

FIRSTENERGY CORP
Form 35-CERT
May 26, 2004

SEC File No. 70-10122

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

CERTIFICATE PURSUANT TO
RULE 24
OF PARTIAL COMPLETION OF
TRANSACTIONS

FirstEnergy Corp.

-----:
In the matter of :
FirstEnergy Corp. : Certificate Pursuant
: to Rule 24 of Partial
: Completion of
: Transactions
:
SEC File No. 70-10122 :
(Public Utility Holding Company Act :
of 1935) :

TO THE MEMBERS OF THE SECURITIES AND EXCHANGE COMMISSION:

The undersigned, FirstEnergy Corp. (FirstEnergy) hereby certifies pursuant to Rule 24 of the Rules and Regulations under the Public Utility Holding Company Act of 1935 (the Act), that certain of the transactions proposed in the Applications, as amended, filed in SEC File No. 70-10122 have been carried out in accordance with the Commission's Order dated June 30, 2003 as follows:

- (1) During the period January 1, 2004 through March 31, 2004, there were no sales of common stock or preferred securities by FirstEnergy.
- (2) During the first quarter of 2004, 3,614,249 shares of common stock were

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issuable pursuant to options granted under employee benefit plans and dividend reinvestment plans.

(3) During the period January 1, 2004 through March 31, 2004, no FirstEnergy common stock was transferred to a seller of securities of a company being acquired.

(4) During the period January 1, 2004 through March 31, 2004, there were no Long-term Debt and Preferred Securities issued by FirstEnergy. FirstEnergy issued the following Short-term Debt during the first quarter of 2004:

| | Transaction Date | Maturity Date | Rate | Transaction Amount | Loan Ba |
|--|---------------------|------------------|-------|-----------------------|------------|
| | ----- | ----- | ---- | ----- | ----- |
| CitiBank (FirstEnergy Revolver - 375mm 364 Day Facility) | | | | | |
| ----- | | | | | |
| FirstEnergy | 1/20/2004 | 1/21/2004 | 3.00% | \$80,000,000.00 | \$250,000, |
| CitiBank (FirstEnergy Revolver - 500mm 3 Year Facility) | | | | | |
| ----- | | | | | |
| FirstEnergy | 1/20/2004 | 1/27/2004 | 2.58% | \$25,000,000.00 | \$295,000, |
| FirstEnergy | 1/30/2004 | 2/6/2004 | 2.58% | \$50,000,000.00 | \$295,000, |
| FirstEnergy | 3/1/2004 | 3/5/2004 | 2.58% | \$40,000,000.00 | \$215,000, |
| FirstEnergy | 3/19/2004 | 3/22/2004 | 2.58% | \$40,000,000.00 | \$185,000, |
| FirstEnergy | 3/22/2004 | 3/29/2004 | 2.58% | \$110,000,000.00 | \$295,000, |
| CitiBank (FirstEnergy Revolver - 375mm 3 year Facility) | | | | | |
| ----- | | | | | |
| FirstEnergy | 3/25/2004 | 4/1/2004 | 2.84% | \$75,000,000.00 | \$75,000, |

(5) During the period January 1, 2004 through March 31, 2004, the following short-term debt was issued by the Utility Subsidiaries:

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| | Transaction Date | Maturity Date | Rate | Transaction Amount | Loan Ba |
|--|---------------------|------------------|-------|-----------------------|------------|
| | ----- | ----- | ---- | ----- | ----- |
| CitiBank (Ohio Edison Company (OE) Revolver) | | | | | |
| ----- | | | | | |
| OE | 3/1/2004 | 3/15/2004 | 2.18% | \$60,000,000.00 | \$60,000, |
| OE | 3/15/2004 | 3/25/2004 | 2.30% | \$70,000,000.00 | \$130,000, |
| FirstMerit (OE Bi-Lateral Facility) | | | | | |
| ----- | | | | | |
| OE | 1/12/2004 | 1/13/2004 | 1.75% | \$14,000,000.00 | \$14,000, |
| OE | 1/20/2004 | 1/23/2004 | 1.75% | \$14,000,000.00 | \$14,000, |
| OE | 2/27/2004 | 3/3/2004 | 1.81% | \$7,000,000.00 | \$7,000, |
| OE | 3/1/2004 | 3/3/2004 | 1.81% | \$7,000,000.00 | \$7,000, |
| OE | 3/15/2004 | 3/16/2004 | 1.81% | 14,000,000.00 | 14,000, |

