

### *Chapter 11 Filing*

#### **1. What was announced?**

- FirstEnergy Solutions (FES), all of its subsidiaries and FirstEnergy Nuclear Operating Company (FENOC) have voluntarily filed petitions under Chapter 11 of the Federal Bankruptcy Code with the U.S. Bankruptcy Court in the Northern District of Ohio in Akron.
- FirstEnergy Corp. and FirstEnergy's other subsidiaries, including all of its regulated subsidiaries, are **not** part of the Chapter 11 filing.
- This development marks a milestone in implementing FirstEnergy's previously announced plan to exit its competitive generation businesses and become a fully regulated electric utility.
- As a fully regulated business, FirstEnergy should have an improved balance sheet, solid cash flows and more predictable earnings.
- FirstEnergy will be better positioned to deliver stable, long-term value for FirstEnergy shareholders and benefit our customers, business partners and employees.

#### **2. What is Chapter 11?**

- Chapter 11 is a section of the U.S. Bankruptcy Code that allows companies to implement financial restructurings through a court-supervised proceeding while continuing to operate their businesses in the ordinary course.

#### **3. Why are FES and FENOC filing for Chapter 11 now?**

- FES and FENOC have worked to reduce operating costs at plants, delayed large capital investments while keeping the units operating safely and reliably, and advocated for meaningful market reforms.
- Despite these efforts, the competitive generation businesses continue to be negatively impacted by challenging market conditions, which have already forced FES to make the difficult decision to sell or deactivate 7,819 megawatts of generation since 2016.
- Given the ongoing cash needs and debt service obligations, the FES and FENOC boards of directors determined that the Chapter 11 filing represents the best path forward.

#### **4. Which plants/assets are part of the filing?**

- All competitive generation units under FES and FENOC are part of the filing. They include:
  - Combustion turbine: West Lorain
  - Nuclear units: Perry, Beaver Valley, Davis-Besse
  - Supercritical coal: Sammis Units 5-7, and Bruce Mansfield
- FirstEnergy's subsidiary Allegheny Energy Supply (AE Supply), which owns the Pleasants Power Station, is not included in the Chapter 11 filing.
- AE Supply is pursuing the option to sell the Pleasants plant or deactivate it by January 1, 2019, consistent with FirstEnergy's exit from competitive generation.

#### **5. What impact will the filing have on FirstEnergy?**

- FirstEnergy and FirstEnergy's other subsidiaries, including all of its regulated subsidiaries, are not part of the Chapter 11 filing.
- All of FirstEnergy's distribution, transmission and regulated generation businesses will continue to operate as usual during the Chapter 11 process, and service to our customers will continue uninterrupted.
- The Restructuring Working Group – with members representing FirstEnergy leadership and outside experts – has been engaged in substantive negotiations with a steering committee of FES noteholders. Those discussions are expected to continue over the next several weeks. Additionally, the parties have joined an agreement filed with the U.S. Bankruptcy Court, Northern District of Ohio, for approval to advance an efficient discovery and settlement process.

#### **6. How does this filing impact the strategy for FirstEnergy?**

- FirstEnergy is moving forward with its previously announced plan to transform into a fully regulated electric utility.
- As a fully regulated business, FirstEnergy should have an improved balance sheet, solid cash flows and more predictable earnings.
- FirstEnergy will be better positioned to deliver stable, long-term value for FirstEnergy shareholders and benefit our customers, business partners and employees.

***Employees:***

**7. How does this filing impact FirstEnergy employees?**

- FirstEnergy and FirstEnergy's other subsidiaries, including all of its regulated subsidiaries, are not part of the Chapter 11 filing.
- All of FirstEnergy's distribution, transmission and regulated generation facilities will continue to operate as usual during the Chapter 11 process, and service to FirstEnergy utility customers will continue uninterrupted.
- FirstEnergy and its utilities have long been trusted providers of electric service to our communities, and our customers and communities can continue to rely on us to meet their electricity needs.
- FirstEnergy is counting on employees to remain focused on their day-to-day roles and responsibilities, providing reliable power to our customers while maintaining the company's longstanding commitment to safety and the environment.

**8. Will there be layoffs at any part of the organization as a result of this process?**

- Employment decisions will continue to be based on market conditions and overall company performance, as they always have.
- All of FirstEnergy's distribution, transmission and regulated generation facilities will continue to operate as usual, and service to FirstEnergy utility customers will continue uninterrupted.
- The FE Tomorrow effort, which began in January 2017, is determining how to implement various scenarios for the future structure of FirstEnergy following the company's exit from competitive generation. The process, which is focused on the corporate and Shared Services sides of the business, is expected to take 12 to 24 months.

**9. Is there anything employees can do to help during the financial restructuring process?**

- Employees can best help by continuing to work safely and serving customers reliably as the company has in the past.

**10. How can employees get updates and additional information?**

- Employees with additional questions may contact their supervisor or submit questions to [employeecommunications@firstenergycorp.com](mailto:employeecommunications@firstenergycorp.com).
- Information about the FES and FENOC filing can be found at [www.fes.com/restructuring](http://www.fes.com/restructuring).

- We will keep employees informed about our progress as appropriate as we move forward with the process.

***Other Plants:***

**11. What is the status of FirstEnergy’s previously announced sale of certain competitive natural gas and hydro assets to LS Power Equity Partners?**

- On Dec. 13, 2017, and March 1, 2018, LS Power Equity Partners III, LP completed its purchase of Springdale, Chambersburg, Gans, Hunlock and Buchanan plants from AE Supply and AE Supply’s subsidiary, Allegheny Generation Company. The transaction involving the Bath plant is on track to close in the first half of 2018.
- The transaction remains subject to customary and other closing conditions, including approval by the Virginia State Corporation Commission.

