

CLEVELAND ELECTRIC ILLUMINATING CO

Form 10-Q

August 02, 2011

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended June 30, 2011**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

<b>Commission File Number</b>	<b>Registrant; State of Incorporation; Address; and Telephone Number</b>	<b>I.R.S. Employer Identification No.</b>
<b>333-21011</b>	<b>FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402</b>	<b>34-1843785</b>
<b>000-53742</b>	<b>FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402</b>	<b>31-1560186</b>
<b>1-2578</b>	<b>OHIO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402</b>	<b>34-0437786</b>
<b>1-2323</b>	<b>THE CLEVELAND ELECTRIC ILLUMINATING COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402</b>	<b>34-0150020</b>
<b>1-3583</b>	<b>THE TOLEDO EDISON COMPANY (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308</b>	<b>34-4375005</b>

**Telephone (800)736-3402**

<b>1-3141</b>	<b>JERSEY CENTRAL POWER &amp; LIGHT COMPANY</b> (A New Jersey Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	<b>21-0485010</b>
<b>1-446</b>	<b>METROPOLITAN EDISON COMPANY</b> (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	<b>23-0870160</b>
<b>1-3522</b>	<b>PENNSYLVANIA ELECTRIC COMPANY</b> (A Pennsylvania Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	<b>25-0718085</b>

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  FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No  FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company

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

Large Accelerated Filer  FirstEnergy Corp.

Accelerated Filer  N/A

Non-accelerated Filer (Do not check if a smaller reporting company)  FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Smaller Reporting Company  N/A

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

Yes  No  FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company

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

<b>CLASS</b>	<b>OUTSTANDING AS OF JULY 29, 2011</b>
FirstEnergy Corp., \$.10 par value	418,216,437
FirstEnergy Solutions Corp., no par value	7
Ohio Edison Company, no par value	60
The Cleveland Electric Illuminating Company, no par value	67,930,743
The Toledo Edison Company, \$5 par value	29,402,054
Jersey Central Power & Light Company, \$10 par value	13,628,447
Metropolitan Edison Company, no par value	740,905
Pennsylvania Electric Company, \$20 par value	4,427,577

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp., FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to any of the FirstEnergy subsidiary registrants is also attributed to FirstEnergy Corp.

**FirstEnergy Web Site**

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

These reports are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post important information on FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site shall not be deemed incorporated into, or to be part of, this report.

**OMISSION OF CERTAIN INFORMATION**

FirstEnergy Solutions Corp., Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

**Table of Contents**

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

Actual results may differ materially due to:

The speed and nature of increased competition in the electric utility industry.

The impact of the regulatory process on the pending matters in the various states in which we do business including, but not limited to, matters related to rates.

The status of the PATH project in light of PJM's direction to suspend work on the project pending review of its planning process, its re-evaluation of the need for the project and the uncertainty of the timing and amounts of any related capital expenditures.

Business and regulatory impacts from ATSI's realignment into PJM Interconnection, L.L.C.

Economic or weather conditions affecting future sales and margins.

Changes in markets for energy services.

Changing energy and commodity market prices and availability.

Financial derivative reforms that could increase our liquidity needs and collateral costs.

The continued ability of FirstEnergy's regulated utilities to collect transition and other costs.

Operation and maintenance costs being higher than anticipated.

Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water intake and coal combustion residual regulations, the potential impacts of any laws, rules or regulations that ultimately replace CAIR, including the Cross-State Air Pollution Rule (CSAPR), and the effects of the EPA's recently released MACT proposal to establish certain mercury and other emission standards for electric generating units.

The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any NSR litigation or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to shut down or idle certain generating units).

Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC including as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).

Adverse legal decisions and outcomes related to Met-Ed's and Penelec's ability to recover certain transmission costs through their transmission service charge riders.

The continuing availability of generating units and changes in their ability to operate at or near full capacity.

Replacement power costs being higher than anticipated or inadequately hedged.

The ability to comply with applicable state and federal reliability standards and energy efficiency mandates.

Changes in customers' demand for power, including but not limited to, changes resulting from the implementation of state and federal energy efficiency mandates.

The ability to accomplish or realize anticipated benefits from strategic goals.

Efforts and our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of coal and coal transportation on such margins.

The ability to experience growth in the distribution business.

The changing market conditions that could affect the value of assets held in FirstEnergy's nuclear decommissioning trusts, pension trusts and other trust funds, and cause us to make additional contributions sooner, or in amounts that are larger than currently anticipated.

The ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan, the cost of such capital and overall condition of the capital and credit markets affecting FirstEnergy and its subsidiaries.

Changes in general economic conditions affecting FirstEnergy and its subsidiaries.

Interest rates and any actions taken by credit rating agencies that could negatively affect FirstEnergy's and its subsidiaries' access to financing or their costs and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.

The continuing uncertainty of the national and regional economy and its impact on FirstEnergy's and its subsidiaries' major industrial and commercial customers.

Issues concerning the soundness of financial institutions and counterparties with which FirstEnergy and its subsidiaries do business.

Issues arising from the recently completed merger of FirstEnergy and Allegheny Energy, Inc. and the ongoing coordination of their combined operations including FirstEnergy's ability to maintain relationships with customers, employees or suppliers, as well as the ability to successfully integrate the businesses and realize cost savings and any other synergies and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.

The risks and other factors discussed from time to time in the registrants' SEC filings, and other similar factors.

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

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

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Part I. Financial Information</u></b>	
<b><u>Glossary of Terms</u></b>	iii
<b><u>Item 1. Financial Statements</u></b>	
<b><u>FirstEnergy Corp.</u></b>	
<u>Consolidated Statements of Income</u>	1
<u>Consolidated Statements of Comprehensive Income</u>	2
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<b><u>FirstEnergy Solutions Corp.</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	5
<u>Consolidated Balance Sheets</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<b><u>Ohio Edison Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	8
<u>Consolidated Balance Sheets</u>	9
<u>Consolidated Statements of Cash Flows</u>	10
<b><u>The Cleveland Electric Illuminating Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	11
<u>Consolidated Balance Sheets</u>	12
<u>Consolidated Statements of Cash Flows</u>	13
<b><u>The Toledo Edison Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	14
<u>Consolidated Balance Sheets</u>	15
Table of Contents	7

<u>Consolidated Statements of Cash Flows</u>	16
<b><u>Jersey Central Power &amp; Light Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	17
<u>Consolidated Balance Sheets</u>	18
<u>Consolidated Statements of Cash Flows</u>	19
<b><u>Metropolitan Edison Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	20
<u>Consolidated Balance Sheets</u>	21
<u>Consolidated Statements of Cash Flows</u>	22
<b><u>Pennsylvania Electric Company</u></b>	
<u>Consolidated Statements of Income and Comprehensive Income</u>	23
<u>Consolidated Balance Sheets</u>	24
<u>Consolidated Statements of Cash Flows</u>	25

**Table of Contents**

**TABLE OF CONTENTS (Cont d)**

	<b>Page</b>
<b><u>Combined Notes To Consolidated Financial Statements</u></b>	27
<b><u>Item 2. Management's Discussion and Analysis of Registrant and Subsidiaries</u></b>	84
<b><u>Management's Narrative Analysis of Results of Operations</u></b>	
<u>FirstEnergy Solutions Corp.</u>	131
<u>Ohio Edison Company</u>	134
<u>The Cleveland Electric Illuminating Company</u>	136
<u>The Toledo Edison Company</u>	138
<u>Jersey Central Power &amp; Light Company</u>	140
<u>Metropolitan Edison Company</u>	142
<u>Pennsylvania Electric Company</u>	144
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	146
<b><u>Item 4. Controls and Procedures – FirstEnergy</u></b>	146
<b><u>Part II. Other Information</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	147
<b><u>Item 1A. Risk Factors</u></b>	147
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	147
<b><u>Item 5. Other Information</u></b>	147
<b><u>Item 6. Exhibits</u></b>	148
<u>Exhibit 10.1</u>	
<u>Exhibit 12</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	



**Table of Contents**

**GLOSSARY OF TERMS**

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

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011
AESC	Allegheny Energy Service Corporation, a subsidiary of AE
AE Supply	Allegheny Energy Supply Company LLC, an unregulated generation subsidiary of AE
AET	Allegheny Energy Transmission, LLC, a parent of TrAIL and PATH
AGC	Allegheny Generating Company, a generation subsidiary of AE
Allegheny	Allegheny Energy, Inc., together with its consolidated subsidiaries
AVE	Allegheny Ventures, Inc.
ATSI	American Transmission Systems, Incorporated, which owns and operates transmission facilities
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FGCO	FirstEnergy Generation Corp., which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., a public utility holding company
Global Rail	A joint venture between FEV and WMB Loan Ventures II LLC, that owns coal transportation operations near Roundup, Montana
GPU	GPU, Inc., former parent of JCP&L, Met-Ed and Penelec, that merged with FirstEnergy on November 7, 2001
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
Met-Ed	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary of AE
NGC	FirstEnergy Nuclear Generation Corp., 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 Allegheny and a subsidiary of American Electric Power Company, Inc.
PATH-VA	PATH Allegheny Virginia Transmission Corporation
PE	The Potomac Edison Company, a Maryland electric operating subsidiary of AE
Penelec	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	Met-Ed, Penelec, Penn and WP
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Shippingport	Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997
Signal Peak	A joint venture between FEV and WMB Loan Ventures LLC, that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary
TrAIL	Trans-Allegheny Interstate Line Company

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Utilities	OE, CEI, TE, Penn, JCP&L, Met-Ed, Penelec, MP, PE and WP
Utility Registrants	OE, CEI, TE, JCP&L, Met-Ed and Penelec
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary of AE

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

ALJ	Administrative Law Judge
AOCL	Accumulated Other Comprehensive Loss
AEP	American Electric Power
AQC	Air Quality Control
ARO	Asset Retirement Obligation
ARR	Auction Revenue Rights
BGS	Basic Generation Service
BMP	Bruce Mansfield Plant
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CATR	Clean Air Transport Rule
CBP	Competitive Bid Process

**Table of Contents**

**GLOSSARY OF TERMS, Cont d.**

CCB	Coal Combustion By-products
CDWR	California Department of Water Resources
CO <sub>2</sub>	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
CTC	Competitive Transition Charge
CWA	Clean Water Act
CWIP	Construction Work in Progress
DCPD	Deferred Compensation Plan for Outside Directors
DOE	United States Department of Energy
DOJ	United States Department of Justice
DPA	Department of the Public Advocate, Division of Rate Counsel (New Jersey)
DSP	Default Service Plan
EDCP	Executive Deferred Compensation Plan
EE&C	Energy Efficiency and Conservation
EIS	Energy Insurance Services, Inc.
EMP	Energy Master Plan
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ESOP	Employee Stock Ownership Plan
ESP	Electric Security Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMB	First Mortgage Bond
FPA	Federal Power Act
FRR	Fixed Resource Requirement
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles in the United States
RGGI	Regional Greenhouse Gas Initiative
GHG	Greenhouse Gases
IRS	Internal Revenue Service
JOA	Joint Operating Agreement
kV	Kilovolt
KWH	Kilowatt-hours
LBR	Little Blue Run
LED	Light-Emitting Diode
LOC	Letter of Credit
LSE	Load Serving Entity
LTIP	Long-Term Incentive Plan
MACT	Maximum Achievable Control Technology
MDE	Maryland Department of the Environment
MDPSC	Maryland Public Service Commission
MEIUG	Met-Ed Industrial Users Group
MISO	Midwest Independent Transmission System Operator, Inc.
Moody's	Moody's Investors Service, Inc.
MRO	Market Rate Offer
MSHA	Mine Safety and Health Administration
MTEP	MISO Regional Transmission Expansion Plan