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KeyBank (OE Bi-Lateral Facility)

| OE | | | | | |
|----|------------|-----------|-------|-----------------|-----------|
| | 12/31/2003 | 1/6/2004 | 2.00% | \$3,000,000.00 | \$3,000, |
| | 1/2/2004 | 1/6/2004 | 2.03% | \$5,000,000.00 | \$5,000, |
| | 1/5/2004 | 1/6/2004 | 2.02% | \$12,000,000.00 | \$12,000, |
| | 1/16/2004 | 1/21/2004 | 2.00% | \$4,000,000.00 | \$4,000, |
| | 1/20/2004 | 1/23/2004 | 2.03% | \$18,000,000.00 | \$18,000, |
| | 2/2/2004 | 2/3/2004 | 2.02% | \$18,000,000.00 | \$18,000, |
| | 3/1/2004 | 3/2/2004 | 2.06% | \$10,500,000.00 | \$10,500, |
| | 3/15/2004 | 3/16/2004 | 2.05% | \$6,000,000.00 | \$6,000, |

Under the Utility Money Pool, the principal balance of borrowings at the end of the first quarter of 2004 and average interest rate during the first quarter of 2004 are as follows:

| Regulated Money Pool Loan to/(Borrowing from): | Average Interest Rate | Principal Balance |
|---|--------------------------|----------------------|
| OE | 1.3041% | \$ 453,365,926 |
| Pennsylvania Power Company (Penn) | 1.3041% | (40,418,244) |
| The Cleveland Electric Illuminating Company (CEI) | 1.3041% | 2,410,192 |
| The Toledo Edison Company (TE) | 1.3041% | (262,654,074) |
| American Transmission Systems, Incorporated (ATSI) | 1.3041% | 97,885,223 |
| Jersey Central Power & Light Company (JCP&L) | 1.3041% | (151,241,254) |
| Metropolitan Edison Company (Met-Ed) | 1.3041% | 114,879,557 |
| Pennsylvania Electric Company (Penelec) | 1.3041% | (17,184,644) |
| York Haven Power Company | 1.3041% | 11,645,943 |

(6) During the first quarter of 2004, there were no financings consummated by any Non-Utility subsidiary that were not exempt under rule 52.

(7) During the first quarter of 2004, the following guarantees were made by FirstEnergy to support activities of its subsidiaries:

| Beneficiary | Amount | Terms | Purpose of Guarantee |
|--|------------|-------|-------------------------|
| FirstEnergy Solutions Corp. (FES) (Trading - Electric) | | | |
| ACES Power Marketing | \$50,000 | (a) | (b) |
| FES (Trading - Gas) | | | |
| BG LNG Services, LLC | 3,000,000 | (a) | (b) |
| FirstEnergy Generation Corp. (Fuel Marketing / Coal) | | | |
| Ceredo Synfuel, LLC | 10,000,000 | (a) | (c) |
| Peabody Coal Trade | 1,000,000 | (a) | (c) |

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Met-Ed (Long-term Power Supply)

| | | | |
|----------------------------|-----------|-----|-----|
| Constellation Power Source | 7,500,000 | (d) | (e) |
|----------------------------|-----------|-----|-----|

Penelec (Long-term Power Supply)

| | | | |
|----------------------------|-----------|-----|-----|
| Constellation Power Source | 7,500,000 | (d) | (f) |
|----------------------------|-----------|-----|-----|

Elliott Lewis Corp.- HVAC

| | | | |
|------------------------------|-----------|---------|-----|
| Dept of Housing & Urban Dev. | 5,000,000 | 5 years | (g) |
|------------------------------|-----------|---------|-----|

(a) Such guarantees are issued for a one-year term, with a ten-day termination right by FirstEnergy

(b) Parental guarantees issued by FirstEnergy to provide credit support for electric power and natural gas purchases by subsidiary

(c) Credit backstop to support coal purchases and emission trading

(d) Expires on December 31, 2010.

