

CORPORATE GOVERNANCE POLICIES

OVERVIEW

The Board of Directors (the “Board”) of FirstEnergy Corp. (the “Company”) believes the Company’s policies and practices should enhance the Board’s ability to adequately represent the interests of the Company’s shareholders and customers.

In support of this philosophy, the Board has adopted these *Corporate Governance Policies*, which, along with the charters of the various Board committees, serve as a framework for meeting its duties and responsibilities with respect to the governance of the Company, and for addressing organizational changes to the Board should they occur in the future.

BOARD OF DIRECTORS

I. Board Composition

1. Size of the Board

The number of Directors shall be no less than nine nor more than 16 pursuant to Section 11 of the Company’s Code of Regulations. The Board recognizes that the specific number of Directors should not be predetermined and that the size of the Board may fluctuate from time to time in order to take into account the qualifications and expertise of current members and to allow the Board to add outstanding candidates and maintain continuity.

2. Mix of Inside and Outside Directors

A “substantial majority” of the Board’s Directors will be “independent”. A “substantial majority” of the Board is considered independent when at least two-thirds of the Directors are independent, as defined below. The Board is willing to have members of management, in addition to the chief executive officer (“CEO”)¹, as Directors.

3. Board Definition of What Constitutes Independence for Outside Directors

The Board will adhere to the definition of an “independent” Director as promulgated from time to time by the New York Stock Exchange (“NYSE”) and as set forth by these Corporate Governance Policies. As currently defined by the NYSE, the Board must affirmatively determine that the Director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization with such a relationship with the Company.

¹ “President” shall be substituted for each reference in this Charter to “CEO” if the office of CEO is vacant for any reason.

While this definition generally leaves to the Board the discretion to determine, on a case by case basis and consistent with applicable Securities and Exchange Commission (“SEC”) and NYSE rules and regulations, what constitutes a “material relationship” with the Company, the Corporate Governance Committee will review the following relationships to determine if such relationships are material:

The Director is:

- an officer, partner, or shareholder of a business enterprise that is a consultant or advisor to the Company;
- an officer, partner, or shareholder of a significant supplier to the Company;
- a person with any business relationship with the Company that is required to be disclosed under Section 404 of Regulation S-K of the rules and regulations promulgated by the SEC;
- a person who has any other significant commercial, industrial, banking, consulting, legal, accounting, or charitable relationship with the Company;
- a member of the immediate family of a person with any of the relationships described in the foregoing.

If a Director has one or more of the relationships listed above, that Director is not an independent Director, unless the Corporate Governance Committee recommends, and the Board of Directors approves the recommendation, affirmatively determining that such relationship or relationships are not material. Any such determination and the bases therefore shall be disclosed in the Company’s annual proxy statement.

Additionally, the Corporate Governance Committee and the Board will consider all other relevant facts and circumstances when making independence determinations and will adhere to a definition of an independent Director as being one who is not a current partner or employee of a firm that is the Company’s internal or external auditor, and in the past three years has not been a partner or employee of the present or former internal or external auditor of the Company who personally worked on the Company’s audit during such time, or an affiliate thereof; is not a member of the immediate family of a person who is, or in the past three years has been, employed by the Company in an officer position; or who otherwise has not been barred from being independent as described above.

Compliance with the definition of independence is reviewed annually by the Corporate Governance Committee. Additionally, should any independent Director learn of changes to his or her information that was used to determine independence, such Director shall, as soon as practicable, notify the Corporate Secretary of the relevant information. The Corporate Governance Committee, through its Chair, shall notify

the entire Board upon receipt of such notification from the Director or Corporate Secretary.

The ownership of stock in the Company by Directors is encouraged and the ownership of a substantial amount of stock is not in itself a basis for a Director to be considered as not independent.

The Board will determine, for purposes of the Audit Committee, whether a particular Director member meets the criteria established by the SEC rules and regulations for being considered an “Audit Committee Financial Expert.”

4. Board Membership Criteria

The Corporate Governance Committee is responsible for reviewing on an annual basis the appropriate skills and characteristics required of Directors in the context of the current makeup of the Board. This assessment should include issues of diversity, age, business or administrative experience and skills – in addition to such other attributes deemed appropriate by the Corporate Governance Committee, all in the context of an assessment of the perceived needs of the Board at that point in time. Certain minimum qualifications and specific qualities and skills desired from director candidates are further detailed in the Company’s Corporate Governance Committee Charter.

