the Effective Date, including services provided pursuant to (A) that certain Service Agreement among FirstEnergy Service Company, certain other members of the FE Outside Group and the Company, dated February 25, 2011, (B) that certain Service Agreement among certain members of the FE Outside Group and certain Subsidiaries of the Company, dated January 31, 2017, and (C) that certain Revised Amended and Restated Mutual Assistance Agreement among certain members of the FE Outside Group and certain Subsidiaries of the Company, dated January 31, 2017, will continue in the ordinary course of business, and (iii) the promissory note issued by the Company, dated [●], payable to the FE Member, shall remain outstanding and be payable by the Company to the FE Member, and shall in fact be so paid upon maturity, in each case in accordance with its terms.

(c) To ensure corporate separateness from the FE Member and other members of the FE Outside Group, the Company, together with its Directors and officers, shall take or refrain from taking, as the case may be, and cause the Company's Subsidiaries to take or refrain from taking, as the case may be, the following actions (in each case, in a manner and to the extent consistent with the Company Group's and the FE Outside Group's respective past practices and to the extent consistent with applicable Law and Orders):

(i) at all times hold itself out to the public and other Persons as a legal entity separate from the FE Member and the other members of the FE Outside Group;

(ii) correct any known material misunderstanding regarding its identity as an entity separate from any FE Outside Group member;

(iii) observe appropriate organizational procedures and formalities;

(iv) maintain accurate books, financial records and accounts, including checking and other bank accounts and custodian and other securities safekeeping accounts, that are separate and distinct from those of the FE Member and the other members of the FE Outside Group;

(v) maintain its books, financial records and accounts in a manner such that it would not be difficult or costly to segregate, ascertain or otherwise identify the Company Group's assets and liabilities from those of the FE Outside Group;

(vi) not enter into any pledge, encumbrance or guaranty, or otherwise become intentionally liable for, or pledge or encumber its assets to secure the liability, debts or obligations of the FE Member or any other member of the FE Outside Group;

(vii) not hold out its credit as being available to satisfy the debts or obligations of the FE Member or any other member of the FE Outside Group;

(viii) (A) pay its own liabilities, expenses and losses only from its own assets, and (B) compensate all Advisors and other agents from its own funds for services provided to it by such Advisors and other agents;

(ix) cause its Representatives to (A) hold themselves out to Third Parties as being the Representatives, as the case may be, of the Company or the applicable member of the Company Group (it being understood that the Company Group need not have its own dedicated employees), and (B) refrain from holding themselves out as Representatives of any member of the FE Outside Group (in connection with any duties performed for, or otherwise in relation to, any member of the Company Group);

(x) maintain separate annual financial statements for the Company Group, showing the Company Group's (or its respective members') assets and liabilities separate and distinct from those of any member of the FE Outside Group (it being understood that nothing herein shall prohibit the consolidation of such financial statements with the "affiliated group" (as defined in Section 1504(a) of the Code) of which the FE Member is the common parent); and

(xi) pay or bear the cost of the preparation of its financial statements, and have such financial statements audited by an independent certified public accounting firm.

(d) In the event the Company and/or the FE Member becomes aware of any material breach or material default (it being understood that, for purposes of this clause (d), a breach or default will be deemed to be "material" if (x) the reasonably expected amount of damages that would be sustained by the Company and its Affiliates as a result of such breach or default, or series of related breaches or defaults, would exceed $30,000,000 in the aggregate or (y) the breach or default would otherwise be material to the Company and its Subsidiaries, taken as a whole) by any member of the Company Group or FE Outside Group under any Affiliate Transaction (an "Affiliate Transaction Default"), the Company and/or the FE Member, as applicable, shall promptly, but in any event within 10 Business Days after becoming aware of such Affiliate Transaction Default, send a written notice (a "Default Notice") to the Company and the Investor Member setting forth in reasonable detail the nature of such Affiliate Transaction Default and the reasonable estimate of the current and future anticipated losses associated with such Affiliate Transaction Default (to the extent feasible to make a reasonable estimate at such time). After delivery of such Default Notice to the Investor Member, the Company (and, if the Company did not provide the Default Notice, the FE Member) shall promptly provide the Investor Member with any additional information reasonably requested by the Investor Member relating to such Affiliate Transaction Default. The defaulting party under such Affiliate Transaction shall have (i) 10

Business Days following the expiration of the applicable cure period in respect of such Affiliate Transaction, to fully cure any monetary Affiliate Transaction Default, and (ii) 60 days following the expiration of the applicable cure period in respect of such Affiliate Transaction, to fully cure any non-monetary Affiliate Transaction Default, subject to and consistent with applicable Law and Orders. In the event that any material alleged Affiliate Transaction Default is not timely cured in accordance with the preceding sentence, the Investor Member shall have the sole right to cause the Company and its Subsidiaries to take, or refrain from taking, any actions in connection with the enforcement of or compliance with the rights or obligations of the Company or any of its Subsidiaries under the terms of the applicable Affiliate Transaction, including the commencement of any litigation, proceeding or other action on behalf of the Company or any of its Subsidiaries against the applicable member(s) of the FE Outside Group.

ARTICLE III
OFFICERS

Section 3.1 Appointment and Tenure.

(a) The Board may, from time to time, designate officers of the Company to carry out the day-to-day business of the Company.

(b) The officers of the Company shall be comprised of one or more individuals designated from time to time by the Board. Each officer shall hold his or her office for such term and shall have such authority and exercise such powers and perform such duties as shall be determined from time to time by the Board. Any number of offices may be held by the same individual. The salaries or other compensation, if any, of the officers shall be fixed from time to time by the Directors.

(c) The officers of the Company may consist of a president, a secretary and a treasurer. The Board may also designate one or more vice presidents, assistant secretaries and assistant treasurers. The Board may designate such other officers and assistant officers and agents as the Board may deem necessary or appropriate.

Section 3.2 Removal. Any officer may be removed as such at any time by the Board, either with or without cause, in its discretion.

Section 3.3 President. The president, if one is designated, shall be the chief executive officer of the Company, shall have general and active management of the day-to-day business and affairs of the Company as authorized from time to time by the Board, and shall be authorized and directed to implement all actions, resolutions, initiatives and business plans adopted by the Board.

Section 3.4 Vice Presidents. The vice presidents, if any are designated, in the order of their election, unless otherwise determined by the Board, shall, in the absence or disability of the president, perform the duties and have the authority and exercise the powers of the president. They shall perform such other duties and have such other authority and powers as the Board may from time to time prescribe.

Section 3.5 Secretary; Assistant Secretaries. The secretary, if one is designated, shall perform such duties and have such powers as the Board may from time to time prescribe. The assistant secretaries, if any are designated, and unless otherwise determined by the Board, shall, in the

absence or disability of the secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the Board may from time to time prescribe.

Section 3.6 Treasurer; Assistant Treasurers. The treasurer, if one is designated, shall have custody of the Company's funds and securities and shall keep full and accurate accounts and records of receipts, disbursements and other transactions in books belonging to the Company, and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated from time to time by the Board. The treasurer shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render the president and the Board, when so directed, an account of all of his or her transactions as treasurer and of the financial condition of the Company. The treasurer shall perform such other duties and have such other powers as the Board may from time to time prescribe. If required by the Board, the treasurer shall give the Company a bond of such type, character and amount as the Board may require. The assistant treasurers, if any are designated, unless otherwise determined by the Board, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the Board may from time to time prescribe.

ARTICLE IV
DEFAULT; DISSOLUTION

Section 4.1 Events of Default. The following shall constitute events of default (each, an "Event of Default") by the applicable Member under this Agreement:

(a) any material breach of this Agreement by such Member;

(b) any failure by such Member to make any Additional Funding Requirement pursuant to and in accordance with a Capital Request Notice issued pursuant to Section 5.1 if such Member indicated it would do so in its Response To Capital Call but then failed to do so within the time period specified in Section 5.1;

(c) any purported Transfer by such Member made other than pursuant to and in accordance with the terms and conditions of this Agreement; and

(d) the filing of a petition seeking relief, or the consent to the entry of a decree or Order for relief in an involuntary case, under the bankruptcy, rearrangement, reorganization or other debtor relief Laws of the United States or any state or any other competent jurisdiction or a general assignment for the benefit of its creditors by such Member or by any of its controlling Affiliates.

Section 4.2 Default Notice. If an Event of Default occurs, then any Member (other than the Member subject to the Event of Default (the "Defaulting Member")) may deliver to the Company and to the Defaulting Member a notice of the occurrence of such Event of Default, setting forth the circumstances of such Event of Default. The provisions of this Agreement applicable to a "Defaulting Member" shall apply to such Defaulting Member from and after the

delivery of such notice until the Event of Default and the material effects thereof have been cured (if capable of being so cured).

Section 4.3 Dissolution.

(a) Subject to obtaining the requisite authorization, approval or consent of any Governmental Body, the Company shall dissolve, and its affairs shall be wound up, upon either (i) the approval by the Board and the written consent of all of the Members or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act (each, an "Event of Dissolution").

(b) Upon the occurrence of an Event of Dissolution, the Company will continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors and the Members. No Member, acting in its capacity as such, will take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. All covenants contained and obligations provided for in this Agreement will continue to be fully binding upon the Members until such time as the property of the Company has been distributed pursuant to Section 5.3 and the certificate of formation of the Company has been canceled pursuant to the Act.

(c) After the occurrence of an Event of Dissolution, and after all of the Company's debts, liabilities and obligations have been paid and discharged or adequate reserves have been made therefor and all of the remaining assets of the Company have been distributed to the Members, the Company shall make necessary resolutions and filings to dissolve the Company under the Act.

ARTICLE V
CAPITAL CONTRIBUTIONS; DISTRIBUTIONS

Section 5.1 Capital Contributions.

(a) Subject to Sections 8.1 and 8.2, if the Board determines that it is in the best interests of the Company to obtain additional equity capital for purposes of (i) developing, acquiring or maintaining Qualifying Core Assets or funding ordinary course operations of the Company Business, (ii) satisfying the Company's obligations to Third Parties (including in respect of the Indebtedness of the Company Group), (iii) complying with applicable Law or Order or (iv) funding any Emergency Expenditures (any such determination by the Board, an "Additional Funding Requirement"), then the Board may direct the Company to submit to the Members a written capital funding request notice (a "Capital Request Notice"), which Capital Request Notice shall set forth (A) the anticipated amount of, and the reason for, such Additional Funding Requirement, (B) each Member's requested share of such Additional Funding Requirement, which with respect to each Member shall equal such Member's Percentage Interest *multiplied by* the aggregate amount of the Additional Funding Requirement (such share, the "Pro Rata Request Amount") and (C) the funding date for such Additional Funding Requirement (the "Capital Request Funding Date"), which Capital Request Funding Date shall not be earlier than 30 days following the date on which such

Capital Request Notice is delivered to the Members. Subject to the express provisions of this Article V, each Member may, but shall not be obligated to, contribute its Pro Rata Request Amount as called for in the applicable Capital Request Notice. Upon the receipt of a Capital Request Notice, each Member shall, within 15 days of such receipt, provide written notice to the Company and the other Members as to the extent to which such Member intends to fund its Pro Rata Request Amount, whether in whole, in part or not at all (a "Response To Capital Call"). If one Member indicates in its Response To Capital Call that it does not intend to fund its Pro Rata Request Amount in full, and any other Member had, prior thereto, submitted a Response To Capital Call indicating that it intends to fund a greater percentage of its Pro Rata Request Amount, then such other Member will be entitled to amend its Response To Capital Call to reduce its percentage funding to an amount representing a percentage of its Pro Rata Request Amount not less than the lower percentage indicated in the other Member's Response To Capital Call. For the avoidance of doubt, no Member shall have any obligation to fund any Additional Funding Requirement pursuant to this Section 5.1 unless such Member indicates that it will do so in its Response To Capital Call.

(b) If any Member refuses or fails to make all or any portion of its Pro Rata Request Amount pursuant to this Section 5.1 on or prior to the applicable Capital Request Funding Date (such Member, the "Non-Contributing Member", and the unfunded amount, the "Unfunded Amount"), then the Company shall provide written notice thereof to the Members (the "Contribution Unfunded Amount Notice"), and:

(i) Excess Contribution. To the extent that the Non-Contributing Member contributes a portion (but less than all) of its Pro Rata Request Amount, and another Member (the "Over-Contributing Member") has contributed a greater percentage of its Pro Rata Request Amount than the Non-Contributing Member, the Over-Contributing Member shall have the right to elect (which election shall be made by written notice to the Company and the other Members no later than 10 Business Days following the date of the Contribution Unfunded Amount Notice) to (A) receive a special distribution of the amount of such excess (the "Excess Contribution"), such that the Excess Contribution is returned to the Over-Contributing Member (and the Company shall cause such special distribution to be made as promptly as practicable), (B) have the portion of such Excess Contribution that would have been the Non-Contributing Member's share thereof treated as a loan to the Company (consistent with the methodology in clause (ii)(A), below), or (C) have the portion of such Excess Contribution that would have been the Non-Contributing Member's share thereof treated as a contribution to capital (consistent with the methodology in clause (ii)(B) below).

(ii) Top-Up Right. A Member that has paid its full Pro Rata Request Amount (the "Contributing Member") shall have the right (but not the obligation) to elect (which election shall be made by written notice to the Company and the other Members no later than 10 Business Days following the receipt of the Contribution Unfunded Amount Notice) to contribute any portion of the Unfunded Amount in accordance with this Section 5.1(b) either (A) as a loan to the Company, or (B) as a capital contribution to the Company (or as any combination thereof as the Contributing Member elects) in accordance with the following procedures:

(A) Loan. The Contributing Member may elect to advance all or a portion of the Unfunded Amount to the Company on behalf of the Non-Contributing Member, which advance shall be treated as a loan by the Contributing Member to the Company (an "Unfunded Amount Loan") at an interest rate equal to the highest interest rate payable on any subordinated third-party debt of any member of the Company Group then outstanding. Subject to the terms of this Agreement, each Unfunded Amount Loan shall be repaid out of any subsequent distributions made pursuant to Section 5.2 to which the Non-Contributing Member would otherwise be entitled under this Agreement, and such payments shall be applied first to the payment of accrued but unpaid interest on each such Unfunded Amount Loan and then to the payment of the outstanding principal, until such Unfunded Amount Loan is paid in full.

