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FirstEnergy profits up as company retreats from competition, spends to improve delivery

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AKRON, Ohio -- FirstEnergy Corp.'s strategy to **walk away from competitive power sales**, close power plants and embark on a **program to spend billions** upgrading and expanding its wires -- where profits are guaranteed -- is paying off.

The company on Tuesday **said** it made $333 million or 79 cents per share, on sales of $3.9 billion in the three months ending Sept. 30.

That compares to net income or profits of $218 million, or 52 cents per share, on sales of more than $4 billion in the **same three-month period a year ago**.

The big turnaround is good news for investors but **spells future delivery rate increases for consumers** who under state and federal rules pay for improvements in the delivery system. Expect rate increases in 2015.

The strategy is also **good news for competitors** who no longer have to deal with the cut-rate prices that FirstEnergy Solutions, the company's unregulated and competitive subsidiary had used to dominate the market. FES is no longer seeking new residential or commercial customers and is not seeking to renew retail contracts as they expire.

"Throughout the third quarter, we continued to build positive momentum by implementing our transmission investment program and working through rate cases for our utilities," said Anthony Alexander, president and CEO, in a statement accompanying the **financial report.**

"At the same time, we are moving forward with our efforts to reduce risk in our competitive business, and our advocacy for a competitive market construct that supports price stability and reliability is beginning to produce results," he said, an apparent reference to the company's mounting conflict with grid manager PJM Interconnection about how power prices are set.

The company has challenged PJM in federal court about its practice of including formal commitments from customers who agreed to cut demand when asked -- and get paid for do it. PJM has included this "demand response" in auctions that determine which power plants will get preference -- and get paid extra -- in future years. FirstEnergy has argued that the practice, which on paper reduces the amount of power that will be needed, is unfair to power companies.

Things are currently looking so good for the company, said Alexander, that it is re-affirming its guidance that on a before-expenses basis, it will report operating earnings for the year of $2.40 to $2.60 per share.

During a public teleconference with financial analysts later Tuesday, Alexander said the company expects the outcome of a number of rate cases before state regulators and other cases pending before federal regulators early next year and will be in a position to give a detailed financial forecast for the entire year.

"It has been a busy and productive period," Alexander told the analysts, "and we are on track with a solid plan to build and strengthen our company. We have put into play critical elements needed to provide long term value and stable predictable growth."

The teleconference was webcast live and is now available as a recording on the company's website. To listen to the teleconference, click **here**.