MVP	Multi-value Project
MW	Megawatts
MWH	Megawatt-hours
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trusts
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NNSR	Non-Attainment New Source Review
NOAC	Northwest Ohio Aggregation Coalition
NOPEC	Northeast Ohio Public Energy Council
NOV	Notice of Violation
NO <sub>x</sub>	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission

**Table of Contents**

**GLOSSARY OF TERMS, Cont d.**

NSR	New Source Review
NUG	Non-Utility Generation
NUGC	Non-Utility Generation Charge
NYSEG	New York State Electric and Gas
OCC	Ohio Consumers Counsel
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSBA	Office of Small Business Advocate
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCRB	Pollution Control Revenue Bond
PICA	Pennsylvania Intergovernmental Cooperation Authority
PJM	PJM Interconnection L. L. C.
POLR	Provider of Last Resort; an electric utility's obligation to provide generation service to customers whose alternative supplier fails to deliver service
PPUC	Pennsylvania Public Utility Commission
PSCWV	Public Service Commission of West Virginia
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RECs	Renewable Energy Credits
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
RPM	Reliability Pricing Model
RTEP	Regional Transmission Expansion Plan
RTC	Regulatory Transition Charge
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Service
SB221	Amended Substitute Senate Bill 221
SBC	Societal Benefits Charge
SEC	U.S. Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act
SMIP	Smart Meter Implementation Plan
SNCR	Selective Non-Catalytic Reduction
SO <sub>2</sub>	Sulfur Dioxide
SOS	Standard Offer Service
TBC	Transition Bond Charge
TDS	Total Dissolved Solid
TMDL	Total Maximum Daily Load
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia



Table of Contents

**FIRSTENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

<b>In millions, except per share amounts</b>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>REVENUES:</b>				
Electric utilities	\$ 2,590	\$ 2,373	\$ 4,925	\$ 4,916
Unregulated businesses	1,470	766	2,711	1,522
Total revenues*	4,060	3,139	7,636	6,438
<b>EXPENSES:</b>				
Fuel	635	350	1,088	684
Purchased power	1,220	1,063	2,406	2,301
Other operating expenses	1,105	673	2,138	1,374
Provision for depreciation	282	190	502	383
Amortization of regulatory assets	90	161	222	373
General taxes	242	176	479	381
Total expenses	3,574	2,613	6,835	5,496
<b>OPERATING INCOME</b>	<b>486</b>	<b>526</b>	<b>801</b>	<b>942</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	31	31	52	47
Interest expense	(265)	(207)	(496)	(420)
Capitalized interest	20	40	38	81
Total other expense	(214)	(136)	(406)	(292)
<b>INCOME BEFORE INCOME TAXES</b>	<b>272</b>	<b>390</b>	<b>395</b>	<b>650</b>
<b>INCOME TAXES</b>	<b>101</b>	<b>134</b>	<b>179</b>	<b>245</b>
<b>NET INCOME</b>	<b>171</b>	<b>256</b>	<b>216</b>	<b>405</b>
Loss attributable to noncontrolling interest	(10)	(9)	(15)	(15)
<b>EARNINGS AVAILABLE TO FIRSTENERGY CORP.</b>	<b>\$ 181</b>	<b>\$ 265</b>	<b>\$ 231</b>	<b>\$ 420</b>

**EARNINGS PER SHARE OF COMMON STOCK:**

Basic	\$	0.43	\$	0.87	\$	0.61	\$	1.38
Diluted	\$	0.43	\$	0.87	\$	0.61	\$	1.37

**AVERAGE SHARES OUTSTANDING:**

Basic		418		304		380		304
Diluted		420		305		382		305

**DIVIDENDS DECLARED PER SHARE OF COMMON STOCK**

	\$	0.55	\$	0.55
--	----	------	----	------

\* Includes excise tax collections of \$116 million and \$99 million in the three months ended June 30, 2011 and 2010, respectively, and \$235 million and \$208 million in the six months ended June 30, 2011 and 2010, respectively.

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

Table of Contents

**FIRSTENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

(In millions)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>NET INCOME</b>	\$ 171	\$ 256	\$ 216	\$ 405
<b>OTHER COMPREHENSIVE INCOME:</b>				
Pension and other postretirement benefits	111	17	130	30
Unrealized gain on derivative hedges	17	6	11	10
Change in unrealized gain on available-for-sale securities	10	6	19	12
Other comprehensive income	138	29	160	52
Income tax expense related to other comprehensive income	53	9	54	16
Other comprehensive income, net of tax	85	20	106	36
<b>COMPREHENSIVE INCOME</b>	256	276	322	441
<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	(10)	(9)	(15)	(15)
<b>COMPREHENSIVE INCOME AVAILABLE TO FIRSTENERGY CORP.</b>	\$ 266	\$ 285	\$ 337	\$ 456

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

**Table of Contents**

**FIRSTENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(In millions)	ASSETS	June 30, 2011	December 31, 2010
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 476	\$ 1,019
Receivables-			
Customers, net of allowance for uncollectible accounts of \$35 in 2011 and \$36 in 2010		1,578	1,392
Other, net of allowance for uncollectible accounts of \$8 in 2011 and 2010		256	176
Materials and supplies, at average cost		866	638
Prepaid taxes		474	199
Derivatives		265	182
Other		203	92
		4,118	3,698
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
In service		39,568	29,451
Less Accumulated provision for depreciation		11,593	11,180
		27,975	18,271
Construction work in progress		1,465	1,517
Property, plant and equipment held for sale, net		502	
		29,942	19,788
<b>INVESTMENTS:</b>			
Nuclear plant decommissioning trusts		2,051	1,973
Investments in lease obligation bonds		414	476
Nuclear fuel disposal trust		212	208
Other		479	345
		3,156	3,002
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>			
Goodwill		6,456	5,575
Regulatory assets		2,182	1,826
Intangible assets		973	256
Other		769	660
		10,380	8,317
		\$ 47,596	\$ 34,805

**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 2,058	\$ 1,486
Short-term borrowings	656	700
Accounts payable	1,122	872
Accrued taxes	399	326
Accrued compensation and benefits	331	315
Derivatives	287	266
Other	691	733
	5,544	4,698

**CAPITALIZATION:**

Common stockholders' equity-		
Common stock, \$0.10 par value, authorized 490,000,000 and 375,000,000 shares, respectively- 418,216,437 and 304,835,407 shares outstanding, respectively	42	31
Other paid-in capital	9,782	5,444
Accumulated other comprehensive loss	(1,433)	(1,539)
Retained earnings	4,607	4,609
Total common stockholders' equity	12,998	8,545
Noncontrolling interest	(48)	(32)
Total equity	12,950	8,513
Long-term debt and other long-term obligations	16,491	12,579
	29,441	21,092

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	5,219	2,879
Retirement benefits	2,134	1,868
Asset retirement obligations	1,459	1,407
Deferred gain on sale and leaseback transaction	942	959
Adverse power contract liability	649	466
Other	2,208	1,436
	12,611	9,015

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 47,596	\$ 34,805
--	-----------	-----------

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

**Table of Contents**

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

<b>(In millions)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 216	\$ 405
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	502	383
Amortization of regulatory assets	222	373
Nuclear fuel and lease amortization	92	76
Deferred purchased power and other costs	(168)	(146)
Deferred income taxes and investment tax credits, net	552	159
Deferred rents and lease market valuation liability	(61)	(62)
Accrued compensation and retirement benefits	49	(27)
Commodity derivative transactions, net	(21)	(29)
Pension trust contribution	(262)	
Asset impairments	41	21
Cash collateral paid, net	(31)	(63)
Interest rate swap transactions		43
Decrease (increase) in operating assets-		
Receivables	199	(156)
Materials and supplies	24	(17)
Prepayments and other current assets	(268)	(81)
Increase (decrease) in operating liabilities-		
Accounts payable	(28)	18
Accrued taxes	(66)	(58)
Accrued interest	(4)	10
Other	43	9
Net cash provided from operating activities	1,031	858
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	503	
Short-term borrowings, net		281
Redemptions and Repayments-		
Long-term debt	(1,002)	(407)
Short-term borrowings, net	(44)	
Common stock dividend payments	(420)	(335)
Other	(76)	(23)
Net cash used for financing activities	(1,039)	(484)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Property additions	(1,018)	(997)
Proceeds from asset sales		116
Sales of investment securities held in trusts	1,703	1,915
Purchases of investment securities held in trusts	(1,807)	(1,934)
Customer acquisition costs	(2)	(105)
Cash investments	50	59
Cash received in Allegheny merger	590	
Other	(51)	(21)
Net cash used for investing activities	(535)	(967)
Net change in cash and cash equivalents	(543)	(593)
Cash and cash equivalents at beginning of period	1,019	874
Cash and cash equivalents at end of period	\$ 476	\$ 281

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Non-cash transaction: merger with Allegheny, common stock issued \$ 4,354 \$

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

**Table of Contents**

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

(In millions)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales to non-affiliates	\$ 1,052	\$ 729	\$ 2,097	\$ 1,397
Electric sales to affiliates	170	539	431	1,146
Other	70	58	156	171
Total revenues	1,292	1,326	2,684	2,714
<b>EXPENSES:</b>				
Fuel	316	343	659	671
Purchased power from affiliates	65	69	134	130
Purchased power from non-affiliates	329	310	626	760
Other operating expenses	429	304	910	608
Provision for depreciation	68	63	136	126
General taxes	30	22	60	49
Impairment of long-lived assets	7		20	2
Total expenses	1,244	1,111	2,545	2,346
<b>OPERATING INCOME</b>	48	215	139	368
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	16	13	22	14
Miscellaneous income (expense)	4	4	8	7
Interest expense affiliates	(2)	(2)	(3)	(5)
Interest expense other	(52)	(51)	(105)	(101)
Capitalized interest	10	24	20	44
Total other expense	(24)	(12)	(58)	(41)
<b>INCOME BEFORE INCOME TAXES</b>	24	203	81	327
<b>INCOME TAXES</b>	4	69	25	113
<b>NET INCOME</b>	\$ 20	\$ 134	\$ 56	\$ 214

**STATEMENTS OF COMPREHENSIVE  
INCOME**

<b>NET INCOME</b>	\$	20	\$	134	\$	56	\$	214
<b>OTHER COMPREHENSIVE INCOME:</b>								
Pension and other postretirement benefits		1		1		3		(9)
Unrealized gain on derivative hedges		14		3		5		4
Change in unrealized gain on available-for-sale securities		8		6		15		11
Other comprehensive income		23		10		23		6
Income taxes related to other comprehensive income		10		4		8		2
Other comprehensive income, net of tax		13		6		15		4
<b>COMPREHENSIVE INCOME</b>	<b>\$</b>	<b>33</b>	<b>\$</b>	<b>140</b>	<b>\$</b>	<b>71</b>	<b>\$</b>	<b>218</b>