(e) Parental guaranty issued by FirstEnergy to support the long-term power purchase by Metropolitan Edison Company from Constellation.

(f) Parental guaranty issued by FirstEnergy to support the long-term power purchase by Pennsylvania Electric Company from Constellation.

(g) Credit backstop to support Elliott Lewis in a commercial facilities management services contract.

The following Letters of Credits (LOC) were issued during the first quarter of 2004:

| Beneficiary | Amount | Purpose of LOC |
|--|------------|-------------------|
| FES | | |
| --- Nicor Gas | \$ 100,000 | (a) |
| FirstEnergy | | |
| ----- Travels Casualty and Surety Co. of America | 18,000,000 | (b) |

(a) Pledge security for participation in the Nicor Gas transportation territory. Amount reduced from \$720,000 to \$100,000 in the first quarter of 2004.

(b) Replaces Surety Bonds on self-insurance coverage due to rating agency changes.

(8) During the First Quarter of 2004, FirstEnergy Corp. entered into one (1) transaction designed to hedge the fair value of a portion of its fixed-rate long-term debt portfolio against decreases in interest rates. The hedge structure is a fixed - for - floating interest rate swap, whereby FirstEnergy Corp. will receive fixed payments equivalent to the fixed coupon rate of the bond being hedged, and pay floating rate payments based on the 3-month London Interbank Offering Rate (LIBOR) plus or minus an applicable spread. The debt instrument being hedged, notional amount, counterparty, and principal terms of the fair value hedge are filed pursuant to request for confidential treatment.

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(9) There were no investments made during the first quarter of 2004 in any intermediate subsidiary or financing subsidiary.

(10) There were no U-6B-2 filed during the first quarter of 2004.

(11) Met-Ed and Penelec engaged in jurisdictional financing transactions during the first quarter of 2004. Consolidated balance sheets of Met-Ed and Penelec for the quarter ended March 31, 2004 are incorporated by reference to Met-Ed's and Penelec's Form 10-Q Quarterly Report to SEC for the quarter ended March 31, 2004 (File No. 1-446 and 1-3522, respectively).

(12) The following table presented in thousands, provides the capital structure of FirstEnergy on a consolidated basis and each Utility Subsidiary as of the end of the first quarter 2004.

| FirstEnergy | Amount | Ratio |
|----------------------|--------------|---------|
| ----- | ----- | ----- |
| Common Equity | \$8,344,723 | 40.31% |
| Preferred Stock | 335,123 | 1.62% |
| Long-Term Debt | 11,886,804 | 57.42% |
| Short-Term Debt | 133,999 | 0.65% |
| ----- | ----- | ----- |
| Total Capitalization | \$20,700,649 | 100.00% |
| ----- | ----- | ----- |

OE

--

| | | |
|----------------------|-------------|---------|
| Common Equity | \$2,607,538 | 58.00% |
| Preferred Stock | 100,070 | 2.23% |
| Long-Term Debt | 1,588,890 | 35.34% |
| Short-Term Debt | 199,216 | 4.43% |
| ----- | ----- | ----- |
| Total Capitalization | \$4,495,714 | 100.00% |
| ----- | ----- | ----- |

CEI

| | | |
|----------------------|-------------|---------|
| Common Equity | \$1,775,311 | 42.05% |
| Preferred Stock | 96,404 | 2.28% |
| Long-Term Debt | 2,334,493 | 55.29% |
| Short-Term Debt | 16,203 | 0.38% |
| ----- | ----- | ----- |
| Total Capitalization | \$4,222,411 | 100.00% |
| ----- | ----- | ----- |