(B) Capital Contribution. The Contributing Member may elect to contribute an amount equal to all or a portion of the Unfunded Amount to the Company. If the Contributing Member elects to contribute to the Company all or a portion of the Unfunded Amount, then, on or after the earlier of the date that the Non-Contributing Member indicates it will not cure the failure to fund its full Pro Rata Request Amount and the thirtieth (30th) day following the date of the Contribution Unfunded Amount Notice, the Company shall issue to the Contributing Member the amount of additional Membership Interests that can be purchased for such funded amount at a price per Membership Interest equal to 90% of the Fair Market Value of the Company (measured as of the date that such contribution is to be made) per Membership Interest, and the Contributing Member's and the Non-Contributing Member's respective Percentage Interests will be adjusted accordingly.

(C) Cure Right. Notwithstanding anything to the contrary in this Section 5.1, on or before the thirtieth (30th) day following the date of the Contribution Unfunded Amount Notice, a Non-Contributing Member may make a contribution to the Company equal to the sum of the Unfunded Amount plus, if the Contributing Member already made an Unfunded Amount Loan in respect of such Unfunded Amount, any interest accrued on the Unfunded Amount Loan, following which (1) the Unfunded Amount advanced by the Contributing Member to the Company together with any such interest shall be paid to the Contributing Member, and (2) the former Non-Contributing Member shall be deemed to have cured its failure to pay the Pro Rata Request Amount prior to the Capital Request Funding Date with respect to the applicable Capital Request Notice.

(c) If the Non-Contributing Member refuses or fails to make its full Pro Rata Request Amount pursuant to this Section 5.1 on or prior to the applicable Capital Request Funding Date and the Contributing Member has not fully funded the Unfunded Amount in accordance with Section 5.1(b), then on or after the thirtieth (30th) day following the date of the applicable Contribution Unfunded Amount Notice, the Board may authorize the Company to seek additional equity funds on commercially reasonable terms from a Third Party in an

amount up to the difference between the total Additional Funding Requirement requested and the total funds received by the Company from the Non-Contributing Member and the Contributing Member (including any additional funds that the Contributing Member may have contributed pursuant to Section 5.1(b)), and to issue Membership Interests to Third Parties in connection therewith pursuant to this Section 5.1(c). If the Board determines to seek additional equity funds from and issue Membership Interests to a Third Party pursuant to this Section 5.1(c), then the Company must consummate such issuance within 180 days following the Capital Request Funding Date. If such issuance is not consummated within such 180-day period, then the Company's right to so issue Membership Interests to a Third Party in connection with the applicable Additional Funding Requirement shall be lapsed, and the Company shall not thereafter issue any Membership Interests to a Third Party in connection with such Additional Funding Requirement; provided that, if a definitive agreement providing for such issuance is executed prior to the expiration of such 180-day period but the issuance has not been consummated at the expiration of such period solely as a result of a failure to receive the requisite authorization, approval or consent of any Governmental Body in respect of such issuance, then such period shall be extended solely to the extent necessary to permit the receipt of all such authorizations, approvals or consents which are in process but have not been received from the relevant Governmental Body as of such original expiration date and the consummation of the issuance provided for in such definitive agreement; provided, further, that the Company shall have used its reasonable best efforts in seeking such authorizations, approvals and consents. Upon the completion of such issuance of Membership Interests pursuant to this Section 5.1(c), the Company shall give written notice to the Members of such issuance, which notice shall specify (i) the total number of new Membership Interests issued, (ii) the price per Membership Interest at which the Company issued the Membership Interests, and (iii) any other material terms of the issuance. Upon the issuance of new Membership Interests pursuant to this Section 5.1(c), the Contributing Member's and Non-Contributing Member's respective Percentage Interests will be adjusted accordingly.

(d) In the event that the Investor Member refuses or fails to fund all or any portion of its share of an Additional Funding Requirement pursuant to this Section 5.1 on or prior to the applicable Capital Request Funding Date in respect of two Additional Funding Requirements, subject to Section 5.1(b)(ii)(C), from and after the occurrence of the second such failure or refusal by the Investor Member, the FE Member may (but is not required to), at its option at any time, acquire all (but not less than all) of the Membership Interests held by the Investor Member (the "Call Right") by giving written notice (the "Call Notice") to the Investor Member of its election to exercise the Call Right; provided, that, the Investor Member shall have 60 days following the Call Notice to cure the most recent such failure to fund. The purchase price payable by the FE Member in connection with the exercise of the Call Right shall be equal to the product of (i) 90% of the Fair Market Value of the Company (measured as of the date of the delivery of the Call Notice to the Investor Member) multiplied (ii) by a fraction, (A) the numerator of which is the number of Membership Interests that the Investor Member owns at such time and (B) the denominator of which is the total number of Membership Interests then outstanding (the amount equal to such product, the "Call Exercise Price"). If the Call Right is exercised by the FE Member, each of the

Parties shall take all actions as may be reasonably necessary to consummate the transactions contemplated by this Section 5.1(d) as promptly as practicable, but in any event not later than 30 days after, or, if the Investor Member indicates its intent to cure its funding failure prior to such 30th day, 60 days after, the delivery of the Call Notice (such period, the "Call Consummation Period"), including entering into agreements and delivering certificates and instruments and consents as may be deemed necessary. If the Investor Member fails to take all actions necessary to consummate the Transfer of the Membership Interests held by it in accordance with this Section 5.1(d) prior to the expiration of the Call Consummation Period, then the Investor Member shall be deemed to be in material breach of this Agreement for purposes of Article IV and for all other purposes hereunder, and shall be deemed to have granted (and hereby grants, contingent only on the occurrence of such failure) an irrevocable appointment of any Person nominated for the purpose by the FE Member to be the Investor Member's agent and attorney to execute all necessary documentation and instruments on its behalf to Transfer the Investor Member's Membership Interest to the Company as the holder thereof, in each case consistent with the provisions of this Section 5.1(d). At the consummation of any purchase and sale pursuant to this Section 5.1(d), the Investor Member shall sell to the FE Member all of the Membership Interests owned by the Investor Member in exchange for the Call Exercise Price. Contemporaneously with its receipt from the FE Member of the Call Exercise Price, the Investor Member shall Transfer to the FE Member all of the Membership Interests owned by the Investor Member, free and clear of all Liens. The Members and the Company acknowledge and agree that they shall cooperate reasonably to obtain any necessary authorization, approval or consent of any Governmental Body to consummate the transactions contemplated by this Section 5.1(d).

Section 5.2 Distributions Generally; Support Payments.

(a) Except as otherwise provided herein and subject to Section 5.2(b), Section 5.2(c) and the Act, no later than 60 days after the end of each fiscal quarter, the Company shall make distributions in cash of all its Available Cash in respect of such fiscal quarter. The Company may make such other more frequent distributions (including interim distributions) at such times and in such amounts as the Board may determine.

(b) Except as otherwise provided herein, all distributions shall be paid to the Members only in cash and in the same proportion as their respective Percentage Interest; provided that, in the case of distributions to be paid in respect of any period during which the Percentage Interest of the Members changed, such distributions shall be prorated to reflect the Percentage Interest of the Members on each day of such measurement period, and the Company and the Members shall take such action as necessary to effectuate such proration.

(c) Notwithstanding the terms of this Section 5.2 and any other provision of this Agreement, (i) the Company shall not make any distribution to any Member on account of its Membership Interests to the extent such distribution would violate the Act, other applicable Law or an Order, and (ii) a Member may direct the payment of part or all of any distribution to another Person by providing written notice of such direction to the Company.

Section 5.3 Distributions upon the Occurrence of an Event of Dissolution. Upon the occurrence of an Event of Dissolution, the Board will proceed, subject to the provisions herein, to wind up the affairs of the Company, liquidate and distribute the remaining assets of the

Company (provided, however, that all distributions shall be paid to the Members only in cash) and apply the proceeds of such liquidation in the order of priority in accordance with Section 18-802 of the Act or as may otherwise be agreed to by the Members.

Section 5.4 Withdrawal of Capital; Interest. Except as expressly provided in this Agreement, (a) no Member may withdraw capital or receive any distributions from the Company and (b) no interest shall be paid by the Company on any capital contribution or distribution.

ARTICLE VI
TRANSFERS OF MEMBERSHIP INTERESTS

Section 6.1 General Restriction.

(a) No Member shall Transfer any of its Membership Interests except pursuant to and in accordance with this Article VI. Any purported Transfer by any Member of its Membership Interests in violation of this Section 6.1(a), or without compliance in all respects with the provisions of this Article VI pertaining to such purported Transfer, shall be invalid and void *ab initio*, and such purported Transfer by such Member shall constitute a material breach of this Agreement for purposes of Article IV.

(b) Subject to Section 6.2, neither the Investor Member nor the FE Member may Transfer any of its Membership Interests to any Person prior to the date that is the third anniversary of the Effective Date (the "Lock-Up Period"), other than with the prior written consent of the FE Member or the Investor Member, as applicable. After the expiration of the Lock-up Period, each of the Investor Member and the FE Member, as applicable, may Transfer its Membership Interests in accordance with this Article VI. Notwithstanding the foregoing, each of the Members may at any time Transfer Membership Interests in compliance with Section 6.5.

Section 6.2 Transfers to Permitted Transferees; Liens by Members.

(a) Notwithstanding Section 6.1, each of the Members may Transfer at any time all or any portion of the Membership Interests held by it to any one of its Permitted Transferees; provided that, in connection with any such Transfer, (a) such Permitted Transferee shall, in writing, assume all of the rights and obligations of the transferring Member as a Member under this Agreement and as a Party hereto with respect to the Transferred Membership Interests and (b) effective provision shall be made whereby such Permitted Transferee shall be required, prior to the time when it shall cease to be a Permitted Transferee of the transferring Member, to Transfer such Membership Interests to the transferring Member or to another Person that would be a Permitted Transferee of the transferring Member as of such applicable time. In the event that a Member (including, as the case may be, a Permitted Transferee) intends to Transfer its Membership Interests to a Permitted Transferee, such transferring Member or the Permitted Transferee, as applicable, shall notify the other Member and the Company of the intended Transfer at least 20 Business Days prior to the intended Transfer.

(b) Each Member shall be permitted to directly or indirectly Encumber its Membership Interests or any equity interests in such Member in connection with any debt financing, the proceeds of which have been or will be used by such Member to finance its purchase of such

Membership Interests (whether in respect of an issuance of new Membership Interests by the Company or the purchase of existing Membership Interests from a Member or the refinancing of any such debt financing in the future), and neither such Lien nor any commencement or consummation of foreclosure proceedings or exercise of foreclosure remedies by a secured party on, or the subsequent direct or indirect sale of, a Member's Membership Interests Encumbered in connection with any such debt financing shall, in either case, be considered a "Transfer" for any purpose under this Agreement; provided, that (i) such Member shall be obligated to promptly notify the other Member and the Company in writing following the commencement of any such foreclosure remedies or proceedings, (ii) in the event of the consummation of such a foreclosure, such Member will automatically cease to be deemed the owner of the Membership Interests so foreclosed and will cease to have any rights in respect thereof (with the financing source foreclosing on such Membership Interests succeeding to the rights and responsibilities of the Member hereunder), and (iii) the consummation of any such foreclosure will be subject to the receipt of any required authorization, approval or consent of all applicable Governmental Bodies.

Section 6.3 Right of First Offer.

(a) Prior to any Transfer by a Member (each, a "Transferring Member") of Membership Interests constituting fifty percent (50%) or less of the outstanding Membership Interests, other than to a Permitted Transferee of such Transferring Member, the Transferring Member must first offer to sell to the other Member (the "Non-Transferring Member") all of its Membership Interests that it desires to sell (such Membership Interests to be offered for sale to the Non-Transferring Member pursuant to this Section 6.3, the "Subject Membership Interests"), in each case, in accordance with the procedures set forth in the provisions of this Section 6.3.

(i) The Transferring Member shall first deliver to the Non-Transferring Member a written notice (a "Sale Notice") setting forth the cash price and all of the other material terms and conditions at which the Transferring Member is willing to sell the Subject Membership Interests to the Non-Transferring Member, which notice shall constitute an offer to the Non-Transferring Member to effect such purchase and sale on the terms set forth therein. Any such Sale Notice shall be firm, not subject to withdrawal and prepared and delivered in good faith. Within 30 days following its receipt of a Sale Notice, the Non-Transferring Member may accept the Transferring Member's offer and purchase the Subject Membership Interests at the cash price and upon the other material terms and conditions set forth in the Sale Notice, in which event the closing of the purchase and sale of the Subject Membership Interests will take place as promptly as practicable. The Sale Notice shall contain representations and warranties by the Transferring Member to the Non-Transferring Member that (A) the Transferring Member has full right, title and interest in and to the Subject Membership Interests, (B) the Transferring Member has all the necessary power and authority and has taken all necessary action to Transfer the Subject Membership Interests to the Non-Transferring Member as contemplated by this Section 6.3, and (C) the Subject Membership Interests are free and clear of any and all Liens other than those arising as a result of or under the terms of this Agreement and those arising under securities Laws of general applicability pertaining to limitations on the transfer of unregistered securities.

(ii) If the Non-Transferring Member does not accept the Transferring Member's offer within such 30-day period, then the Transferring Member will, for a period of 120 days commencing on the earlier of (A) the expiration of such 30-day period and (B) the delivery of a written notice by the Non-Transferring Member to the Transferring Member rejecting the offer set forth in the Sale Notice (if any) (such 120-day period, the "Sale Period"), be entitled to sell the Subject Membership Interests to any one Third Party at the same or higher price and upon other terms and conditions (excluding price) that are not more favorable to the acquiror than those specified in the Sale Notice, subject to the other terms of this Section 6.3. If such sale to any Third Party is not completed prior to the expiration of the Sale Period, then the process initiated by the delivery of the Sale Notice shall be lapsed, and the Transferring Member will be required to repeat the process set forth in this Section 6.3 before entering into any agreement with respect to, or consummating, any sale of Membership Interests to any Third Party; provided that if a definitive agreement providing for the consummation of such sale is executed within the Sale Period but such sale has not been consummated at the expiration of the Sale Period solely as a result of a failure to receive the requisite authorization, approval or consent of any Governmental Body in respect of such sale, then the Sale Period shall be extended solely to the extent necessary to permit the receipt of all such authorizations, approvals or consents which are in process but have not been received from the relevant Governmental Body as of the original expiration date of the Sale Period and the consummation of the sale provided for in such definitive agreement; provided, further, that the Transferring Member shall have used its reasonable best efforts in seeking such authorizations, approvals and consents.