In addition, it is the expectation of the Board that Directors will not, without the Board’s approval, serve on the board of directors of more than three other non-affiliated companies having securities registered under the Securities Exchange Act of 1934, as amended.

5. Selection of New Director Candidates or Candidates for Re-nomination

The Corporate Governance Committee is responsible for identifying individuals qualified to become Directors in a manner that is consistent with the criteria approved by the Board and to recommend to the Board, for its determination, the Director nominees for the next annual meeting of shareholders. The Corporate Governance Committee’s process for identifying and evaluating nominees for Director, including nominees recommended by security holders, is explained in the Company’s Corporate Governance Committee Charter.

Prior to accepting re-nomination, a Director should also evaluate for himself or herself whether he or she satisfies the criteria set forth herein and in the Corporate Governance Committee Charter.

6. Extending the Invitation to a Potential Director Candidate

The invitation to join the Board should be extended by the Board itself, by the Chairman of the Board (“Chairman”), the CEO of the Company, or the Chair of the Corporate Governance Committee.

II. Board Responsibilities

1. Governance Responsibilities

- Adopt and disclose the Company’s corporate governance policy in the form of these Corporate Governance Policies;
- Adopt and publish written charters for Audit, Compensation, Finance, Nuclear, and Corporate Governance Committees as discussed below;
- Adopt and publish a code of conduct and ethics for Directors, as discussed below;
- Approve and promptly disclose any waivers, for executive officers or Directors, of the Director Code of Business Conduct and Ethics or the Code of Business Conduct, or changes to the foregoing documents, on or before the date required by law;
- Cause an orientation session to be conducted for new Board members upon their election; and
- Make available and encourage continuing education programs for Board members which may include internal strategy meetings, third-party presentations, and externally offered programs. Company Directors are required to participate in at least 8 hours of accredited training programs within the past 24 months.
- Make any required independence determination as to members of the Board and each committee.

2. Ethical Business Environment

The Board believes that the long-term success of the Company is dependent upon the maintenance of an ethical business environment that focuses on adherence to both the letter and the spirit of regulatory and legal mandates. At least annually, the Board will cause the Company to evaluate and, if necessary, recommend the replacement of the Chief Ethics Officer and the Director of Internal Audit.

Board and committee agendas and materials are established with legal and regulatory requirements in mind. The Board expects that Directors will acknowledge adherence to the FirstEnergy Director Code of Business Conduct and Ethics and that management will acknowledge adherence to and conduct operations consistent with the FirstEnergy Code(s) of Business Conduct and the FirstEnergy Conflicts-of-Interest Policy, which are posted on the Company's internal and external web sites. Any waiver for executive officers or Directors of the Director Code of Business Conduct and Ethics or the Code of Business Conduct or changes to the foregoing documents may be made only by the Board or a Board committee and shall promptly be disclosed to shareholders on or before the date required by law.

3. Board Interaction with Investors, the Media and Customers

The Board believes that the management speaks for the Company. Individual Directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. But, it is expected that Directors would do this with the knowledge of the management, and, in most instances, at the request of management.

Notwithstanding the foregoing, shareholders may send written communications to the Board by mailing any such communications to the Board, in care of the Corporate Secretary. The name and address of the Corporate Secretary are set forth in the Company's annual proxy statement.

The Corporate Secretary or a member of his or her staff shall review all such communications promptly and relay them directly to a member of the Board; provided that such communications (i) bear relevance to the Company and the interests of the shareholder, (ii) are capable of being implemented by the Board, (iii) do not contain any obscene or offensive remarks, (iv) are of a reasonable length, and (v) are not from a shareholder who has already sent two such communications to the Board in the last year. The Board may modify procedures for sorting shareholders communications or adopt any additional procedures provided that they are approved by a majority of independent directors.

III. Board Meetings

1. Selection of Agenda Items for Board Meetings

The CEO, in consultation with the Chairman if the CEO is not the Chairman, will establish the agenda for each Board meeting.

Each Director is free to suggest item(s) for the agenda.

2. Board Materials Distributed in Advance

Information and data that are important to the Board's understanding of the business will generally be distributed in writing to the Board before the Board meets. Directors shall review the materials in advance of the meetings. The management will make every attempt to see that this material is as concise as possible while still providing the desired information.

