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FIRSTENERGY CORP
Form 8-K
November 07, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) November 7, 2001

| Commission File Number ----- | Registrant; State of Incorporation; Address; and Telephone Number ----- | I.R.S. Employer Identification No. ----- |
|------------------------------------|--|--|
| 333-21011 | FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, Ohio 44308 Telephone (800)736-3402 | 34-1843785 |

Item 2. Acquisition or Disposition of Assets

On November 7, 2001, the merger of FirstEnergy Corp. (FirstEnergy) and GPU, Inc. (GPU) became effective pursuant to the Agreement and Plan of Merger, dated August 8, 2000 (Merger Agreement), previously reported on a Current Report on Form 8-K filed by FirstEnergy on August 10, 2000. The Merger Agreement is incorporated herein by reference and is listed herein as Exhibit 2.1. The following description of the Merger is qualified in its entirety by reference to such exhibit.

Under the terms of the Merger Agreement, GPU shareholders could elect to receive, for each share of GPU common stock that they own, either \$36.50 in cash or shares of FirstEnergy common stock. The number of FirstEnergy shares that a GPU shareholder will receive in exchange for a GPU share depends upon the average closing price of FirstEnergy common stock over a pre-determined 20-day trading period, but is limited to 1.2318 shares if that average price is \$29.6313 or higher. With the November 7, 2001, merger effective date, the 20-day trading period ended on October 29, 2001, and resulted in an average closing price of \$35.67. Consequently, GPU shareholders electing FirstEnergy shares will receive 1.2318 shares of FirstEnergy common stock for each share of GPU common stock that they own. The elections by GPU shareholders are subject to proration if the total elections received result in more than one-half of the GPU common stock being exchanged for either cash or FirstEnergy shares.

Prior to the merger, GPU was a registered public utility

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holding company whose assets were used to provide utility and utility-related services. GPU's assets were held primarily through its subsidiaries, including its principal domestic electric utility operating subsidiaries, Jersey Central Power & Light Company, Pennsylvania Electric Company and Metropolitan Edison Company. As a result of the merger, GPU's subsidiaries are now subsidiaries of FirstEnergy. FirstEnergy intends to use such assets for similar purposes.

FirstEnergy borrowed the funds for the cash portion of the merger consideration, approximately \$2.2 billion, through a credit agreement dated as of October 2, 2001 with a group of banks led by Barclay's Bank Plc, as administrative agent. FirstEnergy will issue approximately 73.7 million shares of its common stock to GPU shareholders for the share portion of the transaction.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired

1. The audited consolidated balance sheets of GPU as of December 31, 2000 and 1999 and consolidated statements of income and cash flows of GPU for the fiscal years ended December 31, 2000, 1999 and 1998 have been filed with the U.S. Securities and Exchange Commission (SEC) as part of GPU's Annual Report on Form 10-K, filed March 21, 2001 (File No. 1-6047), and are incorporated herein by reference.
2. The unaudited consolidated balance sheet of GPU as of March 31, 2001 and unaudited consolidated statements of income and cash flows of GPU for the three months ended March 31, 2001 and 2000 have been filed with the SEC as part of GPU's Quarterly Report on Form 10-Q, filed May 3, 2001 (File No. 1-6047), and are incorporated herein by reference.
3. The unaudited consolidated balance sheet of GPU as of June 30, 2001 and unaudited consolidated statements of income and cash flows of GPU for the three and six months ended June 30, 2001 and 2000 have been filed with the SEC as part of GPU's Quarterly Report on Form 10-Q, filed August 7, 2001 (File No. 1-6047), and are incorporated herein by reference.