(b) The Investor Member and its Permitted Transferees (if any) shall not be permitted to Transfer any of their Membership Interests to a Prohibited Competitor without the prior written consent of the FE Member. Within 10 Business Days after January 1, 2023 (and each year thereafter during the 10-Business Day period beginning on January 1 of the applicable year), the FE Member shall have the right to update the list of Prohibited Competitors set forth on Schedule 2 (i) to replace no more than three of the Prohibited Competitors with other Competitors designated by the FE Member, and (ii) in addition to any replacements pursuant to clause (i), to add up to two additional Prohibited Competitors designated by the FE Member to such list. Notwithstanding anything to the contrary set forth in this Agreement, this Section 6.3(b) and Schedule 2 (together with the definition of "Prohibited Competitor") shall automatically terminate and have no further force and effect in the event that the FE Member and its Permitted Transferees, individually or collectively, no longer control the Company.

(c) No Transfer of Membership Interests by the Investor Member to any Third Party pursuant to Section 6.3(a)(ii) may be effected if it would, or would reasonably be expected to in the reasonable and good faith determination of the FE Member in consultation with the Board, (i) adversely affect in any material respect any member of the Company Group or the FE Outside Group, including with respect to their businesses, financial condition, operating results, prospects or relationships with Third Parties or with any Governmental Body, or (ii) create a material risk of an adverse Tax or regulatory consequence on any member of the Company Group or the FE Outside Group, in any such case in the foregoing clauses (i) and

(ii), as a result of the identity of the Third Party transferee, any action taken or reasonably expected to be taken by any Governmental Body with respect to such Transfer, any Tax consequence or change in Tax status of any Person caused or reasonably expected to be caused by such Transfer, any terms or conditions of such Transfer, any requirement that the Membership Interests be registered under any applicable securities Laws in connection with or as a result of such Transfer, or any other similar matter. For purposes of this Section 6.3 and Section 6.4, "control" means (x) the ownership of at least a majority of the issued and outstanding Membership Interests of the Company, or (y) the ability to elect, directly or indirectly, a majority of the Directors of the Company in accordance with this Agreement.

(d) Prior to the consummation of any Transfer pursuant to Section 6.3(a)(ii), the Transferring Member shall have delivered to the Board and to the Non-Transferring Member evidence reasonably satisfactory to the Board (with the Directors appointed by the Transferring Member abstaining from any such determination) and to the Non-Transferring Member that (i) the transferee is financially capable of carrying out the obligations and promptly paying all liabilities of the Transferring Member pursuant to this Agreement with respect to the Subject Membership Interests, and (ii) the Transfer complies with the provisions of Section 6.3(b) (if applicable) and Section 6.3(c).

Section 6.4 Tag-Along Rights.

(a) Other than with respect to a Transfer proposed and made in accordance with Section 6.5, in the event that the FE Member proposes to effect a Transfer to a Third Party transferee (the "Tag-Along Buyer") of a number of its Membership Interests (i) constituting more than 5% of the total Membership Interests then outstanding (but which would not result in the Tag-Along Buyer acquiring control of the Company) or (ii) that would result in the Tag-Along Buyer acquiring control of the Company (in either case, a "Tag-Along Sale"), then the FE Member shall give the Investor Member written notice (a "Tag-Along Notice") of such proposed Transfer at least 30 days prior to the consummation of such Tag-Along Sale, setting forth (w) the number of Membership Interests ("Tag-Along Offered Membership Interests") proposed to be Transferred to the Tag-Along Buyer and the purchase price, (x) the identity of the Tag-Along Buyer, (y) any other material terms and conditions of the proposed Transfer, and (z) the intended dates on which the FE Member will enter into a definitive agreement in respect of such proposed Transfer and consummate such proposed Transfer.

(b) Upon delivery of a Tag-Along Notice, the Investor Member shall have the right, (i) in the case of a Tag-Along Sale described under Section 6.4(a)(i), to sell up to its Tag Portion, and (ii) in the case of a Tag-Along Sale described under Section 6.4(a)(ii), to sell all of the Membership Interests of the Company held by the Investor Member, in either case at the same price per Membership Interest, for the same form of consideration and pursuant to the same terms and conditions (including time of payment) as set forth in the Tag-Along Notice (or, if different, as such are applicable at the time of the entry into a definitive agreement in respect of, or at the time of the consummation of, the Tag-Along Sale). If the Investor Member wishes to participate in the Tag-Along Sale, then the Investor Member shall provide written notice to the FE Member no less than 30 days after the date of the Tag-Along Notice, indicating such election. Such notice shall set forth the number of its Membership Interests that the Investor Member elects to include in the Tag-Along Sale (which number shall not exceed its Tag Portion solely in the case of a Tag-Along Sale described under Section

6.4(a)(i)), and such notice shall constitute the Investor Member's binding agreement to sell such Membership Interests on the terms and subject to the conditions applicable to the Tag-Along Sale.

(c) Any Transfer of the Investor Member's Membership Interests in a Tag-Along Sale shall be on the same terms and conditions as the Transfer of the FE Member's Membership Interests in such Tag-Along Sale, except as otherwise provided in this Section 6.4(c). The Investor Member shall be required to make customary representations and warranties in connection with the Transfer of the Investor Member's Membership Interests, including as to its ownership and authority to Transfer, free and clear of all Liens, the Investor Member's Membership Interests and shall indemnify and hold harmless, to the fullest extent permitted by applicable Law, the Tag-Along Buyer against all losses of whatever nature arising out of, in connection with or related to any breach of any representation or warranty made by, or agreements, understandings or covenants of the Investor Member, as the case may be, under the terms of the agreements relating to such Transfer of Investor Member's Membership Interests, in each case not to exceed the equivalent obligations to indemnify and hold harmless the Tag-Along Buyer provided by the FE Member; provided, that (i) liability for misrepresentation or indemnity shall (as between the FE Member and the Investor Member) be expressly stated to be several but not joint and the FE Member and the Investor Member shall not be liable for any breach of covenants or representations or warranties as to the Membership Interests of any other Member and shall not, in any event, be liable for more than its *pro rata* share (based on the proceeds to be received) of any liability for misrepresentation or indemnity, (ii) the Investor Member shall benefit from any releases of sellers or other provisions in the transaction documentation of general applicability to sellers to the same extent as the FE Member, (iii) the Investor Member shall not be obligated to agree to any non-customary administrative covenants (such as any non-compete covenants that would restrict its or its Affiliates' business activities), and (iv) the Investor Member shall not be obligated to provide indemnification obligations that exceed its proceeds from the Tag-Along Sale.

(d) Notwithstanding the foregoing, and for the avoidance of doubt, the Investor Member shall not be entitled to Transfer its Membership Interests pursuant to this Section 6.4 in the event that, notwithstanding delivery of a written notice of election to participate in such Tag-Along Sale pursuant to this Section 6.4, the Investor Member fails to consummate the Transfer of its Membership Interests (on the terms and conditions required by this Section 6.4) in the applicable Tag-Along Sale.

(e) For the avoidance of doubt, (i) the terms of this Section 6.4 apply to any Transfers of any Membership Interests by a Permitted Transferee of the FE Member that would otherwise constitute a Tag-Along Sale, and (ii) the rights conferred to the Investor Member under this Section 6.4 do not apply in the event of a Change in Control of the FE Member.

Section 6.5 Drag-Along Rights.

(a) In the event that the FE Member intends to effect a sale of all of the Membership Interests owned by the FE Member and such Membership Interests constitute at least a majority of the issued and outstanding Membership Interests of the Company (a "Drag-Along Sale"), then the FE Member shall have the option (but not the obligation) to require the Investor Member

to Transfer all of its Membership Interests to the Third Party buyer (the "Drag-Along Buyer") (or to such other Party as the Drag-Along Buyer directs) in accordance with the provisions of this Section 6.5 (such right of the FE Member, the "Drag-Along Right").

(b) If the FE Member elects to exercise the Drag-Along Right pursuant to Section 6.5(a), then the FE Member shall send a written notice to the Investor Member (a "Drag-Along Notice") specifying (i) that the Investor Member is required to Transfer all of its Membership Interests pursuant to this Section 6.5, (ii) the amount and form of consideration payable for the Investor Member's Membership Interests, (iii) the name of the Third Party to which the Investor Member's Membership Interests are to be Transferred (or which is otherwise entitled to direct the disposition thereof at the consummation of the Drag-Along Sale), (iv) any other material terms and conditions of the proposed Transfer, and (v) the intended dates on which the FE Member will enter into a definitive agreement in respect of such proposed Transfer and consummate such proposed Transfer.

(c) In the event that the FE Member elects to exercise the Drag-Along Right, then the Investor Member hereby agrees with respect to all Membership Interests it holds:

(i) in the event such transaction requires the approval of Members, to vote (in person, by proxy or by action by written consent, as applicable) all of its Membership Interests in favor of such Drag-Along Sale;

(ii) to execute and deliver all related documentation and take such other action reasonably necessary to enter into definitive agreements in respect of and to consummate the proposed Drag-Along Sale in accordance with, and subject to the terms of, this Section 6.5; and

(iii) not to deposit its Membership Interests in a voting trust or subject any Membership Interests to any arrangement or agreement with respect to the voting of such Membership Interests, unless specifically requested to do so by the Drag-Along Buyer in connection with a Drag-Along Sale.

(d) Subject to Section 6.5(e), any Transfer of the Investor Member's Membership Interests in a Drag-Along Sale shall be on the same terms and conditions as the proposed Transfer of the FE Member's Membership Interests in the Drag-Along Sale. Upon the request of the FE Member, the Investor Member shall be required to make customary representations and warranties in connection with the Transfer of the Investor Member's Membership Interests, including as to its ownership and authority to Transfer, free and clear of all Liens, its Membership Interests, and shall indemnify and hold harmless, to the fullest extent permitted by applicable Law, the Drag-Along Buyer against all losses of whatever nature arising out of, in connection with or related to any breach of any representation or warranty made by, or agreements, understandings or covenants of the Investor Member as the case may be, under the terms of the agreements relating to such Transfer of the Investor Member's Membership Interests, in each case not to exceed the equivalent obligations to indemnify and hold harmless the Tag-Along Buyer provided by the FE Member; provided, that (i) liability for misrepresentation or indemnity shall (as between the FE Member and the Investor Member) be expressly stated to be several but not joint and the FE Member and the Investor Member shall not be liable for any breach of covenants or representations or warranties as to the Membership Interests of any other Member and shall not, in any event, be liable for more

than its *pro rata* share (based on the proceeds to be received) of any liability for misrepresentation or indemnity, (ii) the Investor Member shall benefit from any releases of sellers or other provisions in the transaction documentation of general applicability to sellers to the same extent as the FE Member and (iii) the Investor Member shall not be obligated to provide indemnification obligations that exceed its proceeds from the Drag-Along Sale.

(e) Any Transfer required to be made by the Investor Member pursuant to this Section 6.5 shall be for consideration consisting solely of cash. Without the consent of the Investor Member, the Investor Member shall not be required in connection with such Drag-Along Sale to agree to any material non-customary administrative covenants (such as any non-compete covenants that would restrict its or its Affiliates' business activities).

(f) At the consummation of the Drag-Along Sale, the Investor Member shall Transfer all of its Membership Interests to the Drag-Along Buyer (or its designee), and the Drag-Along Buyer shall pay the consideration due for the Investor Member's Membership Interest. If the Investor Member has failed, as of immediately prior to the time that the consummation of the Drag-Along Sale would otherwise have occurred, to have taken all actions necessary in accordance with this Agreement to consummate the Transfer of the Membership Interests held by it, then the Investor Member shall be deemed to be in material breach of this Agreement for purposes of Article IV and for all other purposes hereunder, and shall be deemed to have granted (and hereby grants, contingent only on the occurrence of such failure) an irrevocable appointment of any Person nominated for the purpose by the FE Member to be the Investor Member's agent and attorney to execute all necessary documentation and instruments on its behalf to Transfer the Investor Member's Membership Interest to the Drag-Along Buyer (or as it may direct) as the holder thereof, in each case consistent with the terms set forth in this Section 6.5.

(g) The FE Member shall have a period of 180 days commencing on the delivery of the Drag-Along Notice (such 180-day period, the "Drag Sale Period") to consummate the Drag-Along Sale. If the Drag-Along Sale is not completed prior to the expiration of the Drag Sale Period, then the process initiated by the delivery of the Drag-Along Notice shall be lapsed, and the FE Member will be required to repeat the process set forth in this Section 6.5 to pursue any Drag-Along Sale; provided that if a definitive agreement providing for the consummation of such Drag-Along Sale is executed within the Drag Sale Period but such Drag-Along Sale has not been consummated at the expiration of the Drag Sale Period solely as a result of a failure to receive the requisite authorization, approval or consent of any Governmental Body in respect of such Drag-Along Sale, then the Drag Sale Period shall be extended solely to the extent necessary to permit the receipt of all such authorizations, approvals or consents which are in process but have not been received from the relevant Governmental Body as of the original expiration date of the Drag Sale Period and the consummation of the Drag-Along Sale provided for in such definitive agreement; provided, further, that the FE Member shall have used efforts in seeking such authorizations, approvals and consents consistent with its obligations under such definitive agreement(s) in respect thereof.

(h) Notwithstanding the foregoing, the FE Member may not exercise the Drag-Along Right or consummate any Drag-Along Sale without the prior written consent of the Investor Member unless the applicable Drag-Along Sale would result in the Investor Member

achieving at least an IRR of 9%; provided, that any shortfall in the Investor Member achieving an IRR of 9% may be paid by the FE Member to the Investor Member in immediately available funds at the closing of the Drag-Along Sale, in which case the prior written consent of the Investor Member shall not be required to exercise the Drag-Along Right or consummate such Drag-Along Sale

(i) For the avoidance of doubt, the rights conferred to the FE Member under this Section 6.5 do not apply in the event of a Change in Control of the FE Member.

