

# Consolidated Report to the Financial Community (Unaudited)

# FIRSTENERGY CORP.

## Fourth Quarter 2000

Release Date: January 16, 2001

### Highlights

- Net income for the fourth quarter of 2000 was \$125.3 million, up \$4.8 million from the same period last year. Earnings were \$0.57 per share, an increase of 7.5%.
- For the year, earnings were \$2.69 per share compared with \$2.50 per share in 1999. The primary drivers of the 7.6% increase in earnings were lower fuel costs and increased generation output, reduced financing costs, and gains realized on the sales of emission allowances.
- Consolidated electric generation sales rose 10.3% compared to the fourth quarter of 1999. Regulated electric generation sales were up 6.0%, led by a 9.3% rise in residential sales due to increased heating load. Unregulated electric generation sales rose 31.5%.
- Fuel expense decreased by \$2 million during the quarter in spite of a 9.4% increase in generation output. Fuel savings for the year totaled \$96 million from increased nuclear generation, the expiration of an above-market coal contract, and the use of western coal. Purchased power expenses were \$19 million higher than the fourth quarter of 1999 due to a retroactive price adjustment for power purchased this summer, higher wholesale market prices and increased purchases.
- Other electric operating and maintenance expenses, excluding non-recurring items and gains on emission allowance sales, were \$2 million lower during the quarter and \$77 million higher for the year compared to the same periods in 1999. The increased expenses for the year resulted from increased ownership in the Perry and Beaver Valley units and an additional nuclear refueling outage.
- Accelerated depreciation and amortization totaled \$83 million and \$375 million for the quarter and year, respectively, as compared to \$69 million and \$352 million in 1999.
- Unregulated business margins, excluding electric margins and nonrecurring items, were \$7 million lower than the same quarter last year, primarily as a result of rising natural gas prices and continued pricing pressures in our facilities services markets.
- Net interest charges for the quarter declined \$9 million compared to 1999. Redemptions during the quarter totaled \$23 million. During the year, \$928 million of securities were redeemed, refinanced, and repriced which will produce net annualized savings of \$32 million.
- Nonrecurring items reduced earnings by \$0.09 and \$0.12 cents per share for the quarter and the year, respectively, while having a neutral effect in 1999. Nonrecurring expenses in 2000 included increased reserves primarily for uncollectible steel industry accounts in both the regulated and unregulated business segments (\$27 million), an accrual for potential contract losses in our facilities services group (\$10 million), early retirement program costs (\$9 million), and a loss on the liquidation of our investment in an alpha plaster partnership (\$5 million).

<u>After Tax EPS Variance Analysis</u>	<u>4th Qtr.</u>	<u>Year</u>
<b>1999 EPS</b>	<b>\$0.53</b>	<b>\$2.50</b>
Electric Gross Margin	0.14	0.23
Electric Utility O&M	0.01	(0.19)
Financing Costs & Reduced Shares	0.06	0.20
Accelerated Depreciation & Amortization	(0.04)	(0.07)
Gain on sale of emission allowances	(0.01)	0.11
Unregulated Businesses Excluding Electric Margin	(0.02)	(0.07)
Other (Taxes & Other Revenues)	(0.01)	0.10
Nonrecurring Items	(0.09)	(0.12)
<b>2000 EPS</b>	<b>\$0.57</b>	<b>\$2.69</b>

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FIRSTENERGY CORP. CONSOLIDATED INCOME STATEMENTS (thousands):	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2000	1999	Change	2000	1999	Change
<b>REVENUES:</b>						
Electric Utilities	\$1,329,346	\$1,294,400	\$ 34,946	\$5,421,668	\$5,453,763	\$ (32,095)
Unregulated businesses	497,936	351,565	146,371	1,607,293	865,884	741,409
Total revenues	1,827,282	1,645,965	181,317	7,028,961	6,319,647	709,314
<b>EXPENSES:</b>						
Fuel and purchased power	207,934	198,601	9,333	801,289	876,986	(75,697)
Other expenses:						
Electric utilities	454,856	474,601	(19,745)	1,659,287	1,632,638	26,649
Unregulated businesses	499,615	295,103	204,512	1,582,151	792,576	789,575
Provision for depreciation and amortization	225,922	211,573	14,349	933,684	937,976	(4,292)
General taxes	130,595	121,908	8,687	547,681	544,052	3,629
Total expenses	1,518,922	1,301,786	217,136	5,524,092	4,784,228	739,864
<b>INCOME BEFORE INTEREST AND INCOME TAXES</b>						
	308,360	344,179	(35,819)	1,504,869	1,535,419	(30,550)
Net interest charges:						
Interest expense	123,115	122,717	398	493,473	509,169	(15,696)
AFUDC-Debt and capitalized interest	(7,610)	(3,884)	(3,726)	(27,059)	(13,355)	(13,704)
Subsidiaries' preferred stock dividends	13,071	18,712	(5,641)	62,721	76,479	(13,758)
Net interest charges	128,576	137,545	(8,969)	529,135	572,293	(43,158)
Income taxes	54,523	86,201	(31,678)	376,764	394,827	(18,063)
Net income	\$125,261	\$120,433	\$4,828	\$598,970	\$568,299	\$30,671
Weighted average number of common shares outstanding						
	219,529	225,971	(6,442)	222,444	227,227	(4,783)
Basic and diluted earnings per share						
	\$0.57	\$0.53	\$0.04	\$2.69	\$2.50	\$0.19