1

(b) Pro Forma Financial Information

The unaudited pro forma combined condensed balance sheet as of June 30, 2001 and the unaudited pro forma combined condensed statements of income for the six month periods ended June 30, 2001 and 2000, and for the year ended December 31, 2000, combine the historical information of FirstEnergy and GPU to give effect to our merger, including the related financings. The unaudited pro forma combined condensed financial statements have been prepared to reflect the merger under the purchase method of accounting where FirstEnergy is acquiring GPU. Under the purchase method of accounting, tangible and identifiable intangible assets acquired and liabilities assumed are recorded at their estimated

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fair values. The excess of the purchase price, including estimated fees and expenses related to the merger, over the net assets acquired, is classified as goodwill on the accompanying unaudited pro forma combined condensed balance sheet. The estimated fair values and useful lives of assets acquired and liabilities assumed, which were utilized in the calculation of goodwill, are subject to final valuation adjustments in accordance with accounting principles generally accepted in the United States.

The unaudited pro forma financial statements do not reflect any anticipated cost savings that FirstEnergy may be able to achieve from the elimination of duplicate corporate and administrative programs in connection with the merger or from operating efficiencies that may result from the merger. The pro forma adjustments and the merger are reflected in the unaudited combined condensed pro forma balance sheet as if the merger occurred on June 30, 2001. The unaudited pro forma combined condensed statements of income for the six month periods ended June 30, 2001 and 2000, and for the year ended December 31, 2000, assume that this transaction was completed on January 1, 2000.

The unaudited pro forma combined condensed financial statements assume that 50% of the outstanding GPU common shares were exchanged for cash consideration of \$36.50 per share and 50% of the outstanding GPU common shares were each exchanged for 1.2318 shares of FirstEnergy common stock. With a November 7, 2001 merger effective date, the 20-day trading period used to determine the exchange ratio in accordance with the merger agreement ended on October 29, 2001 and resulted in an average closing price for FirstEnergy's common stock of \$35.67, which is higher than the average closing price range of \$24.2438 to \$29.6313 stated in the merger agreement, and therefore, in accordance with the merger agreement, fixed the exchange ratio at 1.2318.

The following unaudited pro forma financial statements are for illustrative purposes only. They are not necessarily indicative of the financial position or operating results that would have occurred had the merger been completed on January 1, 2000 or June 30, 2001, as assumed above, nor is the information necessarily indicative of future financial position or operating results. Results of operations and financial position in the first year after completion of the merger could differ significantly from the unaudited pro forma combined condensed financial statements, which are based on historical operations. Future operations will be affected by various factors including operating performance, energy market developments and other matters.

(c) Exhibits

2.1 Agreement and Plan of Merger, dated as of August 8, 2000, between FirstEnergy Corp. and GPU, Inc. (incorporated by reference to Exhibit 2.1 of FirstEnergy Corp.'s Current Report on Form 8-K filed August 10, 2000).

23 Consent of PricewaterhouseCoopers LLP.

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FIRSTENERGY CORP. UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET JUNE 30, 2001 (In millions)