Section 6.6 Cooperation. The Members and the Company acknowledge and agree that each of them shall cooperate reasonably to obtain the requisite authorization, approval or consent of any Governmental Body necessary to consummate any Transfers contemplated or permitted by this Article VI. The Members shall have the right in connection with any Transfer of Membership Interests permitted by this Agreement (or in connection with the investigation or consideration of any such potential Transfer) to require the Company to reasonably cooperate with potential purchasers in such prospective Transfer (at the sole cost and expense of the applicable Member or such potential purchasers) by taking such actions reasonably requested by the applicable Member or such potential purchasers, including (a) preparing or assisting in the preparation of due diligence materials, (b) providing access to the Company's and each of its Subsidiaries' books, records, properties and other materials (subject, in each case, to the execution of customary confidentiality and non-disclosure agreements) to potential purchasers, and (c) making the directors, officers, employees (if any) and other Representatives of the Company and its Subsidiaries available to potential purchasers for presentations and due diligence interviews; provided that no such cooperation by the Company shall be required (i) until the relevant potential purchaser executes and delivers to the Company a customary confidentiality agreement, (ii) to the extent such cooperation would unreasonably interfere with the normal business operations of the Company or any of its Subsidiaries, and (iii) to the extent the provision of any information would (A) conflict with, or constitute a violation of, any applicable Law or Order or cause a loss of attorney-client privilege of the Company or any of its Subsidiaries, (B) in the FE Member's reasonable determination, require the disclosure of any information that is proprietary, confidential or sensitive to the FE Member or to any other member of the FE Outside Group, or (C) require the disclosure of any information relating to any joint, combined, consolidated or unitary Tax Return that includes the FE Member or any other member of the FE Outside Group or any supporting work papers or other documentation related thereto.

Section 6.7 Contracts Inhibiting Transfer. The Company shall not, and shall cause its Subsidiaries not to, enter into any Contract (or modify the terms of any existing Contract of the Company or any of its Subsidiaries so as to provide) that includes a provision that, by its terms, is triggered by a Transfer of the Investor Member's Membership Interests and that the consequence of such triggering event under such Contract would have an effect that is materially adverse to the Company and its Subsidiaries, taken as a whole.

ARTICLE VII
PREEMPTIVE RIGHTS

Section 7.1 Preemptive Rights. The Company hereby grants to each Member the right to purchase such Member's Preemptive Right Share of all (or any part) of any New Securities that the Company may from time to time issue after the date of this Agreement (the "Preemptive

Right"). In the event the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), the Company shall give to each Member written notice of its intention to issue New Securities (the "Preemptive Right Participation Notice"), describing the amount and type of New Securities, the cash purchase price and the general terms upon which it proposes to issue such New Securities. Each Member shall have 10 Business Days from the date of receipt of any such Preemptive Right Participation Notice (the "Preemptive Right Notice Period") to agree in writing to purchase for cash up to such Member's Preemptive Right Share of such New Securities for the price and upon the terms and conditions specified in the Preemptive Right Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Member's Preemptive Right Share). If any Member fails to so respond in writing within the Preemptive Right Notice Period, then such Member shall forfeit the right hereunder to purchase its Preemptive Right Share of such New Securities. Subject to obtaining the requisite authorization, approval or consent of any Governmental Body, the closing of any purchase by any Member pursuant to this Section 7.1 shall be consummated concurrently with the consummation of the issuance or sale described in the Preemptive Right Participation Notice. The Company shall be free to complete the proposed issuance or sale of New Securities described in the Preemptive Right Participation Notice with respect to any New Securities not elected to be purchased pursuant to this Section 7.1 in accordance with the terms and conditions set forth in the Preemptive Right Participation Notice (except that the amount of New Securities to be issued or sold by the Company may be reduced).

ARTICLE VIII
PROTECTIVE PROVISIONS

Section 8.1 Investor Member No Threshold Matters. Notwithstanding anything to the contrary in this Agreement, the Company shall not cause or permit, in each case, without the prior written consent of the Investor Member (except that no such written consent shall be required to the extent that such matter is necessary to comply with applicable Law or Order); provided, that the Investor Member may not unreasonably withhold its consent to the matters under clause (h) below (it being acknowledged and agreed that it shall be deemed unreasonable for the Investor Member to withhold its consent to any matter under clause (h) below solely on the basis of the pricing or other terms thereof if such pricing or other terms are provided for by, and are otherwise in accordance with, applicable Law):

(a) the issuance of any equity interests by any of the Company's Subsidiaries to any Person that is not the Company or one of its Subsidiaries;

(b) the taking of any action that would reasonably be expected to result in the Company not being classified as a corporation for U.S. federal income Tax purposes (or for the purposes of any applicable state and local Taxes, to the extent material);

(c) any non-*pro rata* repurchase or redemption of any equity interests issued by the Company;

(d) the transfer, sale or other disposition, whether by way of asset sale, stock sale, merger or otherwise, of all or substantially all of the assets of the Company and the Company's Subsidiaries, taken as a whole on a consolidated basis (it being understood, for the avoidance

of doubt, that this Section 8.1(d) shall not be deemed to restrict a transfer, sale or other disposition of the equity of the Company);

(e) any amendment or modification to any Organizational Document of any Subsidiary of the Company, other than (i) ministerial amendments thereto or (ii) amendments thereto that would not reasonably be expected to have a material and adverse impact on the Investor Member;

(f) any election that would cause the Company to be treated as a "real estate investment trust" (within the meaning of Section 856 of the Code);

(g) (i) any amendment or modification to the Intercompany Income Tax Allocation Agreement in effect as of the date hereof, among the FE Member, the Company and the other parties thereto (or any replacement agreement thereof entered into among the FE Member, the Company and certain other Subsidiaries of the FE Member for the purpose of allocating consolidated tax liabilities, the "Tax Allocation Agreement"), or (ii) the entry by the Company into any Tax sharing or allocation agreement other than the Tax Allocation Agreement, other than, in the case of either clauses (i) or (ii), any amendment, modification or new agreement that (A) would not reasonably be expected to adversely affect the Company or any of its Subsidiaries, or (B) in the case of amendments or modifications to the Tax Allocation Agreement or such new agreements, would not affect the Company or any of its Subsidiaries in a manner that is less favorable to the Company and its Subsidiaries than it is to the other Subsidiaries of the FE Member that are parties to the Tax Allocation Agreement; provided that, for the avoidance of doubt, the foregoing shall not apply to any amendment or modification that is related or attributable solely to adding or removing members other than the Company or any of its Subsidiaries from the Tax Allocation Agreement;

(h) the entry into, amendment or termination of, or waiver of any material right under, any Affiliate Transaction (which shall not be deemed to include any corporate allocations involving the Company or any of its Subsidiaries that are made in compliance with Section 2.14, other than those corporate allocations that relate to operating electric transmission assets and facilities (non-corporate support services) that are specific to the Company or its Subsidiaries) other than Affiliate Transactions that satisfy each of the following requirements: (i) any and all such Affiliate Transactions are entered into on terms that are no less favorable in the aggregate to the Company (or the relevant Subsidiary thereof party thereto) than reasonably would be obtainable from an unaffiliated third party (it being agreed that any pricing or other terms required by applicable Law shall be deemed to constitute an arm's length term for purposes of this clause (i)); and (ii) any and all such Affiliate Transactions involve revenues or expenditures of less than $10,000,000 per Contract, transaction or series of related transactions individually and less than $30,000,000 in the aggregate for any fiscal year for all such Affiliate Transactions (it being acknowledged and agreed that no prior written consent of the Investor Member will be required with respect to any amendments to any Affiliate Transaction made in the ordinary course of business unless and only to the extent such amendment would adversely affect the Company or its relevant Subsidiary party thereto in any material respect); provided, that with respect to any Affiliate

Transaction contemplated by Section 8.2(c) or Section 8.1(g), Section 8.2(c) or Section 8.1(g) shall control over this Section 8.1(h); or

(i) the entry into any binding agreement or arrangement by the Company or any of its Subsidiaries to effect any of the foregoing actions.

Section 8.2 Investor Member Threshold Matters. Notwithstanding anything to the contrary in this Agreement, the Company shall not cause or permit, in each case, without the prior written consent of the Investor Member, for so long as the Investor Member holds at least a 9.9% Percentage Interest (unless such matter is necessary (i) to comply with applicable Law or Order, or (ii) with respect to clauses (c), (d), (e) or (g) or, to the extent related to the foregoing, (l), in response to an Emergency Situation):

(a) any material change to any line or scope of the existing business of the Company or any of its Subsidiaries;

(b) the conversion of the Company or any of its Subsidiaries from its current legal business entity form to any other business entity form (*e.g.*, the conversion of the Company from a Delaware limited liability company to a Delaware corporation);

(c) without limiting the requirements of Section 2.14, the direct or indirect acquisition by the Company or any of the Company's Subsidiaries (whether by merger or consolidation, acquisition of assets or stock or by formation of a joint venture or otherwise), or any request for capital in connection therewith, (i) of any equity interests of any member of the FE Outside Group, or (ii) of any business, assets or operations of any member of the FE Outside Group, in either case having a Fair Market Value in excess of 2.5% of the Rate Base Amount in the aggregate in any calendar year, other than Qualifying Core Assets;

(d) the transfer, sale or other disposition, whether by way of asset sale, stock sale, merger or otherwise, of any business, assets or operations of one or more of the Company's Subsidiaries having a Fair Market Value in excess of 2.5% of the Rate Base Amount in the aggregate in any single transaction or series of related transactions, other than Qualifying Core Assets;

(e) other than in connection with capital expenditures (which are addressed in subparagraph (f) below), any acquisition of assets, including equity securities, or any request for capital in connection therewith, by the Company or any of its Subsidiaries from a Third Party the aggregate purchase price of which exceeds 2.5% of the Rate Base Amount in any calendar year, other than Qualifying Core Assets;

(f) any capital expenditure by the Company or its Subsidiaries, or any request for capital in connection therewith, that exceeds in the aggregate 1.0% of the Rate Base Amount in any calendar year and that is not (i) made in connection with obtaining, constructing or otherwise acquiring a Qualifying Core Asset, or (ii) reasonably necessary to fund any Emergency Expenditures;

(g) the incurrence of Indebtedness (other than the refinancing of existing Indebtedness on commercially reasonable terms reflecting then-current credit market conditions) by the Company or any of its Subsidiaries that would reasonably be expected to result in the Company's Debt-to-Capital Ratio equaling or exceeding (i) prior to the fifth (5^{th}) anniversary

of the Effective Date, sixty five percent (65%), and (ii) thereafter, seventy percent (70%); provided, that the Company shall notify the Investor Member at least thirty (30) days prior to the Company or any of its Subsidiaries incurring any Indebtedness in excess of the annual budget;

(h) the filing of a petition seeking relief, or the consent to the entry of a decree or order for relief in an involuntary case, under the bankruptcy, rearrangement, reorganization or other debtor relief Laws of the United States or any state or any other competent jurisdiction or a general assignment for the benefit of its creditors by the Company or any of its Subsidiaries (other than AET PATH);

(i) the listing of any equity interests of the Company (or a successor to the Company, including by merger, conversion or other reorganization) on any stock exchange;

(j) the entrance into any joint venture, partnership or similar agreement, unless the aggregate amount of cash, property or other assets anticipated to be contributed by the Company or its applicable Subsidiary to such joint venture or partnership is less than 2.5% of the Rate Base Amount, or such joint venture, partnership or similar interests (or the cash, property or other assets so contributed to such joint venture or partnership) would continue to qualify as Qualifying Core Assets;

(k) material decisions relating to the conduct (including the settlement) of any litigation, administrative, or criminal proceeding to which the Company or any of its Subsidiaries is a party where (i) it is reasonably expected that the liability of the Company and its Subsidiaries would exceed $30,000,000 in the aggregate and (ii) such proceeding would reasonably be expected to have an adverse effect on the Investor Member or any of its Affiliates (other than in its or (if applicable, their) capacity as an investor in the Company); provided, that, for the avoidance of doubt, the foregoing shall not be applicable to any ordinary course regulatory proceedings (including rate cases) that do not involve claims of criminal conduct or intentional violations of applicable Law; or

(l) the entry into any binding agreement or arrangement by the Company or any of its Subsidiaries to effect any of the foregoing actions.

Section 8.3 Consultation Matters. For so long as (x) the Investor Member's Percentage Interest is at least 9.9% and (y) the Investor Member is not a Defaulting Member, the Company (and, as applicable, the Board) shall use its reasonable best efforts to consult in good faith with the Investor Member (which consultation shall be deemed to include the participation of Investor Directors in the meetings of the Board with respect to such matters, and, to the extent requested by the Investor Member, reasonable discussions between Representatives of the Company, of the Investor Member and of the FE Member) prior to the Company undertaking, or causing or permitting any of its Subsidiaries to undertake, any of the following matters (except as would be impracticable in respect of a particular action that the Board reasonably believes to be necessary or appropriate to comply with applicable Law, Order or in response to an Emergency Situation):

(a) establishing or materially amending the annual budget and business plan of the Company and its Subsidiaries;

(b) without limiting the Investor Member's rights under Section 8.2(g), incurring long-term Indebtedness of the Company or any of its Subsidiaries if such incurrence would be subject to the authorization or approval of any of the Public Utilities Commission of Ohio, the Pennsylvania Public Utility Commission or the United States Federal Energy Regulatory Commission, except for (i) any refinancing of Indebtedness using similar instruments on substantially similar or more favorable terms relative to the existing Indebtedness being so refinanced and (ii) any such incurrence of Indebtedness made in the ordinary course of business consistent with the Company's or the applicable Subsidiary's established target regulatory capital structure consistent with the Company's or the applicable Subsidiary's historical practices;

(c) without limiting the Investor Member's rights under Section 8.2(l), initiating, settling or compromising any arbitration, lawsuit, proceeding or regulatory process (i) with a settlement or compromise amount in excess of 2.5% of the Rate Base Amount, or (ii) that has material non-monetary penalties or obligations on the Company and/or any of its Subsidiaries;

(d) the appointment or replacement of any member of the Transmission Leadership Team; and

(e) any material Tax election by or with respect to the Company or any Subsidiary or any material amendment or modification of the Tax Allocation Agreement, in each case, that would reasonably be expected to have a material impact on the Investor Member.