**12. What is the status of FirstEnergy’s previously announced plan to sell or deactivate the Pleasants Power Station?**

- FirstEnergy’s AE Supply subsidiary plans to sell or deactivate the coal-fired Pleasants Power Station in Willow Island, West Virginia by January 1, 2019.
- AE Supply is not included in the Chapter 11 filing.

***For FE Vendors/Suppliers:***

**13. When will vendors be paid for goods and services delivered before the filing? Is there anything vendors can do to expedite this process?**

- *Vendors supplying FirstEnergy and non-filing entities only:*
  - Vendors conducting business with non-filing entities – businesses other than FirstEnergy Solutions (FES) and FirstEnergy Nuclear Operating Company (FENOC) – will be paid under normal terms in the normal course of business.

**14. What assurances are there that vendors will be paid for goods and services provided to FirstEnergy in the future?**

- *Vendors supplying FE Corp. and non-filing entities only:*
  - Vendors conducting business with non-filing entities – businesses other than FES and FENOC – will be paid under normal terms in the normal course of business.

**Forward-Looking Statements:** This document includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties and readers are cautioned not to place undue reliance on these forward-looking statements. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "forecast," "target," "will," "intend," "believe," "project," "estimate," "plan" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or

achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following: the ability to successfully execute an exit of commodity-based generation that minimizes cash outflows and associated liabilities, including, without limitation, the losses, guarantees, claims and other obligations of FirstEnergy Corp., together with its consolidated subsidiaries (FirstEnergy) as such relate to the entities previously consolidated into FirstEnergy, including FirstEnergy Solution Corp. (FES), its subsidiaries and FirstEnergy Nuclear Operating Company (FENOC), which have recently filed for bankruptcy protection; the potential for litigation and demands for payment by certain creditors of FES, its subsidiaries and FENOC against FirstEnergy; the risks associated with the bankruptcy cases of FES, its subsidiaries and FENOC, including, but not limited to, third party motions in the cases that could adversely affect FirstEnergy, its liquidity or results of operations; the ability to experience growth in the Regulated Distribution and Regulated Transmission segments and the effectiveness of our strategy to operate as a fully regulated business; the accomplishment of our regulatory and operational goals in connection with our transmission and distribution investment plans, including, but not limited to, our planned transition to forward-looking formula rates; changes in assumptions regarding economic conditions within our territories, assessment of the reliability of our transmission and distribution system, or the availability of capital or other resources supporting identified transmission and distribution investment opportunities; the ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to grow the earnings in our regulated businesses, continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet; the risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments; the uncertainties associated with the deactivation of our remaining commodity-based generating units, including the impact on vendor commitments, and as it relates to the reliability of the transmission grid, the timing thereof; costs being higher than anticipated and the success of our policies to control costs; the uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including New Source Review litigation, or potential regulatory initiatives or rulemakings; changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates; economic and weather conditions affecting future sales, margins and operations, such as significant weather events, and all associated regulatory events or actions; changes in national and regional economic conditions affecting FirstEnergy and/or our major industrial and commercial customers, and other counterparties with which we do business; the impact of labor disruptions by our unionized workforce; the risks associated with cyber-attacks and other disruptions to our information technology system that may compromise our generation, transmission and/or distribution services and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our networks; the impact of the regulatory process and resulting outcomes on the matters at the federal level and in the various states in which we do business, including, but not limited to, matters related to rates; the impact of the federal regulatory process on Federal Energy Regulatory Commission (FERC)-regulated entities and transactions, in particular FERC regulation of capacity markets, including PJM Interconnection, L.L.C. (PJM) markets; FERC regulation of cost-of-service rates; and FERC's compliance and enforcement activity, including compliance and enforcement activity related to North American Electric Reliability Corporation's mandatory reliability standards; the uncertainties of various cost recovery and cost allocation issues resulting from American Transmission Systems, Incorporated's realignment into PJM; the ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates; other legislative and regulatory changes, including the federal administration's required review and potential revision of environmental requirements, including, but not limited to, the effects of the United States Environmental Protection Agency's Clean Power Plan, Combustion Residuals, Cross-State Air Pollution Rule and Mercury and Air Toxic Standards programs, including our estimated costs of compliance, Clean Water Act (CWA) waste water effluent limitations for power plants, and CWA 316(b) water intake regulation; changing market conditions that could affect the measurement of certain liabilities and the value of assets held in our pension trusts and other trust funds, and cause us and/or our subsidiaries to make additional contributions sooner, or in amounts that are larger, than currently anticipated; the impact of changes to significant accounting policies; the impact of any changes in tax laws or regulations, including the Tax Cuts and Jobs Act adopted on December 22, 2017, or adverse tax audit results or rulings; the ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries; further actions that may be taken by credit rating agencies that could negatively affect us and/or our subsidiaries' access to financing, increase the costs thereof, letters of credit and other financial guarantees, and the impact of these events on the financial condition and liquidity of FirstEnergy and/or its subsidiaries; issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business; and the risks and other factors discussed from time to time in our United States Securities and Exchange Commission (SEC) filings, and other similar factors. Dividends declared from time to time on FirstEnergy Corp.'s common stock, and thereby on FirstEnergy Corp.'s preferred stock, during any period may in the aggregate

vary from prior periods due to circumstances considered by FirstEnergy Corp.'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. These forward-looking statements are also qualified by, and should be read together with, the risk factors included in FirstEnergy's filings with the SEC, including but not limited to the most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. The foregoing review of factors also should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. We expressly disclaim any obligation to update or revise, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.