| | FirstEnergy ----- | GPU ----- | Merger Pro Forma Adjustments ----- | Pending Divestitures (Note 5) ----- | Merger Pro Forma Combination ----- |
|--|----------------------|-----------------|---|--|---|
| ASSETS: | | | | | |
| Current assets | \$ 1,643 | \$ 2,254 | \$ -- | \$ (469) | \$ 3,428 |
| Property, plant and equipment | 7,605 | 7,168 | (629) (3a) | (2,051) | 12,093 |
| Investments | 2,778 | 1,346 | (87) (3a) | (263) | 4,874 |
| | | | 251 (3d) | | |
| Regulatory assets | 3,568 | 4,324 | (271) (3f) | | 7,621 |
| Intangible assets | -- | 119 | 10 (3b) | | 129 |
| Goodwill | 2,062 | 1,744 | 4,123 (3b) | (775) | 5,414 |
| | | | (1,744) (3b) | | |
| Accumulated deferred income taxes | -- | 1,817 | 90 (3i) | (31) | 1,776 |
| | | | (137) (3a) | | |
| Other assets | 482 | 338 | (34) (3b) | (115) | 671 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Assets | \$18,138 | \$19,110 | \$ 1,572 | \$ (3,704) | \$35,116 |
| | ===== | ===== | ===== | ===== | ===== |
| CAPITALIZATION AND LIABILITIES: | | | | | |
| Currently payable long-term debt and preferred stock | \$ 639 | \$ 622 | \$ -- | \$ (290) | \$ 969 |
| Short-term debt | 758 | 1,938 | (1,514) (3h) | -- | 1,182 |
| Current liabilities | 1,173 | 1,245 | 16 (3b) | (575) | 2,069 |
| | | | 134 (3c) | | |
| | | | 7 (3f) | | |
| Accumulated deferred income taxes | 2,000 | 3,210 | (111) (3i) | (615) | 4,484 |
| Accumulated deferred investment tax credits | 232 | 42 | -- | | 274 |
| Other liabilities | 2,041 | 3,953 | 4 (3b) | (3) | 6,195 |
| | | | 110 (3d) | | |
| | ----- | ----- | ----- | ----- | ----- |
| Total Liabilities: | 6,843 | 11,010 | (1,354) | (1,483) | 15,036 |
| | ----- | ----- | ----- | ----- | ----- |
| Common shareholders' equity: | | | | | |
| Common stock and other paid-in capital | 3,544 | 991 | 2,594 (3e) | | 6,129 |
| | | | (991) (3e) | | |
| Retained earnings and other comprehensive loss | 1,253 | 2,458 | (2,458) (3b) | | 1,253 |
| Unallocated ESOP common shares | (103) | -- | -- | | (103) |
| | ----- | ----- | ----- | | ----- |
| Total common shareholders' equity | 4,694 | 3,449 | (855) | | 7,288 |
| Preferred stock of consolidated subsidiaries: | | | | | |
| Not subject to mandatory redemption | 649 | 13 | -- | | 662 |
| Subject to mandatory redemption | 40 | 49 | 1 (3a) | | 89 |
| Subsidiary-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subsidiary subordinated debentures | 120 | 125 | -- | | 245 |
| Trust preferred securities | -- | 200 | -- | | 200 |
| Long-term debt | 5,792 | 4,264 | 83 (3a) | (2,221) | 11,618 |
| | | | 2,183 (3h) | | |

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| | | | | | |
|--------------------------------------|----------|----------|----------|------------|--------|
| | | | 1,514 | (3h) | |
| Total Capitalization | 11,295 | 8,100 | 2,926 | (2,221) | 20,1 |
| Total Capitalization and Liabilities | \$18,138 | \$19,110 | \$ 1,572 | \$ (3,704) | \$35,1 |

3

FIRSTENERGY CORP.
 UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
 SIX MONTHS ENDED JUNE 30, 2001
 (In millions, except per share amounts)

| | FirstEnergy | GPU Prior to Merger Pro Forma | Merger Pro Forma Adjustments | Pending Divestitures (Note 5) | Merger Pro Fo Combin |
|--|-------------|--|------------------------------------|-------------------------------------|----------------------------|
| REVENUES: | | | | | |
| Electric utilities | \$2,572 | \$2,252 | \$ -- | \$ (229) | \$4,5 |
| Other | 1,218 | 470 | -- | (79) | 1,6 |
| Total revenues | 3,790 | 2,722 | -- | (308) | 6,2 |
| EXPENSES: | | | | | |
| Fuel and purchased power | 625 | 1,105 | -- | (23) | 1,7 |
| Other operating expenses | 1,816 | 739 | (9) (3d) | (90) | 2,4 |
| Provision for depreciation and amortization | 434 | 269 | (25) (3g) (6) (3g) | (35) | 6 |
| General taxes | 211 | 114 | -- | (20) | 3 |
| Total expenses | 3,086 | 2,227 | (40) | (168) | 5,1 |
| INCOME BEFORE INTEREST AND INCOME TAXES | 704 | 495 | 40 | (140) | 1,0 |
| NET INTEREST CHARGES: | | | | | |
| Interest expense | 235 | 230 | 90 (3h) | (102) | 4 |
| Trust preferred securities | -- | 7 | -- | -- | |
| Subsidiary-obligated mandatorily redeemable preferred securities | -- | 5 | -- | -- | |
| Capitalized interest | (21) | (1) | -- | -- | |
| Subsidiaries' preferred stock dividends | 34 | 3 | -- | | |
| Net interest charges | 248 | 244 | 90 | (102) | 4 |
| INCOME TAXES | 204 | 106 | (26) (3i) | (7) | 2 |
| INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING | 252 | 145 | (24) | (31) | 3 |
| CUMULATIVE EFFECT OF AN | | | | | |