Section 8.4 Actions by the Investor Director on behalf of the Investor Member. Where any action requires the consent of the Investor Member pursuant to Section 8.1 or Section 8.2, the Investor Director shall, unless the Investor Member indicates in writing to the FE Member otherwise, have the authority to provide such consent on behalf of the Investor Member at any meeting of the Board called to discuss such matters, and the Company, the other Members and the other Directors shall be entitled to rely on such action of the Investor Director as an action of the Investor Member with such action being binding upon the Investor Member.

Section 8.5 Certain Excluded Matters. For the avoidance of doubt, and notwithstanding Section 8.1, Section 8.2 and Section 8.3, in no event will the Investor Member have any consent or consultation rights in respect of the dissolution, liquidation or winding up (or similar actions taken having the same effect) of AET PATH or any of its Subsidiaries or the business and affairs of any of such Persons.

Section 8.6 Acknowledgement of Purpose of Provisions. It is hereby acknowledged and agreed by the Parties that the rights of the Investor Member set forth in this Article VIII are protection mechanisms for the Investor Member acting in its capacity as an investor in the Company and are not for purposes of, and should not be construed or otherwise interpreted as, providing the Investor Member or any of its Representatives or Affiliates with the ability to take any action that would constitute exercising substantial influence or control over the Company or any of its Subsidiaries or would otherwise provide the Investor Member or any of its Representatives or Affiliates with any right to direct the operation of the business of the Company or any of its Subsidiaries.

ARTICLE IX
OTHER COVENANTS AND AGREEMENTS

Section 9.1 Books and Records.

(a) The Company shall keep and maintain, or cause to be kept and maintained, books and records of accounts, taxes, financial information and all matters pertaining to the Company and its Subsidiaries at the principal offices and place of business of the Company in a commercially reasonable manner consistent with the manner in which similar books and records are kept and maintained by other members of the FE Outside Group. Each Member (other than any Defaulting Member) and its duly authorized Representatives shall have the right to, at reasonable times during normal business hours, upon reasonable notice, under supervision of the Company's personnel and in such a manner as to not unreasonably interfere with the normal operations of any member of the Company Group, (i) visit and inspect the books and records of the Company Group, and, at its expense, make copies of and take extracts from any books and records of the Company Group and (ii) meet and consult with officers, other managers of the Company Group and Representatives of the Company Group regarding their businesses and activities; provided that, in the case of the Investor Member, any Person gaining access to such information regarding the Company Group pursuant to this Section 9.1 shall agree to hold in strict confidence, not make any disclosure of, and not use for purposes other than good faith administration of the Investor Member's continuing investment, all information regarding any member of the Company Group that is not otherwise publicly available.

(b) Notwithstanding the foregoing, the Company shall not be obligated to provide to the Investor Member any record or information (i) relating to the negotiation and consummation of the transactions contemplated by this Agreement and the PSA, including confidential communications with Representatives or Advisors, including legal counsel, representing the Company or any of its Affiliates, (ii) that is subject to an attorney-client or other legal privilege, (iii) that, in the FE Member's reasonable determination, are proprietary, confidential or sensitive to the FE Member or to any other member of the FE Outside Group, (iv) relating to any joint, combined, consolidated or unitary Tax Return that includes the FE Member or any other member of the FE Outside Group or any supporting work papers or other documentation related thereto, or (v) the provision of which would violate any applicable Law or Order.

(c) Each Member shall reimburse the Company for all documented out-of-pocket costs and expenses incurred by the Company in connection with such Member's exercise of its inspection and information rights pursuant to this Section 9.1.

Section 9.2 Financial Reports. The Company shall provide, or otherwise make available, to any Member (unless such Member is a Defaulting Member):

(a) on an annual basis, within 105 days after the end of each fiscal year, an audited consolidated balance sheet, statement of operations and statement of cash flow of each member of the Company Group;

(b) on a quarterly basis, within 60 days after the end of each fiscal quarter, an unaudited quarterly and year-to-date consolidated balance sheet and related statement of operation and statement of cash flow of each member of the Company Group;

(c) on an annual basis, as soon as reasonably practicable after the approval thereof by the Board, the annual budget and business plan (if applicable) for each member of the Company Group; and

(d) on an annual basis, as soon as reasonably practicable after the approval thereof by the Board, financial forecasts for each member of the Company Group for the fiscal year, which shall be in such manner and form as approved by the Board, and which shall include a projection of income and a projected cash flow statement for each fiscal quarter in such fiscal year and a projected balance sheet as of the end of each fiscal quarter in such fiscal year.

Section 9.3 Other Business; Corporate Opportunities.

(a) To the extent permitted by applicable Law and, in the case of the FE Member, subject to its compliance with its obligations under Section 9.3(b), any Member and any Affiliate of any Member may engage in, possess an interest in or otherwise be involved in other business ventures of any nature or description, independently or with others, similar or dissimilar to the businesses of the Company Group, and neither the Company nor any other Member shall have any rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the businesses of the Company Group, shall be deemed not to be wrongful or improper so long as it is consistent with all Laws and Orders applicable to the Company and its Subsidiaries.

(b) In the event that the FE Member identifies an acquisition, "greenfield" development, expansion or upgrade opportunity primarily involving, related to or in furtherance of the activities described in clauses (i) and (iii) of the definition of the Company Business within the transmission zones within the PJM Region in which the Company and its Subsidiaries then currently operate (a "Company Business Opportunity"), if and to the extent it would be permissible by the relevant Governmental Body for FET or one of its Subsidiaries to pursue such Company Business Opportunity, then such Company Business Opportunity shall be presented by the FE Member to the Board for pursuit by the Company (subject to Article VIII) prior to any members of the FE Outside Group undertaking such opportunity; provided, however, that a "Company Business Opportunity" shall exclude any business activities conducted by the FE Outside Group as of the Effective Date, including direct or indirect investments in, or directly or indirectly developing, constructing, commercializing, operating, maintaining or owning, electric transmission assets and facilities in the Allegheny Power Systems and Jersey Central Power & Light transmission zones within the PJM Region. If the Company declines the Company Business Opportunity, then the FE Outside Group will have the right to pursue the Company Business Opportunity without further involvement of the Company.

(c) The Company and each Member expressly acknowledge and agree, that, except as set forth in Section 9.3(b), (i) neither the Members nor any of their respective Affiliates or Representatives shall have any duty to communicate or present an investment or business

opportunity to the Company in which the Company may, but for the provisions of this Section 9.3, have an interest or expectancy (a "Corporate Opportunity"), and (ii) neither of the Members nor any of their respective Affiliates or Representatives (even if such Person is also an officer or Director of the Company) shall be deemed to have breached any duty or obligation to the Company by reason of the fact that such Person pursues or acquires a Corporate Opportunity for itself or directs, sells, assigns or transfers such Corporate Opportunity to another Person or does not communicate information regarding such Corporate Opportunity to the Company. The Company and each Member expressly renounce any interest in Corporate Opportunities and any expectancy that a Corporate Opportunity will be offered to the Company.

(d) For so long as the Investor Member is a Member, FET shall not, and shall cause its Subsidiaries not to, seek approval from the applicable Governmental Body to permit the members of the FE Outside Group that directly own equity interests in MAIT to make any capital contributions to MAIT.

Section 9.4 Compliance with Laws.

(a) The Company shall not, and shall cause its Subsidiaries not to, and shall use its commercially reasonable efforts to procure that the Company Group's respective Representatives shall not in the course of their actions for, or on behalf of, any Member of the Company Group:

(i) offer promise, provide or authorize the provision of any money, property, contribution, gift, entertainment or other thing of value, directly or knowingly indirectly, to any government official, to unlawfully influence official action or secure an improper advantage, or to unlawfully encourage the recipient to improperly influence or affect any act or decision of any Governmental Body, in each case, in order to assist any member of the Company Group in obtaining or retaining business, or otherwise act in violation of any applicable Anti-Corruption Laws;

(ii) violate any applicable Anti-Money Laundering Laws;

(iii) engage in any unlawful dealings or transactions with or for the benefit of any Sanctioned Person or otherwise violate Sanctions; or

(iv) violate any applicable FDI Law.

(b) The Company shall promptly notify the Members of (i) any allegations of misconduct by any member of the Company Group or any actions, suits or proceedings by or before any Governmental Body to which any member of the Company Group becomes a party, or to which the Company becomes aware that any Representative of the Company Group (in relation to such Representative's actions for, or on behalf of, any member of the Company Group) is a party, in each case, relating to any material breach or suspected material breach of any applicable Anti-Corruption Laws, Anti-Money Laundering Laws, Sanctions or FDI Laws or (ii) any fact or circumstances of which it becomes aware that would reasonably be expected to result in a breach of this Section 9.4.

(c) The Company and its Subsidiaries have implemented and maintain, and will continue to implement and maintain, policies and procedures and a system of internal controls to ensure

compliance by the Company, its Subsidiaries, their respective directors, officers, employees and agents (in their capacity as such) and Affiliates with Anti-Corruption Laws, Anti-Money Laundering Laws, Sanctions and FDI Laws.

(d) The Company and its Affiliates shall comply in all respects with all relevant terms of the Deferred Prosecution Agreement with the Southern District of Ohio entered into on July 22, 2021.

(e) Each Director and Board Observer may confer with the Member that appointed such Director and/or Board Observer regarding any allegations of misconduct by any member of the Company Group relating to any breach or suspected breach of any applicable anti-terrorism Laws, Anti-Corruption Laws, Anti-Money Laundering Laws, Sanctions or FDI Laws.

(f) Each Member shall, and shall use its commercially reasonable efforts to procure that its Representatives in the course of their actions for, or on behalf of, such Member or its Affiliates, comply in all respects with all Anti-Corruption Laws, Anti-Money Laundering Laws and FDI Laws applicable to such Persons.

Section 9.5 Non-Solicit. Without the prior written consent of the Company, the Investor Member shall not, shall cause its Affiliates not to, and shall use its reasonable best efforts to procure that other Persons in which it is invested do not, solicit for employment, hire or engage as a consultant any individual who is serving in any position within the Transmission Leadership Team or an FE Director; provided that this Section 9.5 shall not prohibit any Person from issuing general public solicitations not specifically targeted at the Transmission Leadership Team or from hiring any Person responding to such general solicitations.

Section 9.6 Confidentiality.

(a) Each Member shall, and shall cause its Representatives to, keep confidential and not divulge any information (including all budgets, business plans and analyses) concerning the Company and its Subsidiaries, including their respective assets, business, operations, financial condition and prospects ("Confidential Information"), and to use such Confidential Information only in connection with the operation of the Company and its Subsidiaries or such Member's administration of its investment in the Company; provided that nothing herein shall prevent any Member from disclosing such Confidential Information (i) upon the Order of any court or administrative agency, (ii) upon the request or demand of any Governmental Body having jurisdiction over such party, (iii) to the extent compelled by legal process or required or requested pursuant to subpoena, interrogatories or other discovery requests, (iv) to the other Parties, (v) to such party's Representatives that in the reasonable judgment of such party need to know such Confidential Information, or (vi) to any potential Permitted Transferee in connection with a proposed Transfer of Membership Interests from a Member so long as such transferee agrees to be bound by the provisions of this Section 9.6 as if a Member; provided, further, that in the case of clauses (i), (ii) or (iii), such Member shall, to the extent legally permissible, notify the other Parties of the proposed disclosure as far in advance of such disclosure as practicable and use reasonable efforts to ensure that any Confidential Information so disclosed is accorded confidential treatment, when and if available.

(b) The restrictions in Section 9.6(a) shall not apply to information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Member or any of its Representatives in violation of this Agreement, (ii) is or becomes available to a Member or any of its Representatives on a non-confidential basis prior to its disclosure to the receiving Member and any of its Representatives, (iii) is or has been independently developed or conceived by such Member or its Affiliates without use of the Company's or any of its Subsidiaries' Confidential Information or (iv) becomes available to the receiving Member or any of its Representatives on a non-confidential basis from a source other than the Company or any of its Subsidiaries, any other Party or any of their respective Representatives; provided that such source is not known by the recipient of the information to be bound by a confidentiality agreement with the disclosing party or any of its Representatives.

(c) Each Party shall inform any Representatives to whom it provides Confidential Information that such information is confidential and instruct them (i) to keep such Confidential Information confidential and (ii) not to disclose Confidential Information to any Third Party (other than those Persons to whom such Confidential Information has already been disclosed in accordance with the terms of this Agreement). The disclosing Party shall be responsible for any breach of this Section 9.6 by the Person to whom the Confidential Information is disclosed.

(d) The restrictions in Section 9.6(a) shall not restrict any Member and its Affiliates from disclosing any Confidential Information required to be disclosed under applicable securities Laws or the rules of any stock exchange on which any of their securities are traded.

(e) Notwithstanding anything herein to the contrary, the provisions of this Section 9.6 shall survive the termination of this Agreement for a period of three years and, with respect to each Member, shall survive for a period of three years following the date on which such Member is no longer a Member. The provisions of this Section 9.6 shall supersede the provisions of any non-disclosure agreements entered into by the Company (or its Affiliates, including the FE Member) and any of the Members (or their respective Affiliates) with respect to the transactions contemplated hereby or by the PSA prior to the Effective Date.

Section 9.7 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of Representatives and other Advisors, incurred in connection with this Agreement and with the continuing relationship between the Company and its Members, and among any of them, shall be paid by the Party incurring such costs and expenses.

ARTICLE X
TAX MATTERS

Section 10.1 Tax Classification. The Parties intend that the Company be classified as a corporation for U.S. federal income (and applicable state and local) Tax purposes, and Internal Revenue Service Form 8832 has been properly filed electing such classification (which election was effective at least one Business Day prior to the Effective Date).

Section 10.2 Tax Matters Shareholder. The FE Member is hereby designated the "Tax Matters Shareholder" of the Company and its Subsidiaries. Except as otherwise provided in this Agreement, the Tax Matters Shareholder may, in its reasonable discretion, make or refrain from making any Tax elections allowed under applicable Law for the Company or any of its Subsidiaries. The Tax Matters Shareholder shall prepare and file or cause to be prepared and filed any Tax Return required to be filed by or with respect to the Company or its Subsidiaries. Notwithstanding any other provision of this Agreement, the Tax Matters Shareholder shall be entitled to control in all respects, and neither the Investor Member nor its Affiliates shall have the right to participate in, any Tax audits, examinations or other proceedings by any taxing authority of any Governmental Body with respect to any Tax Return of the Company or any of its Subsidiaries.