TE

--

| | | |
|----------------------|-------------|---------|
| Common Equity | \$758,192 | 43.14% |
| Preferred Stock | 126,000 | 7.17% |
| Long-Term Debt | 610,545 | 34.74% |
| Short-Term Debt | 262,654 | 14.95% |
| ----- | ----- | ----- |
| Total Capitalization | \$1,757,391 | 100.00% |
| ----- | ----- | ----- |

Penn

| | | |
|-----------------|-----------|--------|
| Common Equity | \$241,816 | 47.98% |
| Preferred Stock | 39,105 | 7.76% |

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| | | |
|----------------------|-----------|---------|
| Long-Term Debt | 182,621 | 36.24% |
| Short-Term Debt | 40,418 | 8.02% |
| | ----- | ----- |
| Total Capitalization | \$503,960 | 100.00% |
| | ----- | ----- |

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JCP&L

| | | |
|----------------------|-------------|---------|
| | ----- | |
| Common Equity | \$3,162,229 | 68.84% |
| Preferred Stock | 12,649 | 0.28% |
| Long-Term Debt | 1,267,345 | 27.59% |
| Short-Term Debt | 151,241 | 3.29% |
| | ----- | ----- |
| Total Capitalization | \$4,593,464 | 100.00% |
| | ----- | ----- |

Met-Ed

| | | |
|----------------------|-------------|---------|
| | ----- | |
| Common Equity | \$1,302,464 | 59.83% |
| Preferred Stock | - | - % |
| Long-Term Debt | 874,515 | 40.17% |
| Short-Term Debt | - | - % |
| | ----- | ----- |
| Total Capitalization | \$2,176,979 | 100.00% |
| | ----- | ----- |

Penelec

| | | |
|----------------------|-------------|---------|
| | ----- | |
| Common Equity | \$1,302,996 | 64.06% |
| Preferred Stock | - | - % |
| Long-Term Debt | 713,860 | 35.10% |
| Short-Term Debt | 17,185 | 0.84% |
| | ----- | ----- |
| Total Capitalization | \$2,034,041 | 100.00% |
| | ----- | ----- |

(13) The following table presented in thousands provides retained earnings analysis of FirstEnergy on a consolidated basis and each Utility Subsidiary as of the end of the first quarter 2004.

| | FirstEnergy | OE | CEI | TE |
|-----------------------------------|-------------|-----------|-----------|-----------|
| | ----- | ----- | ----- | ----- |
| Balance, December 31, 2003 | \$1,604,385 | \$522,934 | \$494,212 | \$113,620 |
| Net Income | 173,999 | 76,093 | 48,475 | 7,531 |
| Cash Dividends on Preferred Stock | - | (561) | (1,743) | (2,211) |
| Cash Dividends on Common Stock | (122,465) | (54,000) | (55,000) | - |
| Other | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Balance, March 31, 2004 | \$1,655,919 | \$544,466 | \$485,944 | \$118,940 |
| | ----- | ----- | ----- | ----- |
| | Penn | JCP&L | Met-Ed | Penelec |
| | ----- | ----- | ----- | ----- |
| Balance, December 31, 2003 | \$54,179 | \$22,132 | \$27,011 | \$18,038 |

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| | | | | |
|-----------------------------------|----------|----------|----------|----------|
| Net Income | 19,670 | 13,398 | 18,044 | 5,659 |
| Cash Dividends on Preferred Stock | (640) | (124) | - | - |
| Cash Dividends on Common Stock | (8,000) | (5,000) | (5,000) | - |
| Other | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Balance, March 31, 2004 | \$65,209 | \$30,406 | \$40,055 | \$23,697 |
| | ----- | ----- | ----- | ----- |