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

**Table of Contents****FIRSTENERGY SOLUTIONS CORP.****CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

(In millions)		June 30, 2011	December 31, 2010
	<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 6	\$ 9
Receivables-			
Customers, net of allowance for uncollectible accounts of \$18 in 2011 and \$17 in 2010		450	366
Associated companies		490	478
Other, net of allowances for uncollectible accounts of \$3 in 2011 and \$7 in 2010		51	90
Notes receivable from associated companies		490	397
Materials and supplies, at average cost		499	545
Derivatives		221	182
Prepayments and other		49	59
		2,256	2,126
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
In service		11,455	11,321
Less Accumulated provision for depreciation		4,206	4,024
		7,249	7,297
Construction work in progress		694	1,063
Property, plant and equipment held for sale, net		487	
		8,430	8,360
<b>INVESTMENTS:</b>			
Nuclear plant decommissioning trusts		1,184	1,146
Other		10	12
		1,194	1,158
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>			
Customer intangibles		129	134
Goodwill		24	24
Property taxes		41	41
Unamortized sale and leaseback costs		76	73
Derivatives		135	98
Other		75	48
		480	418

	\$	12,360	\$	12,062
--	----	--------	----	--------

**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$	1,088	\$	1,132
Short-term borrowings-				
Associated companies		541		12
Other		1		
Accounts payable-				
Associated companies		393		467
Other		191		241
Derivatives		242		266
Other		262		322
		2,718		2,440

**CAPITALIZATION:**

Common stockholder s equity-				
Common stock, without par value, authorized 750 shares- 7 shares outstanding		1,488		1,490
Accumulated other comprehensive loss		(105)		(120)
Retained earnings		2,474		2,418
Total common stockholder s equity		3,857		3,788
Long-term debt and other long-term obligations		3,000		3,181
		6,857		6,969

**NONCURRENT LIABILITIES:**

Deferred gain on sale and leaseback transaction		942		959
Accumulated deferred income taxes		216		58
Asset retirement obligations		875		892
Retirement benefits		295		285
Lease market valuation liability		194		217
Derivatives		85		81
Other		178		161
		2,785		2,653

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$	12,360	\$	12,062
--	----	--------	----	--------

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

**Table of Contents**

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

<b>(In millions)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 56	\$ 214
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	136	126
Nuclear fuel and lease amortization	92	78
Deferred rents and lease market valuation liability	(58)	(59)
Deferred income taxes and investment tax credits, net	126	114
Asset impairments	28	21
Accrued compensation and retirement benefits	8	7
Commodity derivative transactions, net	(60)	(29)
Cash collateral paid, net	(40)	(38)
Decrease (increase) in operating assets-		
Receivables	(36)	(193)
Materials and supplies	50	(29)
Prepayments and other current assets	12	25
Decrease in operating liabilities-		
Accounts payable	(124)	(32)
Accrued taxes	(29)	(8)
Other	21	21
Net cash provided from operating activities	182	218
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New financing-		
Long-term debt	247	
Short-term borrowings, net	530	76
Redemptions and repayments-		
Long-term debt	(472)	(295)
Other	(11)	(1)
Net cash provided from (used for) financing activities	294	(220)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(334)	(566)
Proceeds from asset sales		116
Sales of investment securities held in trusts	513	957
Purchases of investment securities held in trusts	(545)	(979)
Loans to associated companies, net	(93)	631
Customer acquisition costs	(2)	(105)

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Leasehold improvement payments to associated companies		(51)
Other	(18)	(1)
Net cash provided from (used for) investing activities	(479)	2
Net change in cash and cash equivalents	(3)	
Cash and cash equivalents at beginning of period	9	
Cash and cash equivalents at end of period	\$ 6	\$

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

**Table of Contents**

**OHIO EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Unaudited)**

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 360,203	\$ 415,437	\$ 724,034	\$ 895,362
Excise and gross receipts tax collections	24,941	23,949	53,136	52,424
Total revenues	385,144	439,386	777,170	947,786
<b>EXPENSES:</b>				
Purchased power from affiliates	69,134	134,050	162,396	287,727
Purchased power from non-affiliates	62,667	78,826	123,046	173,057
Other operating expenses	110,778	88,275	212,240	177,130
Provision for depreciation	22,470	22,014	44,346	43,894
Amortization of regulatory assets, net	2,405	9,424	3,179	38,769
General taxes	45,592	43,362	95,018	90,854
Total expenses	313,046	375,951	640,225	811,431
<b>OPERATING INCOME</b>	<b>72,098</b>	<b>63,435</b>	<b>136,945</b>	<b>136,355</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	5,043	6,309	9,351	11,553
Miscellaneous income (expense)	(477)	1,295	(187)	1,003
Interest expense	(22,011)	(22,155)	(44,156)	(44,465)
Capitalized interest	510	295	841	503
Total other expense	(16,935)	(14,256)	(34,151)	(31,406)
<b>INCOME BEFORE INCOME TAXES</b>	<b>55,163</b>	<b>49,179</b>	<b>102,794</b>	<b>104,949</b>
<b>INCOME TAXES</b>	<b>16,538</b>	<b>11,856</b>	<b>34,029</b>	<b>31,465</b>
<b>NET INCOME</b>	<b>38,625</b>	<b>37,323</b>	<b>68,765</b>	<b>73,484</b>
Income attributable to noncontrolling interest	114	130	230	262

<b>EARNINGS AVAILABLE TO PARENT</b>	\$ 38,511	\$ 37,193	\$ 68,535	\$ 73,222
-------------------------------------	-----------	-----------	-----------	-----------

**STATEMENTS OF COMPREHENSIVE  
INCOME**

<b>NET INCOME</b>	\$ 38,625	\$ 37,323	\$ 68,765	\$ 73,484
-------------------	-----------	-----------	-----------	-----------

**OTHER COMPREHENSIVE INCOME:**

Pension and other postretirement benefits	1,122	322	1,461	4,337
---	-------	-----	-------	-------

Increase in unrealized gain on available-for-sale securities	1,591	520	1,569	811
--	-------	-----	-------	-----

Other comprehensive income	2,713	842	3,030	5,148
----------------------------	-------	-----	-------	-------

Income tax expense (benefit) related to other comprehensive income	386	(26)	(1,110)	667
--	-----	------	---------	-----

Other comprehensive income, net of tax	2,327	868	4,140	4,481
--	-------	-----	-------	-------

<b>COMPREHENSIVE INCOME</b>	40,952	38,191	72,905	77,965
-----------------------------	--------	--------	--------	--------

**COMPREHENSIVE INCOME**

**ATTRIBUTABLE TO**

<b>NONCONTROLLING INTEREST</b>	114	130	230	262
--------------------------------	-----	-----	-----	-----

**COMPREHENSIVE INCOME AVAILABLE**

<b>TO PARENT</b>	\$ 40,838	\$ 38,061	\$ 72,675	\$ 77,703
------------------	-----------	-----------	-----------	-----------

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

**Table of Contents**

**OHIO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

(In thousands)	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 176	\$ 420,489
Receivables-		
Customers, net of allowance for uncollectible accounts of \$3,564 in 2011 and \$4,086 in 2010	159,393	176,591
Associated companies	68,709	118,135
Other	32,798	12,232
Notes receivable from associated companies	95,884	16,957
Prepayments and other	35,339	6,393
	392,299	750,797
<b>UTILITY PLANT:</b>		
In service	3,176,455	3,136,623
Less Accumulated provision for depreciation	1,230,570	1,207,745
	1,945,885	1,928,878
Construction work in progress	66,656	45,103
	2,012,541	1,973,981
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lease obligation bonds	177,835	190,420
Nuclear plant decommissioning trusts	133,354	127,017
Other	92,440	95,563
	403,629	413,000
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Regulatory assets	392,580	400,322
Pension assets	62,612	28,596
Property taxes	71,331	71,331
Unamortized sale and leaseback costs	27,628	30,126
Other	19,041	17,634
	573,192	548,009
	\$ 3,381,661	\$ 3,685,787

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Currently payable long-term debt	\$ 1,429	\$ 1,419
Short-term borrowings-		
Associated companies		142,116
Other	166	320
Accounts payable-		
Associated companies	94,821	99,421
Other	41,417	29,639
Accrued taxes	69,364	78,707
Accrued interest	25,374	25,382
Other	79,795	74,947
	312,366	451,951

**CAPITALIZATION:**

Common stockholder s equity-		
Common stock, without par value, authorized 175,000,000 shares 60 shares		
outstanding	783,871	951,866
Accumulated other comprehensive loss	(174,936)	(179,076)
Retained earnings	110,156	141,621
Total common stockholder s equity	719,091	914,411
Noncontrolling interest	5,313	5,680
Total equity	724,404	920,091
Long-term debt and other long-term obligations	1,151,720	1,152,134
	1,876,124	2,072,225

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	749,687	696,410
Accumulated deferred investment tax credits	9,439	10,159
Retirement benefits	183,345	183,712
Asset retirement obligations	69,164	74,456
Other	181,536	196,874
	1,193,171	1,161,611

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 3,381,661	\$ 3,685,787
--	--------------	--------------

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

**Table of Contents**

**OHIO EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 68,765	\$ 73,484
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	44,346	43,894
Amortization of regulatory assets, net	3,179	38,769
Purchased power cost recovery reconciliation	(8,584)	(1,514)
Amortization of lease costs	(4,696)	(4,619)
Deferred income taxes and investment tax credits, net	62,216	4,964
Accrued compensation and retirement benefits	(8,328)	(16,154)
Accrued regulatory obligations	(3,309)	(2,309)
Cash collateral from (to) suppliers, net	(850)	1,215
Pension trust contribution	(27,000)	
Decrease (increase) in operating assets-		
Receivables	80,968	49,250
Prepayments and other current assets	(28,947)	5,072
Decrease in operating liabilities-		
Accounts payable	(22,253)	(57,208)
Accrued taxes	(9,360)	(25,685)
Other	4,261	(114)
Net cash provided from operating activities	150,408	109,045
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemptions and Repayments-		
Long-term debt	(707)	(2,957)
Short-term borrowings, net	(142,270)	(93,017)
Common stock dividend payments	(268,000)	(250,000)
Other	(2,340)	(881)
Net cash used for financing activities	(413,317)	(346,855)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(78,894)	(71,698)
Leasehold improvement payments from associated companies		18,375
Sales of investment securities held in trusts	19,595	59,804
Purchases of investment securities held in trusts	(25,547)	(64,063)
Loans to associated companies, net	(78,927)	12,420
Cash investments	11,962	11,774
Other	(5,593)	(1,298)

Net cash used for investing activities	(157,404)	(34,686)
Net change in cash and cash equivalents	(420,313)	(272,496)
Cash and cash equivalents at beginning of period	420,489	324,175
Cash and cash equivalents at end of period	\$ 176	\$ 51,679

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

**Table of Contents**

**THE CLEVELAND ELECTRIC ILLUMINATING COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Unaudited)**

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 202,148	\$ 280,180	\$ 408,890	\$ 592,677
Excise tax collections	15,706	15,495	33,851	33,068
Total revenues	217,854	295,675	442,741	625,745
<b>EXPENSES:</b>				
Purchased power from affiliates	36,040	99,422	82,208	208,815
Purchased power from non-affiliates	23,099	32,651	41,319	70,049
Other operating expenses	31,625	28,937	66,661	60,172
Provision for depreciation	18,488	18,336	36,914	36,447
Amortization of regulatory assets, net	18,166	30,807	41,536	75,946
General taxes	36,954	28,840	77,166	67,329
Total expenses	164,372	238,993	345,804	518,758
<b>OPERATING INCOME</b>	53,482	56,682	96,937	106,987
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	5,637	6,605	12,234	14,152
Miscellaneous income	1,038	675	1,674	1,257
Interest expense	(32,135)	(33,262)	(65,213)	(66,883)
Capitalized interest	36	7	63	33
Total other expense	(25,424)	(25,975)	(51,242)	(51,441)
<b>INCOME BEFORE INCOME TAXES</b>	28,058	30,707	45,695	55,546
<b>INCOME TAXES</b>	6,209	8,785	10,645	19,628
<b>NET INCOME</b>	21,849	21,922	35,050	35,918
Income attributable to noncontrolling interest	309	366	675	785