Section 10.3 Tax Allocation Agreement. The Company shall use commercially reasonable efforts to enforce its rights under the Tax Allocation Agreement, including any rights to receive payments or indemnification thereunder.

Section 10.4 Cooperation. The Investor Member shall, and shall cause its Affiliates to, provide to the FE Member and its Subsidiaries (including the Company and its Subsidiaries), and the FE Member and the Company shall, and shall cause their Affiliates to, provide to the Investor Member, in each case, such cooperation, documentation and information as any of them reasonably may request in connection with (a) filing any Tax Return, amended Tax Return or claim for refund, (b) determining a liability for Taxes or (c) preparing for or conducting any Tax audits, examinations or other proceedings by any taxing authority of any Governmental Body.

Section 10.5 Withholding. The Company may withhold and pay over to the United States Internal Revenue Service (or any other relevant Tax authority) such amounts as it is required to withhold or pay over, pursuant to the Code or any other applicable Law, on account of a Member, including in respect of distributions made pursuant to Section 5.2 or Section 5.3, and, for the avoidance of doubt, the amount of any such distribution or other payment to a Member shall be net of any such withholding. To the extent that any amounts are so withheld and paid over, such amounts shall be treated as paid to the Person(s) in respect of which such withholding was made. To the extent that a Member claims to be entitled to a reduced rate of, or exemption from, a withholding Tax pursuant to an applicable income Tax treaty, or otherwise, such Member shall furnish the Company with such information and forms as such Member may be required to complete where necessary to comply with any and all Laws and regulations governing the obligations of withholding Tax agents, and the Company shall apply such reduced rate of, or exemption from, withholding Tax as reflected on such information and forms that have been provided by such Member. Each Member agrees that if any information or form provided pursuant to this Section 10.5 expires or becomes obsolete or inaccurate in any respect, such Member shall update such form or information.

Section 10.6 Certain Representations and Warranties. Each Member represents and warrants that any such information and forms furnished by such Member shall be true and accurate and agrees to indemnify the Company from any and all damages, costs and expenses resulting from the filing of inaccurate or incomplete information or forms relating to such withholding Taxes.

Section 10.7 Intended Tax Treatment. Each of the Parties hereby acknowledges that the transactions contemplated hereby and those other transactions that were contemplated under the PSA were or are being structured by the Parties in a manner to preserve the status of the Company as a member of the "affiliated group" (as defined in Section 1504(a) of the Code) of which FE Member is the common parent and to enable the FE Member to include the Company in its U.S. consolidated group. To the extent that the FE Member determines, based on the advice of counsel, that there have been any changes in the applicable Tax consolidation rules, or the interpretation thereof, that would reasonably be expected to impair the foregoing treatment, the FE Member will have the option, upon written notice to the Investor Member and the Company, to cause alterations to the governance and ownership structure of the Company, including by making amendments to this Agreement (subject to Section 13.10), to the minimum extent necessary to preserve the intended Tax consolidation (any such changes, "Tax-Driven Changes"); provided that the Parties will cooperate in good faith to appropriately compensate the Investor Member for any loss in the Fair Market Value of its initial investment in the Membership Interests acquired pursuant to the PSA. In the event of the foregoing, the Parties shall act in good faith to take all actions reasonably necessary to effect such Tax-Driven Changes and provide the appropriate compensation to the Investor Member as contemplated by the foregoing in connection therewith.

ARTICLE XI
LIABILITY; EXCULPATION; INDEMNIFICATION

Section 11.1 Liability; Member Duties. The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Covered Person shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person. Each Member acknowledges and agrees that each Member, in its capacity as a Member, may decide or determine any matter subject to the approval of such Member pursuant to any provision of this Agreement in the sole and absolute discretion of such Member, and in making such decision or determination such Member shall have no duty, fiduciary or otherwise, to any other Member or to the Company Group, it being the intent of all Members that such Member, in its capacity as a Member, has the right to make such determination solely on the basis of its own interests.

Section 11.2 Exculpation. To the fullest extent permitted by applicable Law, no Covered Person shall be liable to the Company or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's fraud, gross negligence or willful misconduct.

Section 11.3 Indemnification. The Company shall indemnify, defend and hold harmless any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed actions, suits or proceedings by reason of the fact that such Person is or was a Director or officer of the Company, or is or was a Director or officer of the Company serving at the request of the Company as a director, officer or agent of another limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees),

judgments, settlements, penalties and fines actually and reasonably incurred by him or her in connection with the defense or settlement of such, action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company; and, with respect to any criminal action or proceeding, either he or she had reasonable cause to believe such conduct was lawful or no reasonable cause to believe such conduct was unlawful.

Section 11.4 Authorization. To the extent that such present or former Director or officer of the Company has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 11.3, or in the defense of any claim, issue or matter therein, the Company shall indemnify him or her against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith. Any other indemnification under Section 11.3 shall be made by the Company only as authorized in the specific case, upon a determination that indemnification of the present or former Director or officer is permissible in the circumstances because such present or former Director or officer has met the applicable standard of conduct. Such determination shall be made, with respect to a Person who is a Director or officer at the time of such determination, (a) by a majority vote of the Directors who are not parties to such action, suit or proceeding, even with less than a quorum, or (b) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (c) by the Members. Such determination shall be made, with respect to former Directors and officers, by any Person or Persons having the authority to act on the matter on behalf of the Company.

Section 11.5 Reliance on Information. For purposes of any determination under Section 11.3, a present or former Director or officer of the Company shall be deemed to have acted in good faith and have otherwise met the applicable standard of conduct set forth in Section 11.3 if his or her action is based on the records or books of account of the Company or on information supplied to him or her by the officers of the Company in the course of his or her duties, or on the advice of legal counsel for the Company or on information or records given or reports made to the Company by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company. The provisions of this Section 11.5 shall not be deemed to be exclusive or to limit in any way the circumstances in which a present or former Director or officer of the Company may be deemed to have met the applicable standard of conduct set forth in Section 11.3.

Section 11.6 Advancement of Expenses. Expenses (including reasonable attorneys' fees) incurred by the present or former Director or officer of the Company in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Company as authorized in the specific case in the same manner described in Section 11.4, upon receipt of a written affirmation of the present or former Director or officer that he or she has met the standard of conduct described in Section 11.3 and upon receipt of a written undertaking by or on behalf of him or her to repay such amount if it shall ultimately be determined that he or she did not meet the standard of conduct, and a determination is made that the facts then known to those making the determination shall not preclude indemnification under this Article XI.

Section 11.7 Non-Exclusive Provisions. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article XI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled.

Section 11.8 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article XI shall, unless otherwise provided when authorized or ratified, continue as to a Person who has ceased to be a Director or officer of the Company and shall inure to the benefit of his or her heirs, executors and administrators.

Section 11.9 Limitations. Notwithstanding anything contained in this Article XI to the contrary, the Company shall not be obligated to indemnify any Director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such Person unless such proceeding (or part thereof) was authorized or consented to by the Board.

ARTICLE XII
REPRESENTATIONS AND WARRANTIES

Section 12.1 Members Representations and Warranties. Each Member hereby represents and warrants, severally and not jointly, to the Company and to the other Member as follows:

(a) Such Member is a company duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, as applicable, with full power and authority to enter into this Agreement and perform all of its obligations hereunder.

(b) The execution and delivery of this Agreement by such Member, and the performance by such Member of its obligations hereunder, have been duly and validly authorized by all requisite action by such Member, and no other proceedings on the part of such Member are necessary to authorize the execution, delivery or performance of this Agreement by such Member.

(c) This Agreement has been duly and validly executed and delivered by such Member, and, assuming that this Agreement is a valid and binding obligation of the other Parties, this Agreement constitutes a valid and binding obligation of such Member, enforceable against such Member in accordance with its terms, except as limited by the application of bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other Laws relating to or affecting creditors' rights or general principles of equity.

(d) The execution and delivery by such Member of this Agreement, and the performance by such Member of its obligations hereunder, does not (i) violate or breach its Organizational Documents, (ii) violate any applicable Law to which such Member is subject or by which any of its assets are bound, or (iii) result in any breach of or constitute a default (or an event that, with notice or lapse of time or both, would become a default) under any Contract to which such Member is a party or by which any of its assets are bound.

ARTICLE XIII
MISCELLANEOUS

Section 13.1 Notices. Except as otherwise expressly provided herein, all notices, demands and other communications to be given or delivered under or by reason of the provisions of this

Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted by electronic mail (unless if transmitted after 5:00 p.m. Eastern time or other than on a Business Day, then on the next Business Day) to the address specified below in which case such notice shall be deemed to have been given when the recipient transmits manual written acknowledgment of successful receipt, which the recipient shall have an affirmative duty to furnish promptly after successful receipt, (c) when sent by internationally-recognized courier in which case it shall be deemed to have been given at the time of actual recorded delivery, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case, to the respective Party at the number, electronic mail address or street address, as applicable, set forth below, or at such other number, electronic mail address or street address as such Party may specify by written notice to the other Party.

Notices to the Investor Member:

North American Transmission Company II LLC
c/o Brookfield Infrastructure Group
1200 Smith Street, Suite 640
Houston, Texas 77002
Attention: Fred Day
Email: fred.day@brookfield .com

with copies to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1000 Louisiana Street
Houston, Texas 77002
Attention: Eric Otness
Email: eric.otness@skadden.com

and

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attention: Aryan Moniri
Email: aryan.moniri@skadden.com

Notices to the FE Member:

FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308
Attention: David W. Pinter
Email: dpinter@firstenergycorp.com

with a copy to (which shall not constitute notice):

Jones Day
901 Lakeside Ave.
Cleveland, Ohio 44114
Attention: Peter Izanec, George Hunter
Email: peizanec@jonesday.com, ghunter@jonesday.com

Notices to the Company:

FirstEnergy Transmission, LLC
c/o FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308
Attention: David W. Pinter
Email: dpinter@firstenergycorp.com

with a copy to (which shall not constitute notice):

Jones Day
901 Lakeside Ave.
Cleveland, Ohio 44114
Attention: Peter Izanec, George Hunter
Email: peizanec@jonesday.com, ghunter@jonesday.com

Section 13.2 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided that neither Member, nor the Company, shall purport to assign or Transfer all or any of its rights or obligations under this Agreement nor grant, declare, create or dispose of any right or interest in this Agreement in whole or in part except with respect to a Transfer in accordance with the terms of this Agreement, and any attempted or purported assignment hereof not in accordance with the terms hereof shall be void ab initio.

Section 13.3 Waiver of Partition. Each Member hereby waives any right to partition of the Company property.

Section 13.4 Further Assurances. From and after the Effective Date, from time to time, as and when requested by any Party and at such Party's expense, any other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such requesting Party may reasonably deem necessary or desirable to carry out the purposes and intent of this Agreement.

Section 13.5 Third Party Beneficiaries. Except as otherwise expressly provided herein, nothing expressed or referred to in this Agreement shall be construed to give any Person other than the Parties any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement; provided, that Covered Persons are express third party beneficiaries of Article XI.

Section 13.6 Parties in Interest. This Agreement shall inure to the benefit of, and be binding upon, the Parties and their respective successors, legal representatives and permitted assigns.

Section 13.7 Severability. If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and, to the extent permitted and possible, any invalid, void or unenforceable term shall be deemed replaced by a term that is valid and enforceable and that comes closest to expressing the intention of such invalid, void or unenforceable term.

Section 13.8 Construction. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Person. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

Section 13.9 Complete Agreement. This Agreement (including any schedules thereto), constitutes the entire agreement of the Parties hereto with respect to the subject matter hereof and thereof and supersedes any prior understandings, agreements or representations by or among the Parties hereto or Affiliates thereof, written or oral, to the extent they relate in any way to the subject matter hereof.

Section 13.10 Amendment; Waiver. Subject to Article VIII, neither this Agreement nor any other Organizational Document of the Company may be amended (whether by merger or otherwise) except in a written instrument signed by Members owning at least a majority of the Membership Interests; provided, that (a) except for any Tax-Driven Changes being implemented in accordance with Section 10.6, the prior written consent of any Member shall be required in respect of any such proposed modification, alteration, supplement or amendment that would have a material disproportionate adverse impact on that Member (in its capacity as a Member) as compared to the other Members (in their capacity as Members), (b) except for any Tax-Driven Changes being implemented in accordance with Section 10.6, the prior written consent of the Investor Member shall be required to modify, alter, supplement or amend any provision of this Agreement or any other Organizational Document of the Company (unless such modification, alteration, supplement or amendment would not have an adverse impact on the Investor Member), and (c) notwithstanding anything in this Agreement to the contrary, Article V may not be amended other than by a written instrument signed by the Investor Member. In the event that the Company issues Membership Interests to one or more Third Parties pursuant to Section 5.1(c) or Section 7.1, the Members and the Company shall negotiate in good faith to amend this Agreement to the extent reasonably necessary to reflect such additional Members. Any

amendment or revision to Schedule 1 that is made by an officer solely to reflect information regarding Members or the Transfer or issuance of Membership Interests made in accordance with the terms of this Agreement shall not be considered an amendment to this Agreement and shall not require any Board or Member approval. Any failure or delay on the part of any Party in exercising any power or right hereunder shall not operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder or otherwise available at law or in equity.

Section 13.11 Governing Law. This Agreement, and any claim, action, suit, investigation or proceeding of any kind whatsoever, including a counterclaim, cross-claim or defense, regardless of the legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or tort, or whether at law or in equity, or otherwise under any legal or equitable theory, that may be based upon, arising out of or related to this Agreement or the negotiation, execution or performance of this Agreement or the transactions contemplated hereby shall be governed by and construed in accordance with the internal Laws of the State of Delaware applicable to agreements executed and performed entirely within such State without regards to conflicts of law principles of the State of Delaware or any other jurisdiction that would cause the Laws of any jurisdiction other than the State of Delaware to apply.