<b>KILOWATT-HOUR SALES STATISTICS</b>						
	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2000	1999	Change	2000	1999	Change
	(In Millions)			(In Millions)		
<b>ELECTRIC GENERATION SALES:</b>						
Regulated	14,836	13,993	6.0%	59,395	58,229	2.0%
Unregulated	3,734	2,839	31.5%	13,305	8,847	50.4%
Total Electric Generation Sales	18,570	16,832	10.3%	72,700	67,076	8.4%
<b>DISTRIBUTION DELIVERIES:</b>						
Residential	4,267	3,897	9.5%	16,676	16,880	-1.2%
Commercial	4,230	3,979	6.3%	17,257	16,840	2.5%
Industrial	6,369	6,217	2.4%	25,546	24,763	3.2%
Other	94	94	0.0%	367	371	-1.1%
Total Distribution Deliveries	14,960	14,187	5.4%	59,846	58,854	1.7%

**FIRSTENERGY CORP.****CAPITALIZATION (thousands):**

	<b>At December 31,</b>			
	<b>2000</b>	<b>% Total</b>	<b>1999</b>	<b>% Total</b>
Common Stock and Paid-In Capital	\$3,554,315		\$3,745,425	
Retained Earnings	1,209,991		945,241	
Unallocated ESOP Shares	(111,732)		(126,776)	
Total Common Equity	4,652,574	42%	4,563,890	40%
Preferred Stock	809,500	7%	904,641	8%
Long-Term Debt	5,742,139	51%	6,001,264	52%
Total Capitalization	<u>\$11,204,213</u>		<u>\$11,469,795</u>	

**MARKET STATISTICS:**

High/Low Price During Quarter	\$32.13/\$24.11	\$26.563/\$22.125
Closing Price	\$31.56	\$22.69
Dividends Declared per Share (Quarter)	\$0.375	\$0.375
Annualized Dividend Yield	4.8%	6.6%
Price/Earnings Ratio (12 mos ending)	11.7	9.1
Dividend Payout Ratio (12 mos ending)	56%	60%
Cash Coverage of Dividend	4.5	4.5
Book Value Per Share	\$21.29	\$20.22
Annualized Dividend/Book Value	7.0%	7.4%

**OTHER STATISTICS, 12 mos. ending:**

Return on Average Common Equity	13.0%	12.7%
Cash Provided from Operations (000s)	\$1,560,500	\$1,488,306
Shareholder Cash Flow (000s)	\$767,547	\$912,788
SEC Fixed Charge Ratio	2.10	2.01
Embedded Cost of Debt	7.84%	7.65%
Embedded Cost of Preferred	7.92%	7.99%
System Load Factor	64.7%	61.2%
Capacity Factors:		
Fossil	58.7%	56.0%
Beaver Valley Unit 1	82.7%	86.1%
Beaver Valley Unit 2	86.5%	80.2%
Davis Besse	87.7%	96.4%
Perry	96.4%	89.8%

**CONSOLIDATED FIRSTENERGY DATA (EXCLUDES FIRSTENERGY FACILITIES SERVICES GROUP)**

Number of Employees (at month end)	9,862	10,034
Number of Customers (at month end)	2,212,052	2,185,533
Customers/Employee	224	218

## RECENT DEVELOPMENTS

### Merger Update

On November 21, common stockholders of FirstEnergy Corp. and GPU, Inc. overwhelmingly approved the merger agreement. In November, filings were made with the FERC, New Jersey Board of Public Utilities, Pennsylvania Public Utility Commission, FCC, SEC and the Department of Justice under the Hart-Scott-Rodino Act. On January 10, at the Pennsylvania Public Utility Commission's pre-hearing conference, the procedural schedule was set for the merger case, which provides for a final order in May, 2001.

### Fitch Announces Credit Rating Upgrades

On October 30, Fitch upgraded the credit ratings of Ohio Edison, Cleveland Electric Illuminating Company, and Toledo Edison while affirming the ratings of Pennsylvania Power. The senior secured debt rating of Ohio Edison was raised from BBB to BBB+, Cleveland Electric and Toledo Edison's were raised from BB+ to BBB- and Pennsylvania Power's was affirmed at BBB+.

### Unregulated Activities

On November 6, FirstEnergy Services signed a Master Energy Services and Supply Agreement (MESA) with National City Corporation to serve as the energy manager for 1,300 bank facilities throughout a six-state region. On November 7, FirstEnergy Services entered into an agreement with the Ohio Council of Retail Merchants to provide competitive electricity and natural gas pricing to its members through its Best Choice program. On November 8, FirstEnergy Services signed an energy facilities services agreement with Forest City Commercial Group to be the exclusive provider of lighting, chiller replacements, facility automation and energy conservation measures for Forest City's 17 commercial facilities located in 6 states. On January 3, 2001, FirstEnergy Services signed a MESA with The University of Akron, which, in addition to securing electricity, natural gas, and steam, includes implementing energy efficiency programs.

FirstEnergy Services launched a successful campaign under Dominion East Ohio's Energy Choice program in which they acquired over 130,000 natural gas customers in Northeastern Ohio.

### Generation Performance

FirstEnergy's plants set an all-time record for their highest level of output during 2000. Key contributors to this record-setting performance were our Perry, Davis-Besse, and Beaver Valley nuclear plants, which increased their generation output by over 21% compared to 1999. On October 25, Beaver Valley Unit 2 completed its refueling outage in 32 days - the shortest in the plant's history.

### Ohio Customer Choice Update

Effective January 1, 2001, electric choice became available for Ohio consumers. FirstEnergy began accepting customer switch applications on December 8 and to date have received 60,000 requests from authorized suppliers, including FirstEnergy Services. At present, 10 suppliers are certified to supply generation in FirstEnergy's service territory. Approximately 750 MW of the 1,120 MW of Market Support Generation has been approved.