<b>EARNINGS AVAILABLE TO PARENT</b>	\$ 21,540	\$ 21,556	\$ 34,375	\$ 35,133
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 21,849	\$ 21,922	\$ 35,050	\$ 35,918
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Pension and other postretirement benefits (charges)	2,975	3,228	5,942	(19,357)
Income tax expense (benefit) related to other comprehensive income	860	976	398	(7,301)
Other comprehensive income (loss), net of tax	2,115	2,252	5,544	(12,056)
<b>COMPREHENSIVE INCOME</b>	23,964	24,174	40,594	23,862
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	309	366	675	785
<b>COMPREHENSIVE INCOME AVAILABLE TO PARENT</b>	\$ 23,655	\$ 23,808	\$ 39,919	\$ 23,077

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

**Table of Contents**

**THE CLEVELAND ELECTRIC ILLUMINATING COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(In thousands)	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 244	\$ 238
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2,801 in 2011 and \$4,589 in 2010	97,997	183,744
Associated companies	32,348	77,047
Other	13,476	11,544
Notes receivable from associated companies	71,911	23,236
Materials and supplies, at average cost	13,784	398
Prepayments and other	6,431	3,258
	236,191	299,465
<b>UTILITY PLANT:</b>		
In service	2,417,031	2,396,893
Less Accumulated provision for depreciation	944,379	932,246
	1,472,652	1,464,647
Construction work in progress	59,281	38,610
	1,531,933	1,503,257
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lessor notes	286,745	340,029
Other	10,048	10,074
	296,793	350,103
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	1,688,521	1,688,521
Regulatory assets	320,337	370,403
Pension assets	14,652	
Property taxes	80,614	80,614
Other	12,884	11,486
	2,117,008	2,151,024
	\$ 4,181,925	\$ 4,303,849

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Currently payable long-term debt	\$ 188	\$ 161
Short-term borrowings from associated companies	23,303	105,996
Accounts payable-		
Associated companies	51,001	32,020
Other	18,700	14,947
Accrued taxes	83,265	84,668
Accrued interest	18,551	18,555
Other	38,685	44,569
	233,693	300,916

**CAPITALIZATION:**

Common stockholder s equity-		
Common stock, without par value, authorized 105,000,000 shares, 67,930,743 shares outstanding	887,053	887,087
Accumulated other comprehensive loss	(147,643)	(153,187)
Retained earnings	539,280	568,906
Total common stockholder s equity	1,278,690	1,302,806
Noncontrolling interest	15,195	18,017
Total equity	1,293,885	1,320,823
Long-term debt and other long-term obligations	1,831,023	1,852,530
	3,124,908	3,173,353

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	640,059	622,771
Accumulated deferred investment tax credits	10,574	10,994
Retirement benefits	76,010	95,654
Other	96,681	100,161
	823,324	829,580

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 4,181,925	\$ 4,303,849
--	--------------	--------------

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

**Table of Contents**

**THE CLEVELAND ELECTRIC ILLUMINATING COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 35,050	\$ 35,918
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	36,914	36,447
Amortization of regulatory assets, net	41,536	75,946
Deferred income taxes and investment tax credits, net	17,221	(18,083)
Accrued compensation and retirement benefits	5,421	5,421
Accrued regulatory obligations	(2,001)	(444)
Cash collateral from suppliers, net		685
Pension trust contribution	(35,000)	
Decrease (increase) in operating assets-		
Receivables	140,455	51,757
Prepayments and other current assets	(17,469)	5,392
Increase (decrease) in operating liabilities-		
Accounts payable	10,135	(34,488)
Accrued taxes	(346)	(11,317)
Other	(4,436)	2,023
Net cash provided from operating activities	227,480	149,257
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemptions and Repayments-		
Long-term debt	(74)	(54)
Short-term borrowings, net	(104,228)	(136,013)
Common stock dividend payments	(64,000)	(100,000)
Other	(5,239)	(3,367)
Net cash used for financing activities	(173,541)	(239,434)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(52,743)	(44,373)
Loans to associated companies, net	(48,676)	2,322
Redemptions of lessor notes	53,283	48,608
Other	(5,797)	(2,365)
Net cash provided from (used for) investing activities	(53,933)	4,192
Net change in cash and cash equivalents	6	(85,985)

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Cash and cash equivalents at beginning of period	238	86,230
Cash and cash equivalents at end of period	\$ 244	\$ 245

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

**Table of Contents**

**THE TOLEDO EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 93,048	\$ 114,691	\$ 199,373	\$ 240,122
Excise tax collections	6,270	6,059	13,572	13,100
Total revenues	99,318	120,750	212,945	253,222
<b>EXPENSES:</b>				
Purchased power from affiliates	17,037	47,106	52,554	101,725
Purchased power from non-affiliates	16,114	15,223	30,102	33,713
Other operating expenses	32,549	25,499	69,136	51,044
Provision for depreciation	7,959	8,013	15,890	15,963
Deferral of regulatory assets, net	(7,054)	(1,800)	(18,532)	(10,299)
General taxes	12,438	12,282	26,890	25,743
Total expenses	79,043	106,323	176,040	217,889
<b>OPERATING INCOME</b>	<b>20,275</b>	<b>14,427</b>	<b>36,905</b>	<b>35,333</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	2,599	5,057	5,521	8,857
Miscellaneous income (expense)	396	(945)	(1,233)	(2,351)
Interest expense	(10,415)	(10,455)	(20,858)	(20,942)
Capitalized interest	135	80	237	158
Total other expense	(7,285)	(6,263)	(16,333)	(14,278)
<b>INCOME BEFORE INCOME TAXES</b>	<b>12,990</b>	<b>8,164</b>	<b>20,572</b>	<b>21,055</b>
<b>INCOME TAXES</b>	<b>1,429</b>	<b>948</b>	<b>3,164</b>	<b>6,330</b>
<b>NET INCOME</b>	<b>11,561</b>	<b>7,216</b>	<b>17,408</b>	<b>14,725</b>
Income attributable to noncontrolling interest	2	2	4	5

<b>EARNINGS AVAILABLE TO PARENT</b>	\$ 11,559	\$ 7,214	\$ 17,404	\$ 14,720
-------------------------------------	-----------	----------	-----------	-----------

**STATEMENTS OF COMPREHENSIVE  
INCOME**

<b>NET INCOME</b>	\$ 11,561	\$ 7,216	\$ 17,408	\$ 14,725
-------------------	-----------	----------	-----------	-----------

**OTHER COMPREHENSIVE INCOME:**

Pension and other postretirement benefits	575	714	1,167	1,010
Increase (decrease) in unrealized gain on available-for-sale securities	754	(330)	2,059	39
Other comprehensive income	1,329	384	3,226	1,049
Income tax expense related to other comprehensive income	351	65	685	235
Other comprehensive income, net of tax	978	319	2,541	814

<b>COMPREHENSIVE INCOME</b>	12,539	7,535	19,949	15,539
-----------------------------	--------	-------	--------	--------

**COMPREHENSIVE INCOME  
ATTRIBUTABLE TO NONCONTROLLING  
INTEREST**

	2	2	4	5
--	---	---	---	---

**COMPREHENSIVE INCOME AVAILABLE  
TO PARENT**

	\$ 12,537	\$ 7,533	\$ 19,945	\$ 15,534
--	-----------	----------	-----------	-----------

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

**Table of Contents**

**THE TOLEDO EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

(In thousands)	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 12	\$ 149,262
Receivables-		
Customers, net of allowance for uncollectible accounts of \$1,142 in 2011 and \$1 in 2010	45,931	29
Associated companies	48,340	31,777
Other, net of allowance for uncollectible accounts of \$339 in 2011 and \$330 in 2010	5,272	18,464
Notes receivable from associated companies	128,815	96,765
Prepayments and other	12,052	2,306
	240,422	298,603
<b>UTILITY PLANT:</b>		
In service	955,002	947,203
Less Accumulated provision for depreciation	453,517	446,401
	501,485	500,802
Construction work in progress	17,386	12,604
	518,871	513,406
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Investment in lessor notes	82,153	103,872
Nuclear plant decommissioning trusts	79,018	75,558
Other	1,448	1,492
	162,619	180,922
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	500,576	500,576
Regulatory assets	89,112	72,059
Pension assets	24,603	
Property taxes	24,990	24,990
Other	42,341	23,750
	681,622	621,375
	\$ 1,603,534	\$ 1,614,306

**LIABILITIES AND CAPITALIZATION****CURRENT LIABILITIES:**

Currently payable long-term debt	\$	188	\$	199
Accounts payable- Associated companies		22,144		17,168
Other		12,524		7,351
Accrued taxes		23,699		24,401
Accrued interest		5,933		5,931
Lease market valuation liability		36,900		36,900
Other		18,060		23,145
		119,448		115,095

**CAPITALIZATION:**

Common stockholder's equity- Common stock, \$5 par value, authorized 60,000,000 shares, 29,402,054 shares outstanding		147,010		147,010
Other paid-in capital		178,157		178,182
Accumulated other comprehensive loss		(46,642)		(49,183)
Retained earnings		100,937		117,534
Total common stockholder's equity		379,462		393,543
Noncontrolling interest		2,593		2,589
Total equity		382,055		396,132
Long-term debt and other long-term obligations		600,524		600,493
		982,579		996,625

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes		168,429		132,019
Accumulated deferred investment tax credits		5,715		5,930
Retirement benefits		51,764		71,486
Asset retirement obligations		29,737		28,762
Lease market valuation liability		180,850		199,300
Other		65,012		65,089
		501,507		502,586

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$	1,603,534	\$	1,614,306
--	----	-----------	----	-----------

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

**Table of Contents**

**THE TOLEDO EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 17,408	\$ 14,725
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	15,890	15,963
Deferral of regulatory assets, net	(18,532)	(10,299)
Deferred rents and lease market valuation liability	(43,851)	(42,264)
Deferred income taxes and investment tax credits, net	41,457	16,503
Accrued compensation and retirement benefits	1,085	2,600
Accrued regulatory obligations	(1,193)	(632)
Pension trust contribution	(45,000)	
Cash collateral from (to) suppliers, net	(14)	343
Increase (decrease) in operating assets-		
Receivables	(48,807)	52,754
Prepayments and other current assets	(9,758)	3,608
Increase (decrease) in operating liabilities-		
Accounts payable	3,661	(61,195)
Accrued taxes	(701)	(4,007)
Other	5,771	(8,960)
Net cash used for operating activities	(82,584)	(20,861)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemptions and Repayments-		
Long-term debt	(105)	(111)
Short-term borrowings, net		(225,975)
Common stock dividend payments	(34,000)	(130,000)
Other	(1,742)	(112)
Net cash used for financing activities	(35,847)	(356,198)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(17,386)	(20,237)
Leasehold improvement payments from associated companies		32,829
Loans to associated companies, net	(32,050)	(10,818)
Redemptions of lessor notes	21,739	20,485
Sales of investment securities held in trusts	28,401	106,814
Purchases of investment securities held in trusts	(30,050)	(107,978)
Other	(1,473)	(2,905)

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Net cash provided from (used for) investing activities	(30,819)	18,190
Net change in cash and cash equivalents	(149,250)	(358,869)
Cash and cash equivalents at beginning of period	149,262	436,712
Cash and cash equivalents at end of period	\$ 12	\$ 77,843