Section 13.12 Specific Performance. The Parties agree that irreparable damage, for which monetary relief, even if available, shall not be an adequate remedy, would occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. It is accordingly agreed that (a) the Parties shall be entitled to seek an injunction or injunctions, specific performance or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement, and (b) the right of specific performance and other equitable relief is an integral part of this Agreement and the business and legal understandings between the Members with respect to the Company, and without that right, none of the Members would have entered into this Agreement. The Parties acknowledge and agree that any Party pursuing an injunction or injunctions or other Order to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 13.12 shall not be required to provide any bond or other security in connection with any such Order. The remedies available to the Parties pursuant to this Section 13.12 shall be in addition to any other remedy to which they may be entitled at law or in equity, and the election to pursue an injunction or specific performance shall not restrict, impair or otherwise limit any Party from seeking to collect or collecting damages. Each of the Parties agrees that it shall not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity.

Section 13.13 Arbitration.

(a) With the exception only of any proceeding seeking interim or provisional relief in order to protect the rights or property of a Party which a Party may elect to pursue in court, all

claims or disputes arising out of or relating to this Agreement, not amicably resolved between the Parties shall be determined by binding arbitration upon demand by a Party. Such arbitration shall be administered by the American Arbitration Association ("AAA") utilizing its Commercial Arbitration Rules in effect as of the date the arbitration is commenced. The arbitration shall be conducted before a single arbitrator, if the Parties can agree on the one arbitrator. If the Parties cannot agree on a single arbitrator, there shall be a panel of three arbitrators with one chosen by each Member and the third arbitrator selected by the two Members-appointed arbitrators. If a Party fails to appoint an arbitrator within 30 days following a written request by another Party to do so or if the two party-appointed arbitrators fail to agree upon the selection of a third arbitrator, as applicable, within 30 days following their appointment, the additional arbitrator shall be selected by the AAA pursuant to its applicable procedures. Each arbitrator shall be disinterested and have at least 20 years of experience with commercial matters. The arbitrator(s) shall have the power to award any appropriate remedy consistent with the objectives of the arbitration and subject to, and consistent with, all Laws and Orders applicable to the Company and its Subsidiaries (including, for the avoidance of doubt, the necessity of obtaining any requisite authorization, approval or consent of any Governmental Body necessary to implement the appropriate remedy). The decision of the one arbitrator or, if applicable, the majority of the three arbitrators shall be final and binding upon the Parties (subject only to limited review as required by applicable Law). Judgment upon the award of the arbitrator(s) may be entered in any court of competent jurisdiction or otherwise enforced in any jurisdiction in any manner provided by applicable Law. The losing Party shall pay the prevailing Party's attorney's fees and costs and the costs associated with the arbitration, including expert fees and costs and the arbitrators' fees and costs; provided, however, that each Party shall bear its own fees and costs until the arbitrator(s) determine which, if any, Party is the prevailing Party and the amount that is due to such prevailing Party. The arbitration proceedings shall take place in Akron, Ohio and, for the avoidance of doubt, the arbitration proceedings shall be conducted in the English language.

(b) All discussions, negotiations and proceedings under this Section 13.13, and all evidence given or discovered pursuant hereto, will be maintained in strict confidence by all Parties, except where disclosure is required by applicable Law, necessary to comply with any legal requirements of such Party or necessary or advisable in order for a Party to assert any legal rights or remedies, including the filing of a complaint with a court or, based on the advice of counsel, such disclosure is determined to be necessary or advisable under applicable securities Laws or the rules of any stock exchange on which any of such Party's securities are traded. Disclosure of the existence of any arbitration or of any award rendered therein may be made as part of any action in court for interim or provisional relief or to confirm or enforce such award.

(c) Any settlement discussions occurring and negotiating positions taken by any Party in connection with the procedures under this Section 13.13 will be subject to Rule 408 of the Federal Rules of Civil Procedure and shall not be admissible as evidence in any proceeding relating to the subject matter of this Agreement.

(d) The fact that the dispute resolution procedure specified in this Section 13.13 has been or may be invoked will not excuse any Party from performing its obligations under this Agreement, and during the pendency of any such procedure, all Parties must continue to perform their respective obligations in good faith.

Section 13.14 Counterparts. This Agreement may be executed in counterparts, and any Party may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute one and the same instrument. This Agreement shall become effective when each Party shall have received a counterpart hereof signed by the other Parties. The Parties agree that the delivery of this Agreement may be effected by means of an exchange of facsimile or electronically transmitted signatures.

Section 13.15 Fair Market Value Determination. Upon request by any Member, so long as such Member holds a Percentage Interest greater than 5.0%, within five Business Days after receiving written notice of the Board's determination in connection with any determination of Fair Market Value of Membership Interests or other assets under this Agreement (which determination shall be provided by the Company to each Member promptly following the making thereof), the Company shall select a nationally recognized independent valuation firm with no existing or prior business or personal relationship with any Member or any of its Affiliates in the five-year period immediately preceding the date of engagement pursuant to this Section 13.15 (the "Independent Evaluator") to determine such Fair Market Value. Each of the Company and the requesting Member shall submit their view of the Fair Market Value of the Membership Interests or the relevant asset(s) to the Independent Evaluator, and each party will receive copies of all information provided to the Independent Evaluator by the other party. The final Independent Evaluator's determination of the Fair Market Value of such Membership Interests or asset(s) shall be set forth in a detailed written report addressed to the Company and the requesting Member within 30 days following the Company's selection of such Independent Evaluator and such determination shall be final, conclusive and binding. In rendering its decision, the Independent Evaluator shall determine which of the positions of the Company and the requesting Member submitted to the Independent Evaluator is, in the aggregate, more accurate (which report shall include a worksheet setting forth the material calculations used in arriving at such determination), and, based on such determination, adopt either the Fair Market Value determined by the Company or the requesting Member. Any fees and expenses of the Independent Evaluator incurred in resolving the disputed matter(s) will be borne by the party whose positions were not adopted by the Independent Evaluator.

Section 13.16 Certain Definitions. As used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Act" means the Delaware Limited Liability Company Act, as amended from time to time.

"Advisors" means, with respect to any Person, the accountants, attorneys, consultants, advisors, investment bankers, or other representatives of such Person.

"AET PATH" means AET PATH Company, LLC, a Delaware limited liability company.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, Contract or otherwise.

"Anti-Corruption Laws" means (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (b) the U.K. Bribery Act 2010, as amended; and (c) any other Law concerning or relating to bribery or corruption imposed, administered or enforced by any Governmental Body.

"Anti-Money Laundering Laws" means any Law concerning or relating to money laundering, any predicate crime to money laundering or any record keeping, disclosure or reporting requirements related to money laundering imposed, administered or enforced by any Governmental Body.

"Available Cash" means, for any fiscal quarter, the cash flow generated from the normal business operations of the Company and its Subsidiaries in such fiscal quarter, less any amounts that the Board reasonably determines are necessary and appropriate to be retained in order to (a) permit the Company and its Subsidiaries to pay their obligations as they become due in the ordinary course of business, (b) maintain the Company's and its Subsidiaries' target regulatory capital structure and investment-grade credit metrics, (c) fund planned capital expenditures, (d) maintain an adequate level of working capital, (e) maintain prudent reserves for future obligations (including contingent obligations of the Company and its Subsidiaries), (f) comply with applicable Law, Order, the terms of the Company's and its Subsidiaries Indebtedness (including making any required payments of principal or interest in satisfaction of Indebtedness) or (g) respond to an Emergency Situation. For the avoidance of doubt, the proceeds of the issuance of the Investor Member's Membership Interests shall be excluded from the calculation of Available Cash (and may be held in a segregated sub-account in the money pool of the FE Member).

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions located in New York, New York are authorized by applicable Law to be closed.

"Change in Control" means with respect to the applicable Party, any person or group (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) at any time becoming the beneficial owner of 50% or more of the combined voting power of the voting securities of such Party.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Group" means the Company and each of its Subsidiaries, collectively.

"Competitor" means any Person that is, or through its Subsidiaries is, directly involved in the transmission of electricity in the United States.

"Contract" means any written agreement, arrangement, commitment, indenture, instrument, purchase order, license or other binding agreement.

"Covered Person" means any (a) Member, any Affiliate of a Member or any officers, directors, shareholders, partners, members, employees, representatives or agents of a Member or

their respective Affiliates, (b) Director, or (c) employee, officer or agent of the Company or its Affiliates.

"Debt-to-Capital Ratio" means, with respect to any Person, the ratio of (a) the Indebtedness of such Person and its Subsidiaries to (b) the sum of (i) the Indebtedness of such Person and its Subsidiaries plus (ii) Member equity (including noncontrolling interest of MAIT Class B membership equity), capital stock (but excluding treasury stock and capital stock subscribed and unissued) and other equity accounts (including retained earnings and paid in capital but excluding accumulated other comprehensive income and loss) of such Person and its Subsidiaries, determined in accordance with GAAP.

"Emergency Expenditure" means amounts required to be incurred in order to respond to an Emergency Situation or to avoid an Emergency Situation in a manner that is consistent with general practices applicable to facilities used in the Company Business, but only to the extent such expenditures are reasonably designed to ameliorate the consequences, or an immediate threat of any of the consequences, of the issues set forth in the definition of "Emergency Situation."

"Emergency Situation" means, with respect to the business of the Company and its Subsidiaries, (a) any abnormal system condition or abnormal situation requiring immediate action to maintain system frequency, loading within acceptable limits or voltage or to prevent loss of firm load, material equipment damage or tripping of system elements that is reasonably likely to materially and adversely affect reliability of an electric system, (b) any other occurrence or condition that otherwise requires immediate action to prevent an immediate and material threat to the safety of Persons or the operational integrity of, or material damage to, any material assets of, or the business of the Company or its Subsidiaries, or (c) any other condition or occurrence requiring immediate implementation of emergency procedures as defined by the applicable transmission grid operator or transmitting utility.

"Encumber" means to place a Lien against.

"Excluded Membership Interests" means any Membership Interests or other equity interests in the Company issued in connection with:

(a) any issuance to a Third Party pursuant to and in accordance with Section 7.1;

(b) any arrangement approved unanimously by the Board for the return of income or capital to the Members;

(c) any equity split, equity dividend or any similar recapitalization; or

(d) the commencement of any offering of Membership Interests or other equity interests of the Company or any of its Subsidiaries, pursuant to a registration statement filed in accordance with the United States Securities Act of 1933.

"Fair Market Value" means, with respect to any asset (including equity interest), the price at which the asset would change hands between a willing buyer and a willing seller that are not affiliated parties, neither being under any compulsion to buy or to sell, and both having knowledge of the relevant facts and taking into account the full useful life of the asset. In valuing Membership Interests, no consideration of any control, liquidity or minority discount or

premium shall be taken into account. Fair Market Value shall be determined by the Board in accordance with the foregoing, subject to Section 13.15.

"FDI Law" means any Law concerning or relating to foreign investment or national security imposed, administered or enforced by any Governmental Body.

"FE Outside Group" means the FE Member and its Subsidiaries, other than the Company and its Subsidiaries.

"FERC" means the U.S. Federal Energy Regulatory Commission or any successor agency thereto.

"GAAP" means United States generally accepted accounting principles applied on a consistent basis during the periods involved.

"Governmental Body" means any national, foreign, federal, regional, state, local, municipal or other governmental authority of any nature (including any division, department, agency, commission or other regulatory body thereof) and any court or arbitral tribunal, including any governmental, quasi-governmental or non-governmental body administering, regulating or having general oversight over electricity, power or the transmission or transportation thereof, including any regional transmission operator, independent system operator and any market monitor thereof.

"Indebtedness" means, with respect to any Person, (a) all indebtedness of such Person, whether or not contingent, for borrowed money or in respect of any loans or advances, (b) all other indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments or debt securities (excluding trade accounts payables constituting short term liabilities under GAAP), (c) the maximum amount of all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments, (d) all guarantees of the obligations of any other Person, (e) net obligations of such Person under any hedging arrangement, and (f) any accrued interest, premiums and penalties.

"IRR" means, as of the consummation of a Drag-Along Sale, the actual pre-Tax annual rate of return of the Investor Member (specified as a percentage) taking into account only the following, on a cash-in, cash-out basis: (a) all capital contributions actually made to the Company by or on behalf of the Investor Member or any of its Permitted Transferees with respect to their Membership Interests on or before such date, and (b) all cash distributions to the Investor Member or any of its Permitted Transferees on or before such date. The IRR will be calculated using the XIRR function in the most recent version of Microsoft Excel (or if such program is no longer available, such other software program for calculating the IRR as is reasonably determined by the Board), and will be based on the actual dates of funding of such capital contributions and the actual dates of receipt of such cash distributions and proceeds.

"Law" means any law (statutory, common, or otherwise), rule, regulation, code or ordinance enacted, adopted, promulgated or applied by any Governmental Body, including all regulatory requirements emanating from state and federal regulators of the Company Group's businesses and operations.

"Liens" means all liens, mortgages, deeds of trust, pledges, security interests, charges, claims, proxy, voting trust or transfer restriction under any stockholder or similar agreement.

"MAIT" means Mid-Atlantic Interstate Transmission, LLC.

"Member" means each of FE Member and Investor Member, and any Person admitted as an additional member of the Company or a substitute member of the Company pursuant to the provisions of this Agreement, each in its capacity as a member of the Company.

"Membership Interests" means membership interests of the Company.

"New Securities" means any Membership Interests or other equity interests in the Company, other than any Excluded Membership Interests.

"OFAC" means the U.S. Office of Foreign Assets Control.

"Order" means any judgment, order, injunction, decree, ruling, writ or arbitration award of any Governmental Body or any arbitrator.

"Organizational Documents" means, with respect to any corporation, its articles or certificate of incorporation, memorandum or articles of association and by-laws or documents of similar substance; with respect to any limited liability company, its articles of association, articles of organization or certificate of organization, formation or association and its operating agreement or limited liability company agreement or documents of similar substance; with respect to any limited partnership, its certificate of limited partnership and partnership agreement or documents of similar substance; and with respect to any other entity, documents of similar substance to any of the foregoing.

"Percentage Interest" means, in respect of any Member, their relative ownership in the Membership Interests, expressed as a percentage, which shall be deemed to be equal to the number of Membership Interests that such Member owns divided by the total number of Membership Interests then outstanding.

"Permitted Transferee" means, with respect to the FE Member or the Investor Member, (a) a directly or indirectly wholly owned Subsidiary of such Member, (b) an Affiliate of such Member of which such Member is, directly or indirectly, a wholly owned Subsidiary (an "Affiliate Parent"), or (c) an Affiliate of such Member that is a wholly owned Subsidiary of an Affiliate Parent.