(14) On February 6, 2004, Moody's downgraded FirstEnergy senior unsecured debt to Baa3 from Baa2 and downgraded the senior secured debt of JCP&L, Met-Ed and Penelec to Baal from A2. Moody's also downgraded the preferred stock rating of JCP&L to Ba1 from Baa2 and the senior unsecured rating of Penelec to Baa2 from A2. The ratings of OE, CEI, TE and Penn were confirmed. A complete list of Moody's ratings actions follows:

The ratings of the following issuers were downgraded:

FirstEnergy Corp - senior unsecured and Issuer Rating to Baa3 from Baa2

Jersey Central Power & Light Company - senior secured rating to Baal from A2, Issuer Rating to Baa2 from A3, and Preferred Stock rating to Ba1 from Baa2

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Metropolitan Edison Company - senior secured rating to Baal from A2, Senior Secured Shelf to (P)Baal from (P)A2, Issuer Rating to Baa2 from A3, and Preferred Shelf to (P)Ba1 from (P)Baa2

Pennsylvania Electric Company - senior secured rating to Baal from A2, senior unsecured rating to Baa2 from A2, and Issuer Rating to Baa2 from A3

The ratings of the following FirstEnergy subsidiaries and affiliates were confirmed:

Ohio Edison Company - senior secured Baal, senior secured shelf (P)Baal, Issuer Rating Baa2, Preferred Stock Ba1

Cleveland Electric Illuminating Company - senior secured rating Baa2, Issuer Rating Baa3, Preferred Stock Ba2

Toledo Edison Company - Senior Secured Baa2, Issuer Rating Baa3, Preferred Stock Ba2

Pennsylvania Power Company - senior secured Baal, senior secured shelf (P)Baal, Issuer Rating Baa2, Preferred Stock Ba1

PNPP II Funding Corp. - Backed Senior Secured Baa2

BVPS II Funding Corp. - Backed Senior Secured Baa2

CTC Beaver Valley Funding Corp. - Backed Senior Secured Baa3

CTC Mansfield Funding Corp. - Backed Senior Secured Baa3

Beaver Valley II Funding Corp. - Backed Senior Secured Baa3

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(15) FirstEnergy's aggregate investment includes all amounts invested, or commitments to be invested, in exempt wholesale generators (EWGs), for which there is recourse, directly or indirectly, to the registered holding company. Accordingly, FirstEnergy's aggregate investment as of March 31, 2004 is as follows:

| | (In Thousands) |
|------------------------------|----------------|
| FE Generation Corp. | \$ 906,184 |
| Termobarranquilla S. A. | 60,400 |
| | ----- |
| Aggregate Investment in EWGs | \$ 966,584* |
| | ===== |

* Aggregate investment amounts reflected here include LOCs and guarantees, but do not include any goodwill or other fair value adjustments.

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Aggregate Investment as a Percentage of FirstEnergy and Subsidiary Companies:

| | | |
|-------------------------------|---------------|------|
| Total capitalization | \$ 20,700,649 | 4.7% |
| Net utility plant | \$ 13,259,146 | 7.3% |
| Total consolidated assets | \$ 32,584,536 | 3.0% |
| Market value of common equity | \$ 12,890,002 | 7.5% |

(16) Set forth below is a summary of the direct or indirect investments as defined in SEC Rule 53(a) by FirstEnergy, as of March 31, 2004 in EWGs, as well as the percentage of equity ownership.

| Associate Company | First Energy's Investment at 03/31/04 (\$000)* | First Energy's % Equity Ownership | Owners not affiliated with FirstEnergy Name of Entity | Type of Entity |
|------------------------------------|--|-----------------------------------|--|-------------------------------|
| | | | | |
| Termobarranquilla S.A. (a) | 60,400 | 0% | ABB Energy Ventures, Inc. Lancaster Steel Distral Group Corp. Electrica De la Costa Atlantica Darby Mazzanine Holdings, LLC | Foreign Foreign Foreign |
| FE Generation Corp. | 906,184 | 100% | Not Applicable | N/A |
| | ----- | | | |
| Total Aggregate Investment in EWGs | \$ 966,584 | | | |
| | ===== | | | |

(*) Aggregate investment amounts reflected here include LOCs and guarantees,

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but do not include any goodwill or other fair value adjustments.