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

Table of Contents

**JERSEY CENTRAL POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 576,977	\$ 709,606	\$ 1,211,000	\$ 1,400,998
Excise tax collections	11,120	11,012	23,607	23,364
Total revenues	588,097	720,618	1,234,607	1,424,362
<b>EXPENSES:</b>				
Purchased power	328,463	410,470	698,631	824,486
Other operating expenses	78,603	75,177	164,682	170,837
Provision for depreciation	26,773	27,093	52,087	55,064
Amortization of regulatory assets, net	40,046	81,326	121,633	150,774
General taxes	15,115	14,902	32,526	31,338
Total expenses	489,000	608,968	1,069,559	1,232,499
<b>OPERATING INCOME</b>	99,097	111,650	165,048	191,863
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income	3,554	1,649	5,464	3,482
Interest expense	(31,125)	(30,041)	(61,782)	(59,464)
Capitalized interest	618	156	1,045	289
Total other expense	(26,953)	(28,236)	(55,273)	(55,693)
<b>INCOME BEFORE INCOME TAXES</b>	72,144	83,414	109,775	136,170
<b>INCOME TAXES</b>	30,383	33,521	48,461	57,051
<b>NET INCOME</b>	\$ 41,761	\$ 49,893	\$ 61,314	\$ 79,119
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 41,761	\$ 49,893	\$ 61,314	\$ 79,119

**OTHER COMPREHENSIVE INCOME:**

Pension and other postretirement benefits	4,290	4,135	8,511	20,063
Unrealized gain on derivative hedges	69	69	138	138
Other comprehensive income	4,359	4,204	8,649	20,201
Income tax expense related to other comprehensive income	1,612	1,441	3,202	7,999
Other comprehensive income, net of tax	2,747	2,763	5,447	12,202
<b>COMPREHENSIVE INCOME</b>	<b>\$ 44,508</b>	<b>\$ 52,656</b>	<b>\$ 66,761</b>	<b>\$ 91,321</b>

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

**Table of Contents**

**JERSEY CENTRAL POWER & LIGHT COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(In thousands)	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 42	\$ 4
Receivables-		
Customers, net of allowance for uncollectible accounts of \$3,306 in 2011 and \$3,769 in 2010	259,313	323,044
Associated companies	66,069	53,780
Other	25,580	26,119
Notes receivable associated companies	16,288	177,228
Prepaid taxes	135,679	10,889
Other	15,421	12,654
	518,392	603,718
<b>UTILITY PLANT:</b>		
In service	4,589,369	4,562,781
Less Accumulated provision for depreciation	1,682,577	1,656,939
	2,906,792	2,905,842
Construction work in progress	112,573	63,535
	3,019,365	2,969,377
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear fuel disposal trust	212,419	207,561
Nuclear plant decommissioning trusts	190,422	181,851
Other	2,118	2,104
	404,959	391,516
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	1,810,936	1,810,936
Regulatory assets	469,490	513,395
Other	34,028	27,938
	2,314,454	2,352,269
	\$ 6,257,170	\$ 6,316,880

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 33,315	\$ 32,402
Short-term borrowings-		
Associated companies	360,917	
Other	50,000	
Accounts payable-		
Associated companies	56,544	28,571
Other	159,720	158,442
Accrued compensation and benefits	35,578	35,232
Customer deposits	23,684	23,385
Accrued taxes	1,346	2,509
Accrued interest	18,059	18,111
Other	13,487	22,263
	752,650	320,915

**CAPITALIZATION:**

Common stockholder s equity-		
Common stock, \$10 par value, authorized 16,000,000 shares- 13,628,447 shares outstanding	136,284	136,284
Other paid-in capital	2,008,847	2,508,874
Accumulated other comprehensive loss	(248,095)	(253,542)
Retained earnings	288,484	227,170
Total common stockholder s equity	2,185,520	2,618,786
Long-term debt and other long-term obligations	1,754,582	1,769,849
	3,940,102	4,388,635

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	761,844	715,527
Power purchase contract liability	239,943	233,492
Nuclear fuel disposal costs	196,868	196,768
Retirement benefits	71,711	182,364
Asset retirement obligations	111,831	108,297
Other	182,221	170,882
	1,564,418	1,607,330

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 6,257,170	\$ 6,316,880
--	--------------	--------------

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

**Table of Contents**

**JERSEY CENTRAL POWER & LIGHT COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 61,314	\$ 79,119
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	52,087	55,064
Amortization of regulatory assets, net	121,633	150,774
Deferred purchased power and other costs	(70,998)	(67,664)
Deferred income taxes and investment tax credits, net	51,222	(1,425)
Accrued compensation and retirement benefits	1,319	2,608
Cash collateral paid, net	(235)	(23,400)
Pension trust contribution	(105,000)	
Decrease (increase) in operating assets-		
Receivables	58,466	(46,788)
Prepaid taxes	(124,790)	(111,968)
Increase (decrease) in operating liabilities-		
Accounts payable	13,856	11,924
Accrued taxes	(1,167)	10,368
Other	612	(6,446)
Net cash provided from operating activities	58,319	52,166
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	410,917	57,850
Redemptions and Repayments-		
Long-term debt	(14,671)	(13,830)
Common stock dividend payments		(90,000)
Equity payment to parent	(500,000)	
Other	(1,452)	
Net cash used for financing activities	(105,206)	(45,980)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(98,153)	(80,727)
Loans to associated companies, net	160,940	85,049
Sales of investment securities held in trusts	375,885	281,242
Purchases of investment securities held in trusts	(385,448)	(289,454)
Other	(6,299)	(2,224)
Net cash provided from (used for) investing activities	46,925	(6,114)

Net change in cash and cash equivalents	38	72
Cash and cash equivalents at beginning of period	4	27
Cash and cash equivalents at end of period	\$ 42	\$ 99

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

Table of Contents

**METROPOLITAN EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Unaudited)**

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>REVENUES:</b>				
Electric sales	\$ 265,363	\$ 422,030	\$ 603,779	\$ 873,590
Gross receipts tax collections	14,601	20,629	33,401	42,196
Total revenues	279,964	442,659	637,180	915,786
<b>EXPENSES:</b>				
Purchased power from affiliates	34,935	149,000	84,824	310,080
Purchased power from non-affiliates	100,836	85,276	253,879	177,204
Other operating expenses	50,075	90,151	97,307	192,134
Provision for depreciation	12,766	13,440	25,189	26,198
Amortization of regulatory assets, net	22,167	48,589	54,261	97,389
General taxes	17,152	19,894	39,302	41,634
Total expenses	237,931	406,350	554,762	844,639
<b>OPERATING INCOME</b>	42,033	36,309	82,418	71,147
<b>OTHER INCOME (EXPENSE):</b>				
Interest income	13	880	106	2,097
Miscellaneous income	915	1,381	1,885	3,554
Interest expense	(13,130)	(13,002)	(26,187)	(26,775)
Capitalized interest	228	159	375	285
Total other expense	(11,974)	(10,582)	(23,821)	(20,839)
<b>INCOME BEFORE INCOME TAXES</b>	30,059	25,727	58,597	50,308
<b>INCOME TAXES</b>	13,281	8,618	19,232	20,884
<b>NET INCOME</b>	\$ 16,778	\$ 17,109	\$ 39,365	\$ 29,424
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 16,778	\$ 17,109	\$ 39,365	\$ 29,424

**OTHER COMPREHENSIVE INCOME**

Pension and other postretirement benefits	2,227	2,162	4,190	11,871
Unrealized gain on derivative hedges	84	84	168	168
Other comprehensive income	2,311	2,246	4,358	12,039
Income tax expense related to other comprehensive income	869	724	1,632	4,901
Other comprehensive income, net of tax	1,442	1,522	2,726	7,138

<b>COMPREHENSIVE INCOME</b>	\$ 18,220	\$ 18,631	\$ 42,091	\$ 36,562
-----------------------------	-----------	-----------	-----------	-----------

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

**Table of Contents**

**METROPOLITAN EDISON COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

(In thousands)	ASSETS	June 30, 2011	December 31, 2010
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 157	\$ 243,220
Receivables-			
Customers, net of allowance for uncollectible accounts of \$3,087 in 2011 and \$3,868 in 2010		143,820	178,522
Associated companies		12,849	24,920
Other		16,437	13,007
Notes receivable from associated companies		10,432	11,028
Prepaid taxes		27,083	343
Other		1,443	2,289
		212,221	473,329
<b>UTILITY PLANT:</b>			
In service		2,266,437	2,247,853
Less Accumulated provision for depreciation		859,055	846,003
		1,407,382	1,401,850
Construction work in progress		42,604	23,663
		1,449,986	1,425,513
<b>OTHER PROPERTY AND INVESTMENTS:</b>			
Nuclear plant decommissioning trusts		301,188	289,328
Other		840	884
		302,028	290,212
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>			
Goodwill		416,499	416,499
Regulatory assets		341,488	295,856
Power purchase contract asset		65,861	111,562
Other		54,587	31,699
		878,435	855,616
		\$ 2,842,670	\$ 3,044,670

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Currently payable long-term debt	\$ 28,760	\$ 28,760
Short-term borrowings-		
Associated companies	238,399	124,079
Other	50,000	
Accounts payable-		
Associated companies	24,377	33,942
Other	48,262	29,862
Accrued taxes	12,844	60,856
Accrued interest	16,011	16,114
Other	29,605	29,278
	448,258	322,891

**CAPITALIZATION:**

Common stockholder s equity-		
Common stock, without par value, authorized 900,000 shares, 740,905 and 859,500 shares outstanding, respectively	842,023	1,197,076
Accumulated other comprehensive loss	(139,657)	(142,383)
Retained earnings	46,772	32,406
Total common stockholder s equity	749,138	1,087,099
Long-term debt and other long-term obligations	704,486	718,860
	1,453,624	1,805,959

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	494,716	473,009
Accumulated deferred investment tax credits	6,656	6,866
Nuclear fuel disposal costs	44,471	44,449
Asset retirement obligations	199,162	192,659
Retirement benefits	22,276	29,121
Power purchase contract liability	121,924	116,027
Other	51,583	53,689
	940,788	915,820

**COMMITMENTS AND CONTINGENCIES (Note 9)**

	\$ 2,842,670	\$ 3,044,670
--	--------------	--------------

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

**Table of Contents**

**METROPOLITAN EDISON COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 39,365	\$ 29,424
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	25,189	26,198
Amortization of regulatory assets, net	54,261	97,389
Deferred costs recoverable as regulatory assets	(41,699)	(38,358)
Deferred income taxes and investment tax credits, net	11,972	(12,079)
Accrued compensation and retirement benefits	(510)	(1,573)
Cash collateral from suppliers, net	174	50
Pension trust contribution	(35,000)	
Decrease (increase) in operating assets-		
Receivables	46,240	(29,439)
Prepaid taxes	(26,740)	(31,246)
Increase (decrease) in operating liabilities-		
Accounts payable	5,148	733
Accrued taxes	(47,676)	9,519
Accrued interest	(103)	(1,277)
Other	10,903	7,553
Net cash provided from operating activities	41,524	56,894
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	164,320	17,898
Redemptions and Repayments-		
Common stock	(150,000)	
Long-term debt	(14,784)	(100,000)
Common stock dividend payments	(80,000)	
Equity payment to parent	(150,000)	
Net cash used for financing activities	(230,464)	(82,102)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(46,647)	(54,405)
Sales of investment securities held in trusts	501,260	376,610
Purchases of investment securities held in trusts	(506,220)	(381,219)
Loans to associated companies, net	596	85,943
Other	(3,112)	(1,715)