"Persons" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Body.

"PJM Region" means the aggregate of the transmission zones within the PJM Interconnection, L.L.C.

"Preemptive Right Share" means a ratio of (a) the number of Membership Interests held by such Member with Preemptive Rights, to (b) the total number of Membership Interests then outstanding immediately prior to the issuance of New Securities giving rise to the Preemptive Rights.

"Prohibited Competitor" means any Person listed on Schedule 2, as may be updated from time to time in accordance with Section 6.3(b).

"PSA" means the Purchase and Sale Agreement, dated November 6, 2021, by and among the Company, the FE Member, the Investor Member, and, solely for the purposes of Sections 5.5, 5.6(c) and 8.1(a) and Article X thereof, the Guarantors (as defined therein).

"Qualified Designee" means either (a) an employee of the Investor Member or any direct or indirect wholly owned Subsidiary thereof (an "Investor Employee") or (b) an individual with at least 10 years of management-level experience in the private sector electricity transmission, distribution and generation business; provided, that a "Qualified Designee" shall not include (i) any director, officer, employee or other Person affiliated with a Competitor, (ii) any Person that is, or within 10 years prior to the Effective Date was, an employee or consultant of FERC or any other Governmental Body, a public official or a candidate for public office (it being agreed that any individual affiliated with the Investor Member shall not be considered a public official as a result of such affiliation), (iii) any Person convicted by a court or equivalent tribunal of any felony (or equivalent crime in the applicable jurisdiction) or of any misdemeanor (or equivalent crime in the applicable jurisdiction) that involves financial dishonesty or moral turpitude, or (iv) solely in the case of an individual that is not an Investor Employee, any Person that would create a material regulatory or reputational risk to the Company based on a good-faith determination by the Board.

"Qualifying Core Assets" means assets utilized in connection with the conduct of the Company's and its Subsidiaries' business on which the Company reasonably expects (a) that it or its Subsidiaries will be eligible to include in the applicable rate base, and (b) to earn a return through rates approved by FERC (or such other Governmental Body that may then be applicable) that are commercially reasonable (to be determined by the Board in good faith) and are not otherwise inconsistent with applicable FERC (or such other Governmental Body, as the case may be) rate precedent). For the avoidance of doubt, "Qualifying Core Assets" shall also include necessary or ancillary expenses to support such assets (including working capital).

"Rate Base Amount" means an amount equal to the net utility plant of the Company and its Subsidiaries, taken as a whole, as determined based on the most recently filed FERC Form 1s for the Company and each of its Subsidiaries.

"Representatives" means the directors, officers, employees, agents, and Advisors of a Party.

"Sanctioned Person" means a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time or any other Sanctions-related list of designated Persons maintained by an applicable Governmental Body described in the definition of "Sanctions."

"Sanctions" means any sanctions imposed, administered or enforced from time to time by OFAC, the U.S. Department of State, Her Majesty's Treasury, the United Nations, the European Union or any agency or subdivision of any of the foregoing, including any regulations, rules and executive orders issued in connection therewith.

"Subsidiary" means, with respect to any Person, any entity of which a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof or any partnership, association or other entity of which a majority of the partnership or other similar ownership interest is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof. For purposes of this definition, a Person is deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity if such Person is allocated a majority of the gains or losses of such partnership, limited liability company, association or other entity or is or controls the managing director or general partner of such partnership, limited liability company, association or other business entity.

"Tag Portion" means an amount of Membership Interests equal to the specified quantity of Tag-Along Offered Membership Interests multiplied by Investor Member's Percentage Interest.

"Tax" or "Taxes" means any federal, state, local, foreign or other income, gross receipts, capital stock, capital gains, franchise, profits, withholding, payroll, social security, unemployment, disability, real property, ad valorem/personal property, stamp, excise, occupation, sales, use, excise, escheat, unclaimed property, transfer, value added, import, export, alternative minimum, estimated or other tax, duty, assessment or governmental charge of any kind whatsoever, including any interest, penalty or addition thereto.

"Tax Return" means any return, claim for refund, report, election, form, statement or information return relating to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

"Third Party" means, with respect to a Member, another Person that is not another Member or an Affiliate of a Member.

"Transfer" shall mean, with respect to the legal or beneficial ownership of any of a Member's Membership Interests, any sale, assignment, transfer, pledge, encumbrance, hypothecation or other similar arrangement or disposal, directly or indirectly, whether voluntarily, involuntarily or by operation of applicable Law including by the entry into any contract, option or other arrangement, or the granting or imposition of any Lien, that gives any Person other than the Member, whether or not upon the occurrence or nonoccurrence of an event, the right to acquire any Membership Interests or any interest therein, to vote any Membership Interest, or to require that any Membership Interests be transferred, directly or indirectly, whether voluntarily, involuntarily or by operation of applicable Law, except in any such case as expressly set forth in Section 6.2(b). For the avoidance of doubt and notwithstanding the foregoing, (a) any sale, assignment, transfer, or other disposition of equity interests in any Member or any direct or indirect parent of such Member in which the Membership Interests held by such Member represent more than 50% of the Fair Market Value of all of the assets directly or indirectly held by such Member or direct or indirect parent the equity interests of which are being disposed shall constitute a "Transfer" for all purposes of this Agreement, except in any such case as expressly set forth in Section 6.2(b) or the following clause (b), (b) any direct or

indirect transfer of equity interests in the Investor Member that does not result in a Change in Control of the Investor Member shall not constitute a "Transfer" for any purpose under this Agreement so long as (i) any required authorization, approval or consent of all applicable Governmental Bodies in respect of such transfer has been received, and (ii) such transfer would not reasonably be expected to result in the consequences specified in either clause (i) or clause (ii) of Section 6.3(c), and (c) a Change in Control of the FE Member shall not constitute a "Transfer" for any purpose under this Agreement.

"Transmission Leadership Team" means the individuals serving in the following positions (or any successor positions thereof, however titled or restyled) at FE Member: (a) President of the Company, (b) Vice President of Transmission, (c) Vice President of Construction and Design Services, (d) Vice President of Compliance and Regulated Services, and (e) Director of Transmission Rates and Regulatory Affairs.

Section 13.17 Terms Defined Elsewhere in this Agreement. As used in this Agreement, the following terms shall have the meanings ascribed to them in the sections indicated:

Term	**Section**
AAA	Section 13.13(a)
Additional Funding Requirement	Section 5.1(a)
Affiliate Transaction Default	Section 2.14(d)
Affiliate Transactions	Section 2.14(a)
Agreement	Preamble
Board	Section 2.1
Board Observer	Section 2.13
Call Consummation Period	Section 5.1(d)
Call Exercise Price	Section 5.1(d)
Call Notice	Section 5.1(d)
Call Right	Section 5.1(d)
Capital Request Funding Date	Section 5.1(a)
Capital Request Notice	Section 5.1(a)
Company	Preamble
Company Business	Section 1.3(a)
Company Business Opportunity	Section 9.3(b)
Confidential Information	Section 9.6(a)
Contributing Member	Section 5.1(b)(ii)
Contribution Unfunded Amount	Section 5.1(b)
Corporate Opportunity	Section 9.3(c)
Default Notice	Section 2.14(d)
Defaulting Member	Section 4.2
Designated Alternate	Section 2.2(f)
Directors	Section 2.1
Drag-Along Buyer	Section 6.5(a)
Drag-Along Notice	Section 6.5(b)

Drag-Along Right	Section 6.5(a)
Drag-Along Sale	Section 6.5(a)
Event of Default	Section 4.1
Event of Dissolution	Section 4.3(a)
Excess Contribution	Section 5.1(b)(i)
FE Directors	Section 2.2(d)
FE Member	Preamble
Independent Evaluator	Section 13.15
Investor Directors	Section 2.2(b)
Investor Member	Preamble
Lock-Up Period	Section 6.2(b)
Non-Transferring Member	Section 6.3(a)
Over-Contributing Member	Section 5.1(b)(i)
Party	Preamble
Preemptive Right	Section 7.1
Preemptive Right Notice Period	Section 7.1
Preemptive Right Participation Notice	Section 7.1
Pro Rata Request Amount	Section 5.1(a)
Response To Capital Call	Section 5.1(a)
Sale Notice	Section 6.3(a)
Sale Period	Section 6.3(a)(ii)
Subject Membership Interests	Section 6.3(a)
Tag-Along Buyer	Section 6.4(a)
Tag-Along Notice	Section 6.4(a)
Tag-Along Offered Membership Interests	Section 6.4(a)
Tag-Along Sale	Section 6.4(a)
Tax-Driven Changes	Section 10.7
Tax Matters Shareholder	Section 10.2
Total Number of Directors	Section 2.2(a)
Transferring Member	Section 6.3(a)
Unfunded Amount	Section 5.1(b)
Unfunded Amount Loan	Section 5.1(b)(ii)(A)

Section 13.18 Other Definitional Provisions. The following shall apply to this Agreement:

(a) Accounting terms which are not otherwise defined in this Agreement have the meanings given to them under GAAP. To the extent that the definition of an accounting term defined in this Agreement is inconsistent with the meaning of such term under GAAP, the definition set forth in this Agreement shall control.

(b) The terms “hereof,” “herein” and “hereunder” and terms of similar import are references to this Agreement as a whole and not to any particular provision of this Agreement. Section,

clause, schedule and exhibit references contained in this Agreement are references to sections, clauses, schedules and exhibits in or to this Agreement, unless otherwise specified.

(c) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Where the context permits, the use of the term "or" shall be equivalent to the use of the term "and/or."

(d) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a day other than a Business Day, the period in question shall end on the next succeeding Business Day. In addition, notwithstanding any deadline for payment, performance, notice or election under this Agreement, if such deadline falls on a date that is not a Business Day, then the deadline for such payment, performance, notice or election will be extended to the next succeeding Business Day.

(e) Words denoting any gender shall include all genders, including the neutral gender. Where a word is defined herein, references to the singular shall include references to the plural and vice versa.

(f) The word "will" will be construed to have the same meaning and effect as the word "shall". The words "shall," "will," or "agree(s)" are mandatory, and "may" is permissive.

(g) All references to "$" and dollars shall be deemed to refer to United States currency unless otherwise specifically provided.

(h) All references to a day or days shall be deemed to refer to a calendar day or calendar days, as applicable, unless otherwise specifically provided.

(i) Any reference to any Contract shall be a reference to such agreement or Contract, as amended, amended and restated, modified, supplemented or waived.

(j) Any reference to any particular Code section or any Law shall be interpreted to include any amendment to, revision of or successor to that section or Law regardless of how it is numbered or classified; provided, that, for the purposes of the representations and warranties contained herein, with respect to any violation of or non-compliance with, or alleged violation of or non-compliance, with any Code section or Law, the reference to such Code section or Law means such Code section or Law as in effect at the time of such violation or non-compliance or alleged violation or non-compliance.

(k) For all purposes of this Agreement (including the determination of a Member's Percentage Interest and its entitlement, if applicable, to designate one or more Directors), such Member and its Permitted Transferees shall be deemed to be, and shall be treated as, one and the same Member.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the date first written above.

The Company:

FirstEnergy Transmission, LLC,
a Delaware limited liability company

By:_____
Name:
Title:

[*Signat*

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the date first written above.

FE Member:

FirstEnergy Corp., an Ohio corporation

By:_____
Name:
Title:

[*Signature Page to Third Amended and Restated Limited Liability Company Agreement*]

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the date first written above.

Investor Member:

North American Transmission Company II LLC, a Delaware limited liability company

By:_____
Name:
Title:

[*Signature Page to Third Amended and Restated Limited Liability Company Agreement*]

Schedule 1

Schedule of Members

Name	Address	Percentage Interest
FirstEnergy Corp.	76 South Main Street Akron, Ohio 44308	80.1%
North American Transmission Company II LLC	1200 Smith Street, Suite 640 Houston, Texas 77002	19.9%

[*Signat*

Schedule 2

Prohibited Competitors

1. American Electric Power
2. American Municipal Power
3. AES
4. Dominion Energy
5. Duke Energy
6. Duquesne Light Company
7. Exelon
8. ITC
9. LS Power
10. PSE&G
11. PPL
12. NextEra Energy

FIRSTENERGY CORP.
LIST OF SUBSIDIARIES OF THE REGISTRANT
AT DECEMBER 31, 2021

FirstEnergy Service Company - Incorporated in Ohio

FirstEnergy Transmission, LLC - Organized in Delaware

FirstEnergy Ventures Corp. - Incorporated in Ohio

Jersey Central Power & Light Company - Incorporated in New Jersey

Metropolitan Edison Company - Incorporated in Pennsylvania

Monongahela Power Company - Incorporated in Ohio

Ohio Edison Company - Incorporated in Ohio

Pennsylvania Electric Company - Incorporated in Pennsylvania

The Cleveland Electric Illuminating Company - Incorporated in Ohio

The Potomac Edison Company - Incorporated in Maryland

The Toledo Edison Company - Incorporated in Ohio

West Penn Power Company - Incorporated in Pennsylvania

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-261625, 333-261556, and 333-261555) and Form S-8 (No. 333-238539, 333-226788, 333-222225, 333-204436, 333-202184, 333-172464, 333-165640, 333-146170, 333-101472, 333-89356, 333-72768, 333-56094, and 333-81183) of FirstEnergy Corp. of our report dated February 16, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 16, 2022

EXHIBIT 31.1

Certification

I, Steven E. Strah, certify that:

1. I have reviewed this report on Form 10-K of FirstEnergy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2022

/s/ Steven E. Strah

Steven E. Strah
President and
Chief Executive Officer

EXHIBIT 31.2

Certification

I, K. Jon Taylor, certify that:

1. I have reviewed this report on Form 10-K of FirstEnergy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2022

/s/ K. Jon Taylor

K. Jon Taylor

Senior Vice President, Chief Financial Officer and Strategy

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Report of FirstEnergy Corp. ("Company") on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each undersigned officer of the Company does hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven E. Strah

Steven E. Strah
President and
Chief Executive Officer

/s/ K. Jon Taylor

K. Jon Taylor
Senior Vice President, Chief Financial Officer and Strategy

Date: February 16, 2022