3. Presentations

Presentations on specific subjects should be sent to the Directors in advance when it is feasible to do so. On those occasions when it is not feasible or appropriate, discussion between the Board and management to provide background to the Board is encouraged.

4. Attendance at Meetings

Directors are expected to attend all scheduled Board and committee meetings. The Board believes that regular attendance at Board meetings by members of management who are designated by the CEO or requested by the Board is appropriate.

5. Executive Sessions of Independent Directors

Non-management Directors, including the independent Directors, shall meet as a group in Executive Sessions without the CEO, any other non-independent Director, or management at least six times in each calendar year. "Non-management" Directors are all those who are not Company officers, and include those Directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

In addition to regularly scheduled Executive Sessions of non-management Directors, the Board will meet in an Executive Session of non-management Directors when requested by the Chairman, the CEO, or any member of the Board.

In those instances when the non-management Directors meet without the Chairman, the chairmanship of such meetings shall be rotated as determined by the Board.

In order that interested parties may make their concerns known to the non-management Directors, such concerns may be submitted in writing to the Corporate Secretary of the Company and addressed to the "Non-Management Director Chair". The Corporate Secretary shall deliver any such communications to the current or most recent chair of the meetings of non-management Directors. The chair shall have full discretion to handle any such communication as he or she sees fit, and shall not be obligated to address the communication during a meeting of non-management Directors.

IV. Board Leadership

1. Selection of Chairman and CEO

The Board believes that it needs to make the choice of Chairman and CEO at any given point in time in a way that is in the best interests of the Company and its shareholders. The Board has not adopted a specific policy or philosophy on whether the role of the CEO and Chairman should be separate.

2. CEO Compensation Review

Upon the annual recommendation of the Compensation Committee, the independent Directors shall approve the CEO's compensation level based on the Committee's evaluation of the CEO's goals and objectives (including annual salary, short-term incentive, long-term incentive and other direct and indirect benefits).

3. Former Chief Executive Officer's Board Membership

The Board believes that when a CEO retires, whether that person will remain a Director is a matter to be decided on a case by case basis. When the CEO resigns from that position, he or she will offer his or her resignation from the Board at the same time.

A former CEO of the Company, within the last three years, serving on the Board will not be considered an independent Director for purposes of corporate governance.

V. Board Evaluation and Compensation

1. Assessing the Board's Performance

The Corporate Governance Committee shall oversee the evaluation of the Board and management and report annually to the Board concerning these evaluations.

This report will assess the Board's overall contributions and specifically review areas in which the Board and/or management believe improvement is possible. Input from the entire Board is encouraged. The purpose of this assessment is to evaluate the performance and effectiveness of the Board and its committees, not to target individual Directors.

2. Board Compensation Review

The Compensation Committee shall have the responsibility for recommending to the Board the form and amount of compensation and benefits for non-employee Directors. In discharging this duty, the Compensation Committee shall be guided by three goals: compensation should fairly pay Directors for work required in a company of FirstEnergy's size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and, the structure of the compensation should be simple, transparent, and easy for shareholders to understand.

Director compensation, including any compensation for committee services, shall be the only compensation Audit Committee members receive from the Company.

The Board shall evaluate any other factors that may impact the independence of a particular Director when determining such Director's compensation.

Changes in Board compensation, if any, should come following full discussion and approval by the Board.

VI. Board Access to Management and Advisors

1. Board Access to Senior Management

Directors have complete access to management. It is assumed that Directors will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the CEO and to the Chairman, if the Chairman is not the CEO.

Furthermore, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight as to the items being discussed because of personal involvement in these areas, and/or (b) are individuals with future potential that the senior management believes should be given exposure to the Board.

2. Board Access to Independent Advisors

Directors have access to independent advisors as provided in the charters of the various Board committees and in such other circumstances as the Board shall approve from time to time. The independent Directors shall be entitled, acting as a group by vote of a majority of such independent Directors, to retain legal counsel, accountants, industry consultants, or other experts, at the Company's expense, to advise the independent Directors concerning issues arising in the exercise of their functions and powers consistent with the charters of the various Board committees and in such other circumstances as the Board shall approve from time to time.

It is assumed that Directors will use their judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, is copied to the CEO and the Chairman, if the Chairman is not the CEO.

VII. Director Qualification and Management Succession

1. Retirement Age

Non-employee Directors are required to resign and retire from the Board on the date he or she reaches the age of 72, unless the Board determines otherwise because of the special qualifications of such Director or for other business reasons which necessitate continuity of the Board as a whole.

2. Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of causing the automatic loss of Directors who, in certain cases, have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

3. Directors Who Change Their Present Job Responsibility or Geographical Location

When there has been a major change in the responsibility that a Director held when he or she was elected to the Board or a major geographical change, the Director will notify the Corporate Secretary and/or the Chair of the Corporate Governance Committee of such change. The Corporate Governance Committee will review the circumstances and present its findings to the Board.

It is not the sense of the Board that Directors who change from the position they held when they were elected to the Board or change geographical location should necessarily leave the Board. The Corporate Governance Committee will review the continued appropriateness of Board membership under these circumstances.

4. Notice of Resignation, Retirement, or Refusal to Stand for Re-Election

Any Director who intends to resign, retire, or refuse to stand for re-election shall provide written notice to the Corporate Secretary as soon as practicable after he or she has made such decision, regardless of whether such decision is conditional or subject to the acceptance of the Board or Corporate Governance Committee. Such notice shall specify the intended effective date of the resignation or retirement.

5. Succession Planning and Management Development

Annually, the CEO should report to the independent Directors on succession planning and on the Company's program for management development. Such succession planning should include policies and principles for CEO selection and performance review. There should also be available, on a continuing basis, the CEO's recommendation as to his or her successor should he or she be unexpectedly disabled or retire. Additionally, the Board shall receive periodic reports from appropriate executive officers on the development of other members of the Company's senior management.

6. Selection of New Director Candidates

The Board's Corporate Governance Committee has been delegated the responsibility of defining and assessing the qualifications for Board membership and identifying qualified individuals with direct input from the Chairman and the CEO, if the CEO is not the Chairman, all in accordance with applicable laws and regulations.

BOARD COMMITTEES

I. Number of Committees

There will, from time to time, be occasion in which the Board may want to form a new committee or disband a current committee depending upon the circumstances and legal requirements. The current standing committees are Audit, Compensation, Corporate Governance, Finance, and Nuclear.

The Audit, Compensation, and Corporate Governance Committees shall be composed entirely of independent Directors. The majority of the members of the Finance and Nuclear Committees will be independent Directors.

Each committee of the Board has adopted a charter consistent with all applicable rules and regulations of the NYSE and the SEC.

II. Posting of Board Committee Charters and Corporate Governance Policies

Each committee has adopted a charter outlining its membership requirements and procedures and its duties and responsibilities. These charters and Corporate Governance Policies are open to inspection by shareholders at all reasonable times during office hours and also are posted on the Company's web site at www.firstenergycorp.com.

III. Assignment and Rotation of Committee Members

The Board shall appoint the members of the committees taking into account independence, qualifications and other applicable requirements under NYSE and SEC rules and regulations, the experience and desires of the individual Directors, the needs of the committees, and the suggestion of the Chairman and the CEO, if the CEO is not the Chairman. It is the sense of the Board that consideration should be given to rotating committee members from time to time, but the Board does not feel that a rotation period should be mandated as a policy in order to ensure that appropriate expertise is maintained within each Committee.

IV. Frequency and Length of Committee Meetings

Each committee chair, in consultation with committee members, will determine the frequency and length of the meetings of the committee with the understanding that all standing committees should meet at least annually, or more frequently as may be specified in the charter of a particular committee.

V. Committee Agenda

The Chair of each committee, in consultation with the appropriate members of the Board and management, will develop the committee's agenda.

At the beginning of each year, each committee will issue a schedule of agenda subjects to be discussed for the ensuing year to the degree these can be foreseen. This forward agenda will also be shared with the Board.

VI. Committee Procedures

1. Removal

Consistent with the charters of the various Board committees, all of the members or any individual member of a committee may be removed from the committee with or without cause by the affirmative vote of a majority of the Board.

2. Chair

The Chair of a committee shall be designated by the Board. In the absence of such Chair, the members of the committee may designate the Chair by majority vote of the full committee membership.

3. Delegation

A committee may, by resolution passed by a majority of the committee, designate one or more subcommittees, each subcommittee to consist of one or more members of the committee. Any such subcommittee to the extent provided in the resolutions of the

committee and to the extent not limited by applicable law or listing standard, shall have and may exercise all the powers and authority of the committee. Each subcommittee shall have such name as may be determined from time to time by resolution adopted by the committee. Each subcommittee shall keep regular minutes of its meetings and report the same to the committee or when required.

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