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Net cash provided from (used for) investing activities	(54,123)	25,214
Net change in cash and cash equivalents	(243,063)	6
Cash and cash equivalents at beginning of period	243,220	120
Cash and cash equivalents at end of period	\$ 157	\$ 126

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

Table of Contents

**PENNSYLVANIA ELECTRIC COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Unaudited)**

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 238,942	\$ 350,335	\$ 547,258	\$ 736,271
Gross receipts tax collections	12,727	16,162	29,256	33,686
Total revenues	251,669	366,497	576,514	769,957
<b>EXPENSES:</b>				
Purchased power from affiliates	54,635	152,945	102,119	321,345
Purchased power from non-affiliates	64,459	86,829	205,895	178,252
Other operating expenses	44,570	67,070	85,898	139,464
Provision for depreciation	15,770	16,605	30,343	31,287
Amortization (deferral) of regulatory assets, net	12,608	(10,522)	25,615	(20,488)
General taxes	14,665	18,647	35,401	35,181
Total expenses	206,707	331,574	485,271	685,041
<b>OPERATING INCOME</b>	44,962	34,923	91,243	84,916
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income	644	1,310	669	2,923
Interest expense	(17,361)	(17,630)	(34,595)	(34,920)
Capitalized interest	41	183	63	323
Total other expense	(16,676)	(16,137)	(33,863)	(31,674)
<b>INCOME BEFORE INCOME TAXES</b>	28,286	18,786	57,380	53,242
<b>INCOME TAXES</b>	13,568	5,812	25,356	22,969
<b>NET INCOME</b>	\$ 14,718	\$ 12,974	\$ 32,024	\$ 30,273

**STATEMENTS OF COMPREHENSIVE  
INCOME**

<b>NET INCOME</b>	\$ 14,718	\$ 12,974	\$ 32,024	\$ 30,273
<b>OTHER COMPREHENSIVE INCOME:</b>				
Pension and other postretirement benefits	1,890	1,830	3,475	10,377
Unrealized gain on derivative hedges	17	16	33	32
Other comprehensive income	1,907	1,846	3,508	10,409
Income tax expense related to other comprehensive income	678	483	1,233	3,767
Other comprehensive income, net of tax	1,229	1,363	2,275	6,642
<b>COMPREHENSIVE INCOME</b>	\$ 15,947	\$ 14,337	\$ 34,299	\$ 36,915

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

**Table of Contents**

**PENNSYLVANIA ELECTRIC COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

<b>(In thousands)</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2	\$ 5
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2,856 in 2011 and \$3,369 in 2010	121,511	148,864
Associated companies	65,989	54,052
Other	11,420	11,314
Notes receivable from associated companies	13,498	14,404
Prepaid taxes	26,372	14,026
Other	1,423	1,592
	240,215	244,257
<b>UTILITY PLANT:</b>		
In service	2,552,303	2,532,629
Less Accumulated provision for depreciation	947,315	935,259
	1,604,988	1,597,370
Construction work in progress	62,592	30,505
	1,667,580	1,627,875
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	162,154	152,928
Non-utility generation trusts	126,786	80,244
Other	292	297
	289,232	233,469
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	768,628	768,628
Regulatory assets	222,804	163,407
Power purchase contract asset	4,000	5,746
Other	15,272	19,287
	1,010,704	957,068
	\$ 3,207,731	\$ 3,062,669

**LIABILITIES AND CAPITALIZATION**

**CURRENT LIABILITIES:**

Currently payable long-term debt	\$ 45,000	\$ 45,000
Short-term borrowings- Associated companies	159,902	101,338
Accounts payable- Associated companies	77,121	35,626
Other	29,217	41,420
Accrued taxes	3,397	5,075
Accrued interest	17,454	17,378
Other	23,280	22,541
	355,371	268,378

**CAPITALIZATION:**

Common stockholder s equity- Common stock, \$20 par value, authorized 5,400,000 shares- 4,427,577 shares outstanding	88,552	88,552
Other paid-in capital	913,486	913,519
Accumulated other comprehensive loss	(161,251)	(163,526)
Retained earnings	23,017	60,993
Total common stockholder s equity	863,804	899,538
Long-term debt and other long-term obligations	1,072,417	1,072,262
	1,936,221	1,971,800

**NONCURRENT LIABILITIES:**

Accumulated deferred income taxes	415,899	371,877
Retirement benefits	188,407	187,621
Power purchase contract liability	160,130	116,972
Asset retirement obligations	101,441	98,132
Other	50,262	47,889
	916,139	822,491

**COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 9)**

	\$ 3,207,731	\$ 3,062,669
--	--------------	--------------

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

**Table of Contents**

**PENNSYLVANIA ELECTRIC COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)**

<b>(In thousands)</b>	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 32,024	\$ 30,273
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	30,343	31,287
Amortization (deferral) of regulatory assets, net	25,615	(20,488)
Deferred costs recoverable as regulatory assets	(38,291)	(38,955)
Deferred income taxes and investment tax credits, net	46,687	42,943
Accrued compensation and retirement benefits	4,733	4,216
Cash collateral paid, net	(1,276)	(3,613)
Decrease (increase) in operating assets-		
Receivables	19,561	3,266
Prepaid taxes	(12,346)	(37,504)
Increase (decrease) in operating liabilities-		
Accounts payable	23,449	(4,603)
Accrued taxes	(12,373)	(1,339)
Other	13,153	10,227
Net cash provided from operating activities	131,279	15,710
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	25,000	
Short-term borrowings, net	58,564	25,313
Redemptions and Repayments-		
Long-term debt	(25,000)	
Common stock dividend payments	(70,000)	
Other	(1,353)	5
Net cash provided from (used for) financing activities	(12,789)	25,318
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(64,177)	(58,293)
Loans to associated companies, net	906	498
Sales of investment securities held in trusts	265,223	133,934
Purchases of investment securities held in trusts	(314,738)	(113,067)
Other	(5,707)	(4,104)
Net cash used for investing activities	(118,493)	(41,032)

Net change in cash and cash equivalents	(3)	(4)
Cash and cash equivalents at beginning of period	5	14
Cash and cash equivalents at end of period	\$ 2	\$ 10

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

**Table of Contents**

**FIRSTENERGY CORP. AND SUBSIDIARIES  
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

<b>Note Number</b>		<b>Page Number</b>
<u>1</u>	<u>Organization and Basis of Presentation</u>	27
<u>2</u>	<u>Merger</u>	27
<u>3</u>	<u>Earnings Per Share</u>	31
<u>4</u>	<u>Fair Value of Instruments</u>	31
<u>5</u>	<u>Derivative Instruments</u>	45
<u>6</u>	<u>Pension Benefits and Other Postretirement Benefits</u>	50
<u>7</u>	<u>Variable Interest Entities</u>	52
<u>8</u>	<u>Income Taxes</u>	53
<u>9</u>	<u>Commitments, Guarantees and Contingencies</u>	54
<u>10</u>	<u>Regulatory Matters</u>	61
<u>11</u>	<u>Stock-Based Compensation Plans</u>	70
<u>12</u>	<u>New Accounting Standards and Interpretations</u>	72
<u>13</u>	<u>Segment Information</u>	72
<u>14</u>	<u>Impairment of Long-Lived Assets</u>	74
<u>15</u>	<u>Asset Retirement Obligations</u>	75
<u>16</u>	<u>Supplemental Guarantor Information</u>	75

**Table of Contents****COMBINED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. ORGANIZATION AND BASIS OF PRESENTATION**

FirstEnergy is a diversified energy company that holds, directly or indirectly, all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), ATSI, JCP&L, Met-Ed, Penelec, FENOC, AE and its principal subsidiaries (AE Supply, AGC, MP, PE, WP and TrAIL), FES and its subsidiaries FGCO and NGC, and FESC. AE merged with a subsidiary of FirstEnergy on February 25, 2011, with AE continuing as the surviving corporation and becoming a wholly-owned subsidiary of FirstEnergy (See Note 2, Merger).

FirstEnergy 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 and the NJBPU. These unaudited interim financial statements and notes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period.

These unaudited interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2010 for FirstEnergy, FES and the Utility Registrants, as applicable. The consolidated unaudited financial statements of FirstEnergy, FES and each of the Utility Registrants reflect all normal recurring adjustments that, in the opinion of management, are necessary to fairly present results of operations for the interim periods. Certain prior year amounts have been reclassified to conform to the current year presentation. Unless otherwise indicated, defined terms used herein have the meanings set forth in the accompanying Glossary of Terms.

FirstEnergy 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. FirstEnergy consolidates a VIE when it is determined that it is the primary beneficiary (see Note 7, Variable Interest Entities). Investments in affiliates over which FirstEnergy and its subsidiaries have the ability to exercise significant influence, but with respect to which are not the primary beneficiary and do not exercise control, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage share of the entity's earnings is reported in the Consolidated Statements of Income.

**2. MERGER*****Merger***

On February 25, 2011, the merger between FirstEnergy and Allegheny closed. Pursuant to the terms of the Agreement and Plan of Merger among FirstEnergy, Element Merger Sub, Inc., a Maryland corporation and a wholly-owned subsidiary of FirstEnergy (Merger Sub) and AE, Merger Sub merged with and into AE, with AE continuing as the surviving corporation and becoming a wholly-owned subsidiary of FirstEnergy. As part of the merger, AE shareholders received 0.667 of a share of FirstEnergy common stock for each share of AE common stock outstanding as of the date the merger was completed, and all outstanding AE equity-based employee compensation awards were converted into FirstEnergy equity-based awards on the same basis.

The total consideration in the merger was based on the closing price of a share of FirstEnergy common stock on February 24, 2011, the day prior to the date the merger was completed, and was calculated as follows (in millions, except per share data):

Shares of Allegheny common stock outstanding on February 24, 2011	170
Exchange ratio	0.667
Number of shares of FirstEnergy common stock issued	113
Closing price of FirstEnergy common stock on February 24, 2011	\$ 38.16

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Fair value of shares issued by FirstEnergy	\$	4,327
Fair value of replacement share-based compensation awards relating to pre-merger service		27
Total consideration transferred	\$	4,354

**Table of Contents**

The allocation of the total consideration transferred to the assets acquired and liabilities assumed includes adjustments for the fair value of coal contracts, energy supply contracts, emission allowances, unregulated property, plant and equipment, derivative instruments, goodwill, intangible assets, long-term debt and accumulated deferred income taxes. The preliminary allocation of the purchase price is as follows:

**(In millions)**

Current assets	\$	1,494
Property, plant and equipment		9,656
Investments		138
Goodwill		881
Other noncurrent assets		1,347
Current liabilities		(716)
Noncurrent liabilities		(3,452)
Long-term debt and other long-term obligations		(4,994)
	\$	4,354

The allocation of purchase price in the table above reflects a refinement made during the quarter ended June 30, 2011 in the determination of the fair values of income tax benefits, certain coal contracts and an adverse purchase power contract. This resulted in an increase in noncurrent assets of approximately \$85 million and decreases in current assets and goodwill of \$15 million and \$71 million, respectively. The impact of the refinements on the amortization of purchase accounting adjustments recorded during the quarter ended March 31, 2011 was not significant. Further modifications to the purchase price allocation may occur as a result of continuing review of the assets acquired and liabilities assumed.