- (a) FirstEnergy sold Termobarranquilla S.A.; Barranquilla Lease Holding, Inc.; Los Amigos Leasing Company, Ltd.; EI Barranquilla, Inc.; EI International and GPUI Colombia, Ltda. to Darby Delaware Mezzanine Holdings L.L.C. on January 31, 2004. The remaining investment represents outstanding LOCs issued by FirstEnergy. In addition, FirstEnergy sold Midlands Domestic Electricity plc on January 16, 2004.

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(17) FirstEnergy and Subsidiary Companies Consolidated Capitalization Ratios as of March 31, 2004:

| | Amount (000's) | % |
|---|----------------|--------|
| | ----- | ----- |
| Common equity | \$ 8,344,723 | 40.3 |
| Preferred stock not subject to mandatory redemption | 335,123 | 1.6 |
| Long-term debt- | | |
| Preferred stock subject to mandatory redemption * | 18,513 | 0.1 |
| Subordinated debentures to affiliated trusts** | 198,667 | 1.0 |
| Other | 11,669,624 | 56.3 |
| Notes payable | 133,999 | 0.7 |
| | ----- | ----- |
| Total capitalization | \$ 20,700,649 | 100.0% |
| | ===== | ===== |

* Effective July 1, 2003 with the adoption of SFAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", preferred stock subject to mandatory redemptions were reclassified as long-term debt.

** Effective in December 2003 with the adoption of FIN 46R, "Consolidation of Variable Interest Entities, and Interpretation of ARB No. 51", certain business trusts and their trust preferred securities previously reported by FirstEnergy in its consolidated financial statements have been deconsolidated and FirstEnergy began reporting the related subordinated debentures to those trusts in its consolidated financial statements.

(18) Market-to-book ratio of FirstEnergy and Subsidiary Companies common stock at March 31, 2004:

| | |
|--------------------------------------|----------|
| Closing Market Price per Share | \$ 39.08 |
| Book Value per Share | \$ 25.46 |
| Market-to Book Ratio of Common Stock | 153.5% |

(19) No new EWG/FUCO project covered by the Modified Rule 53 Test in which FirstEnergy has invested or committed to invest during the first quarter of 2004.

(20) Analysis of Growth in Retained Earnings for FirstEnergy and Subsidiary Companies:

(In Thousands)

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| | |
|----------------------------------|-------------|
| Retained Earnings as of 03/31/04 | \$1,655,919 |
| Retained Earnings as of 12/31/03 | 1,604,385 |
| | ----- |
| Growth in Retained Earnings | \$ 51,534 |
| | ===== |

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Analysis of Growth in Retained Earnings:

| | |
|--|------------|
| Income contribution from regulated utility companies | \$ 167,295 |
| Income contribution from EWGs | 30,298 |
| Income contribution from all other companies | 20,625 |
| FirstEnergy Holding and Service companies | (44,219) |
| Cash dividends declared on common stock | (122,465) |
| | ----- |
| Growth in Retained Earnings | \$ 51,534 |
| | ===== |

(21) Statements of Operations for the period ended March 31, 2004 for FirstEnergy Generation Corp. will be filed separately under a request for confidential treatment under Rule 104 (b)

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SIGNATURE

The undersigned registered holding company has duly caused this quarterly report to be signed on its behalf by the undersigned officer thereunto duly authorized pursuant to the requirements of the Public Utility Holding Company Act of 1935.

FIRSTENERGY CORP.

May 26, 2004

By: /s/ Harvey L. Wagner

Harvey L. Wagner
Vice President, Controller
and Chief Accounting Officer
(Principal Accounting Officer)

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