The estimated fair values of the assets acquired and liabilities assumed have been determined based on the accounting guidance for fair value measurements under GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill. The Allegheny delivery, transmission and generation businesses have been assigned to the Regulated Distribution, Regulated Independent Transmission and Competitive Energy Services segments, respectively. The preliminary estimate of goodwill from the merger of \$881 million has been assigned to the Competitive Energy Services segment based on expected synergies from the merger. The goodwill is not deductible for tax purposes.

Total goodwill recognized by segment in FirstEnergy's Consolidated Balance Sheet is as follows:

<b>(In millions)</b>	<b>Regulated Distribution</b>	<b>Competitive Energy Services</b>	<b>Regulated Independent Transmission</b>	<b>Other/ Corporate</b>	<b>Consolidated</b>
Balance as of December 31, 2010	\$ 5,551	\$ 24	\$	\$	\$ 5,575
Merger with Allegheny		881			881
Balance as of June 30, 2011	\$ 5,551	\$ 905	\$	\$	\$ 6,456



**Table of Contents**

The preliminary valuation of the additional intangible assets and liabilities recorded as result of the merger is as follows:

<b>(In millions)</b>	<b>Preliminary Valuation</b>	<b>Weighted Average Amortization Period</b>
Above market contracts:		
Energy contracts	\$ 189	10 years
NUG contracts	124	25 years
Coal supply contracts	516	8 years
	829	
Below market contracts:		
NUG contracts	143	13 years
Coal supply contracts	83	7 years
Transportation contract	35	8 years
	261	
Net intangible assets	\$ 568	

The fair value measurements of intangible assets and liabilities were based on significant unobservable inputs and thus represent level 3 measurements as defined in accounting guidance for fair value measurements.

The fair value of Allegheny's energy, NUG and gas transportation contracts, both above-market and below-market, were estimated based on the present value of the above/below market cash flows attributable to the contracts based on the contract type, discounted by a current market interest rate consistent with the overall credit quality of the portfolio. The above/below market cash flows were estimated by comparing the expected cash flow based on existing contracted prices and expected volumes with the cash flows from estimated current market contract prices for the same expected volumes. The estimated current market contract prices were derived considering current market prices, such as the price of energy and transmission, miscellaneous fees and a normal profit margin. The weighted average amortization period was determined based on the expected volumes to be delivered over the life of the contract.

The fair value of coal supply contracts was determined in a similar manner based on the present value of the above/below market cash flows attributable to the contracts. The fair value adjustment for these contracts is being amortized based on expected deliveries under each contract.

As of June 30, 2011, intangible assets on FirstEnergy's Consolidated Balance Sheet, including those recorded in connection with the merger, include the following:

<b>(In millions)</b>	<b>Intangible Assets</b>
Purchase contract assets	
NUG	\$ 198
OVEC	54
	252
Intangible assets	

Coal contracts	487
FES customer intangible assets	129
Energy contracts	105
	721
Total intangible assets	\$ 973

Acquired land easements and software with a fair value of \$169 million are included in Property, plant and equipment on FirstEnergy's Consolidated Balance Sheet as of June 30, 2011.

In connection with the merger, FirstEnergy recorded merger transaction costs of approximately \$7 million (\$5 million net of tax) and \$7 million (\$5 million net of tax) during the three months ended June 30, 2011 and 2010, respectively and approximately \$89 million (\$72 million net of tax) and \$21 million (\$15 million net of tax) during the first six months of 2011 and 2010, respectively. These costs are included in Other operating expenses in the Consolidated Statements of Income. Merger transaction costs recognized in the first six months of 2011 include \$56 million (\$47 net of tax) of change in control and other benefit payments to AE executives.

**Table of Contents**

FirstEnergy also recorded approximately \$10 million (\$6 million net of tax) and \$85 million (\$66 million net of tax) in merger integration costs during the three and six months ended June 30 2011, respectively, including an inventory valuation adjustment. In connection with the merger, FirstEnergy reviewed its inventory levels as a result of combining the inventory of both companies. Following this review, FirstEnergy management determined that the combined inventory stock contained excess and duplicative items. FirstEnergy management also adopted a consistent excess and obsolete inventory practice for the combined entity. Application of the revised practice, in conjunction with those items identified as excess and duplicative, resulted in an inventory valuation adjustment of \$67 million (\$42 million net of tax) in the first quarter of 2011.

Revenues and earnings of Allegheny included in FirstEnergy's Consolidated Statement of Income for the periods subsequent to the February 25, 2011 merger date are as follows:

<b>(In millions, except per share amounts)</b>	<b>April 1 June 30, 2011</b>	<b>February 26 June 30, 2011</b>
Total revenues	\$ 1,181	\$ 1,618
Earnings available to FirstEnergy Corp. <sup>(1)</sup>	63	17
Basic Earnings Per Share	\$ 0.15	\$ 0.04
Diluted Earnings Per Share	\$ 0.15	\$ 0.04

<sup>(1)</sup> Includes Allegheny's after-tax merger costs of \$4 million and \$56 million, respectively.

**Pro Forma Financial Information**

The following unaudited pro forma financial information reflects the consolidated results of operations of FirstEnergy as if the merger with Allegheny had taken place on January 1, 2010. The unaudited pro forma information has been calculated after applying FirstEnergy's accounting policies and adjusting Allegheny's results to reflect the depreciation and amortization that would have been charged assuming fair value adjustments to property, plant and equipment, debt and intangible assets had been applied on January 1, 2010, together with the consequential tax effects.

FirstEnergy and Allegheny both incurred non-recurring costs directly related to the merger that have been included in the pro forma earnings presented below. Combined pre-tax transaction costs incurred were approximately \$7 million and \$11 million in the three months ended June 30, 2011 and 2010, respectively, and approximately \$90 million and \$39 million in the six months ended June 30, 2011 and 2010, respectively. In addition, during the six months ended June 30, 2011, \$85 million of pre-tax merger integration costs and \$32 million of charges from merger settlements approved by regulatory agencies were recognized. Charges resulting from merger settlements are not expected to be material in future periods.

The unaudited pro forma financial information has been presented below for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved or the future consolidated results of operations of the combined company.

<b>(Pro forma amounts in millions, except per share amounts)</b>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Revenues	\$ 4,062	\$ 4,401	\$ 8,848	\$ 9,086
Earnings available to FirstEnergy	\$ 186	\$ 389	\$ 323	\$ 644
Basic Earnings Per Share	\$ 0.44	\$ 0.93	\$ 0.77	\$ 1.54
Diluted Earnings Per Share	\$ 0.44	\$ 0.93	\$ 0.77	\$ 1.53



**Table of Contents****3. EARNINGS PER SHARE**

Basic earnings per share of common stock are computed using the weighted average of actual common shares outstanding during the relevant period as the denominator. The denominator for diluted earnings per share of common stock reflects the weighted average of common shares outstanding plus the potential additional common shares that would be issued if dilutive securities and other agreements to issue common stock were exercised. The following table reconciles basic and diluted earnings per share of common stock:

Reconciliation of Basic and Diluted Earnings per Share of Common Stock	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
	<i>(In millions, except per share amounts)</i>			
Earnings available to FirstEnergy Corp.	\$ 181	\$ 265	\$ 231	\$ 420
Weighted average number of basic shares outstanding <sup>(1)</sup>	418	304	380	304
Assumed exercise of dilutive stock options and awards	2	1	2	1
Weighted average number of diluted shares outstanding <sup>(1)</sup>	420	305	382	305
Basic earnings per share of common stock	\$ 0.43	\$ 0.87	\$ 0.61	\$ 1.38
Diluted earnings per share of common stock	\$ 0.43	\$ 0.87	\$ 0.61	\$ 1.37

<sup>(1)</sup> Includes 113 million shares issued to AE stockholders for the periods subsequent to the merger date. (See Note 2)

**4. FAIR VALUE MEASUREMENTS****(A) 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 on the Consolidated Balance Sheets at cost, which approximates their fair market value, in the caption short-term borrowings. The following table provides the approximate fair value and related carrying amounts of long-term debt and other long-term obligations as of June 30, 2011 and December 31 2010:

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In millions)</i>			
FirstEnergy <sup>(1)</sup>	\$ 18,371	\$ 19,436	\$ 13,928	\$ 14,845
FES	4,056	4,310	4,279	4,403
OE	1,158	1,367	1,159	1,321
CEI	1,831	2,083	1,853	2,035
TE	600	690	600	653
JCP&L	1,795	2,008	1,810	1,962
Met-Ed	729	828	742	821
Penelec	1,120	1,231	1,120	1,189

<sup>(1)</sup> Includes debt assumed in the Allegheny merger (See Note 2) with a carrying value and a fair value as of June 30, 2011 of \$4,530 million and \$4,127 million, respectively.

The fair values of long-term debt and other long-term obligations reflect the present value of the cash outflows relating to those obligations 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 debt with similar characteristics offered by corporations with credit ratings similar to those of FirstEnergy, FES, the Utilities and other subsidiaries.

**(B) INVESTMENTS**

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

FES and the Utilities periodically evaluate their investments for other-than-temporary impairment. They first consider their intent and ability to hold an equity investment until recovery and then consider, among other factors, the duration and the extent to which the security's fair value has been less than cost and the near-term financial prospects of the security issuer when evaluating an investment for impairment. For debt securities, FES and the Utilities consider their intent to hold the security, the likelihood that they will be required to sell the security before recovery of their cost basis, and the likelihood of recovery of the security's entire amortized cost basis.

**Table of Contents**

Unrealized gains applicable to the decommissioning trusts of FES, OE and TE are recognized in OCI because fluctuations in fair value will eventually impact earnings while unrealized losses are recorded to earnings. The decommissioning trusts of JCP&L, Met-Ed and Penelec are subject to regulatory accounting. Net unrealized gains and losses are recorded as regulatory assets or liabilities because the difference between investments held in the trust and the decommissioning liabilities will be recovered from or refunded to customers.

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

*Available-For-Sale Securities*

FES and the Utilities hold debt and equity securities within their NDT, nuclear fuel disposal trusts and NUG trusts. These trust investments are considered as available-for-sale at fair market value. FES and the Utilities have no securities held for trading purposes.

The following table summarizes the amortized cost basis, unrealized gains and losses and fair values of investments held in NDT, nuclear fuel disposal trusts and NUG trusts as of June 30, 2011 and December 31, 2010:

	June 30, 2011 <sup>(1)</sup>				December 31, 2010 <sup>(2)</sup>			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
<i>(In millions)</i>								
<b>Debt securities</b>								
FirstEnergy	\$ 2,015	\$ 48	\$	\$ 2,063	\$ 1,699	\$ 31	\$	\$ 1,730
FES	1,023	26		1,049	980	13		993
OE	128	3		131	123	1		124
TE	52	1		53	42			42
JCP&L	353	9		362	281	9		290
Met-Ed	249	5		254	127	4		131
Penelec	210	4		214	145	4		149
<b>Equity securities</b>								
FirstEnergy	\$ 187	\$ 11	\$	\$ 198	\$ 268	\$ 69	\$	\$ 337
FES	90	6		96				
TE	24	2		26				
JCP&L	21	1		22	80	17		97
Met-Ed	32	1		33	125	35		160
Penelec	20	1		21	63	16		79

(1) Excludes cash investments, receivables, payables, deferred taxes and accrued income: FirstEnergy \$130 million; FES \$39 million; OE \$3 million; JCP&L \$19 million; Met-Ed \$14 million and Penelec \$55 million.

(2) Excludes cash investments, receivables, payables, deferred taxes and accrued income: FirstEnergy \$193 million; FES \$153 million; OE \$3 million; TE \$34 million; JCP&L \$3 million; Met-Ed \$(3) million and Penelec \$4 million.

**Table of Contents**

Proceeds from the sale of investments in available-for-sale securities, realized gains and losses on those sales net of adjustments recorded to earnings and interest and dividend income for the three months and six months ended June 30, 2011 and 2010 were as follows:

**Three Months Ended June 30,**

<b>2011</b>	<b>Sales Proceeds</b>	<b>Realized Gains</b>	<b>Realized Losses</b>	<b>Interest and Dividend Income</b>
			<i>(In millions)</i>	
FirstEnergy	\$ 734	\$ 22	\$ (16)	\$ 28
FES	297	10	(7)	17
OE	12			1
TE	15	1	(1)	1
JCP&L	159	4	(2)	4
Met-Ed	165	4	(3)	3
Penelec	86	3	(3)	2

<b>2010</b>	<b>Sales Proceeds</b>	<b>Realized Gains</b>	<b>Realized Losses</b>	<b>Interest and Dividend Income</b>
			<i>(In millions)</i>	
FirstEnergy	\$ 1,183	\$ 46	\$ (36)	\$ 16
FES	685	41	(35)	9
OE	57	2		
TE	76	2		
JCP&L	91			3
Met-Ed	233	1	(1)	2
Penelec	41			2

**Six Months Ended June 30,**

<b>2011</b>	<b>Sales Proceeds</b>	<b>Realized Gains</b>	<b>Realized Losses</b>	<b>Interest and Dividend Income</b>
			<i>(In millions)</i>	
FirstEnergy	\$ 1,703	\$ 122	\$ (45)	\$ 52
FES	513	22	(23)	32
OE	20			2
TE	28	1	(2)	1
JCP&L	376	26	(6)	8
Met-Ed	501	48	(7)	5
Penelec	265	25	(7)	4

<b>2010</b>	<b>Sales Proceeds</b>	<b>Realized Gains</b>	<b>Realized Losses</b>	<b>Interest and Dividend Income</b>
			<i>(In millions)</i>	
FirstEnergy	\$ 1,915	\$ 83	\$ (86)	\$ 37

FES	957	54	(58)	22
OE	60	2		1
TE	107	3		1
JCP&L	281	9	(9)	7
Met-Ed	377	9	(12)	3
Penelec	134	6	(7)	3

*Held-To-Maturity Securities*

The following table provides the amortized cost basis, unrealized gains and losses, and approximate fair values of investments in held-to-maturity securities as of June 30, 2011 and December 31, 2010:

	June 30, 2011			December 31, 2010			Fair Value
	Cost Basis	Unrealized Gains	Unrealized Losses	Cost Basis	Unrealized Gains	Unrealized Losses	
<i>(In millions)</i>							
<b>Debt Securities</b>							
FirstEnergy	\$ 414	\$ 84	\$	498	\$ 476	\$ 91	\$ 567
OE	178	45		223	190	51	241
CEI	287	39		326	340	41	381

Investments in emission allowances, employee benefits and cost and equity method investments totaling \$345 million as of June 30, 2011 and \$259 million as of December 31, 2010, are not required to be disclosed and are excluded from the amounts reported above.

**Table of Contents***Notes Receivable*

The table below provides the approximate fair value and related carrying amounts of notes receivable as of June 30, 2011 and December 31, 2010. The fair value of notes receivable represents the present value of the cash inflows based on the yield to maturity. The yields assumed were based on financial instruments with similar characteristics and terms. The maturity dates range from 2013 to 2021.

	<b>June 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<i>(In millions)</i>			
<b>Notes Receivable</b>				
FirstEnergy	\$ 6	\$ 7	\$ 7	\$ 8
TE	82	94	104	118

**Table of Contents**

**(C) 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 are as follows:

Level 1      Quoted prices for identical instruments in active markets.

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

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

The following tables set forth financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. There were no significant transfers between levels during the three months and six months ended June 30, 2011.

**Table of Contents****FirstEnergy Corp.**

The following tables summarize assets and liabilities recorded on FirstEnergy's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

<b>June 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
Corporate debt securities	\$	\$ 868	\$	\$ 868
Derivative assets – commodity contracts		312		312
Derivative assets – FTRs			13	13
Derivative assets – interest rate swaps		4		4
Derivative assets – NUG contracts <sup>(1)</sup>			75	75
Equity securities <sup>(2)</sup>	198			198
Foreign government debt securities		206		206
U.S. government debt securities		673		673
U.S. state debt securities		306		306
Other <sup>(4)</sup>		146		146
<b>Total assets</b>	\$ 198	\$ 2,515	\$ 88	\$ 2,801
<b>Liabilities</b>				
Derivative liabilities – commodity contracts	\$	\$ (362)	\$	\$ (362)
Derivative liabilities – FTRs			(7)	(7)
Derivative liabilities – interest rate swaps		(5)		(5)
Derivative liabilities – NUG contracts <sup>(1)</sup>			(522)	(522)
<b>Total liabilities</b>	\$	\$ (367)	\$ (529)	\$ (896)
<b>Net assets (liabilities)<sup>(3)</sup></b>	\$ 198	\$ 2,148	\$ (441)	\$ 1,905

<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
Corporate debt securities	\$	\$ 597	\$	\$ 597
Derivative assets – commodity contracts		250		250
Derivative assets – NUG contracts <sup>(1)</sup>			122	122
Equity securities <sup>(2)</sup>	338			338
Foreign government debt securities		149		149
U.S. government debt securities		595		595
U.S. state debt securities		379		379
Other <sup>(4)</sup>		219		219
<b>Total assets</b>	\$ 338	\$ 2,189	\$ 122	\$ 2,649

**Liabilities**

Edgar Filing: CLEVELAND ELECTRIC ILLUMINATING CO - Form 10-Q

Derivative liabilities	commodity contracts	\$		\$	(348)	\$		\$	(348)
Derivative liabilities	NUG contracts <sup>(4)</sup>						(466)		(466)
<b>Total liabilities</b>		\$		\$	(348)	\$	(466)	\$	(814)
<b>Net assets (liabilities)<sup>(3)</sup></b>		\$	338	\$	1,841	\$	(344)	\$	1,835

- (1) NUG contracts are generally subject to regulatory accounting and do not materially impact earnings.
- (2) NDT funds hold equity portfolios the performance of which is benchmarked against the S&P 500 Index or Russell 3000 Index.
- (3) Excludes \$6 million and \$(7) million as of June 30, 2011 and December 31, 2010, respectively, of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.
- (4) Primarily consists of cash and cash equivalents.

**Table of Contents***Rollforward of Level 3 Measurements*

The following table provides a reconciliation of changes in the fair value of NUG contracts held by the Utilities and FTRs held by FirstEnergy and classified as Level 3 in the fair value hierarchy during the periods ending June 30, 2011 and December 31, 2010:

	<b>Derivative Asset<sup>(1)</sup></b>		<b>Derivative Liability<sup>(1)</sup></b>		<b>Net<sup>(1)</sup></b>
			<i>(In millions)</i>		
January 1, 2011 Balance	\$ 122	\$	(466)	\$	(344)
Realized gain (loss)					
Unrealized gain (loss)	(40)		(203)		(243)
Purchases	13		(3)		10
Issuances					
Sales					
Settlements	(6)		154		148
Transfers into Level 3			(12)		(12)
June 30, 2011 Balance	\$ 89	\$	(530)	\$	(441)
January 1, 2010 Balance	\$ 200	\$	(643)	\$	(443)
Realized gain (loss)					
Unrealized gain (loss)	(71)		(110)		(181)
Purchases					
Issuances					
Sales					
Settlements	(7)		287		280
Transfers into Level 3					
December 31, 2010 Balance	\$ 122	\$	(466)	\$	(344)

<sup>(1)</sup> Changes in the fair value of NUG contracts are generally subject to regulatory accounting and do not materially impact earnings.

**Table of Contents****FirstEnergy Solutions Corp.**

The following tables summarize assets and liabilities recorded on FES Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

<b>June 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
Corporate debt securities	\$	\$ 562	\$	\$ 562
Derivative assets commodity contracts		283		283
Derivative assets FTRs			2	2
Equity securities <sup>(3)</sup>	96			96
Foreign government debt securities		160		160
U.S. government debt securities		316		316
U.S. state debt securities		7		7
Other <sup>(2)</sup>		42		42
<b>Total assets</b>	\$ 96	\$ 1,370	\$ 2	\$ 1,468
<b>Liabilities</b>				
Derivative liabilities commodity contracts	\$	\$ (327)	\$	\$ (327)
<b>Total liabilities</b>	\$	\$ (327)	\$	\$ (327)
<b>Net assets (liabilities)<sup>(1)</sup></b>	\$ 96	\$ 1,043	\$ 2	\$ 1,141
<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
Corporate debt securities	\$	\$ 528	\$	\$ 528
Derivative assets commodity contracts		241		241
Foreign government debt securities		147		147
U.S. government debt securities		308		308
U.S. state debt securities		6		6
Other <sup>(2)</sup>		148		148
<b>Total assets</b>	\$	\$ 1,378	\$	\$ 1,378
<b>Liabilities</b>				
Derivative liabilities commodity contracts	\$	\$ (348)	\$	\$ (348)
<b>Total liabilities</b>	\$	\$ (348)	\$	\$ (348)
<b>Net assets (liabilities)<sup>(1)</sup></b>	\$	\$ 1,030	\$	\$ 1,030

- (1) Excludes \$7 million as of December 31, 2010 of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.
- (2) Primarily consists of cash and cash equivalents.
- (3) NDT funds hold equity portfolios the performance of which is benchmarked against the S&P 500 Index or Russell 3000 Index.

*Rollforward of Level 3 Measurements*

The following table provides a reconciliation of changes in the fair value of FTRs held by FES and classified as Level 3 in the fair value hierarchy during the period ending June 30, 2011:

	<b>Derivative Asset FTRs</b>	<b>Derivative Liability FTRs <i>(In millions)</i></b>	<b>Net FTRs</b>
January 1, 2011 Balance	\$	\$	\$
Realized gain (loss)			
Unrealized gain (loss)	1		1
Purchases	2		2
Issuances			
Sales			
Settlements	(1)		(1)
Transfers in (out) of Level 3			
June 30, 2011 Balance	\$ 2	\$	\$ 2

**Table of Contents****Ohio Edison Company**

The following tables summarize assets and liabilities recorded on OE's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

<b>June 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
U.S. government debt securities	\$	\$ 131	\$	\$ 131
Other		2		2
<b>Total assets<sup>(1)</sup></b>	\$	\$ 133	\$	\$ 133
<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
U.S. government debt securities	\$	\$ 124	\$	\$ 124
Other		2		2
<b>Total assets<sup>(1)</sup></b>	\$	\$ 126	\$	\$ 126

(1) Excludes \$2 million and \$1 million as of June 30, 2011 and December 31, 2010, respectively, of receivables, payables, deferred taxes and accrued income associated with the financial instruments reflected within the fair value table.

**The Toledo Edison Company**

The following tables summarize assets and liabilities recorded on TE's Consolidated Balance Sheets at fair value as of June 30, 2011 and December 31, 2010:

<b>June 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		
<b>Assets</b>				
Corporate debt securities	\$	\$ 16	\$	\$ 16
Equity securities <sup>(3)</sup>	26			26
U.S. government debt securities		33		33
U.S. state debt securities		1		1
Other <sup>(2)</sup>		3		3
<b>Total assets<sup>(1)</sup></b>	\$ 26	\$ 53	\$	\$ 79
<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<i>(In millions)</i>		