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| | | | | | |
|-------------------------------------|---------|---------|-----------|---------|-------|
| ACCOUNTING CHANGE | (8) | -- | -- | -- | |
| | ----- | ----- | ----- | ----- | ----- |
| NET INCOME | \$ 244 | \$ 145 | \$ (24) | \$ (31) | \$ 3 |
| | ===== | ===== | ===== | ===== | ===== |
| Average common shares outstanding: | | | | | |
| Basic | 218 | 120 | (46) (3j) | | 2 |
| | ===== | ===== | ===== | | ===== |
| Diluted | 219 | 120 | (46) (3j) | | 2 |
| | ===== | ===== | ===== | | ===== |
| Earnings per share of common stock: | | | | | |
| Basic | \$ 1.12 | \$ 1.21 | | | \$ 1. |
| | ===== | ===== | | | ===== |
| Diluted | \$ 1.11 | \$ 1.21 | | | \$ 1. |
| | ===== | ===== | | | ===== |

4

FIRSTENERGY CORP.
 UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
 SIX MONTHS ENDED JUNE 30, 2000
 (In millions, except per share amounts)

| | FirstEnergy | GPU Prior to Merger Pro Forma | Merger Pro Forma Adjustments | Pending Divestitures (Note 5) | Merger Pro Forma Combined |
|---|-------------|--|------------------------------------|-------------------------------------|---------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| REVENUES: | | | | | |
| Electric utilities | \$2,630 | \$2,134 | \$ -- | \$ (255) | \$4,500 |
| Other | 680 | 449 | -- | (126) | 1,000 |
| | ----- | ----- | ----- | ----- | ----- |
| Total revenues | 3,310 | 2,583 | -- | (381) | 5,510 |
| | ----- | ----- | ----- | ----- | ----- |
| EXPENSES: | | | | | |
| Fuel and purchased power | 551 | 887 | -- | (18) | 1,420 |
| Other operating expenses | 1,315 | 783 | (9) (3d) | (109) | 1,980 |
| Provision for depreciation and amortization | 427 | 243 | (25) (3g) (6) (3g) | (34) | 600 |
| General taxes | 279 | 101 | -- | (8) | 370 |
| | ----- | ----- | ----- | ----- | ----- |
| Total expenses | 2,572 | 2,014 | (40) | (169) | 4,370 |
| | ----- | ----- | ----- | ----- | ----- |
| INCOME BEFORE INTEREST AND INCOME TAXES | 738 | 569 | 40 | (212) | 1,130 |
| | ----- | ----- | ----- | ----- | ----- |
| NET INTEREST CHARGES: | | | | | |
| Interest expense | 247 | 230 | 83 (3h) | (118) | 440 |
| Trust preferred securities | -- | 7 | -- | | |
| Subsidiary-obligated mandatorily redeemable preferred securities | -- | 6 | -- | | |
| Capitalized interest | (13) | (2) | -- | | (10) |
| Subsidiaries' preferred stock dividends | 35 | 4 | -- | | 30 |
| | ----- | ----- | ----- | ----- | ----- |
| Net interest charges | 269 | 245 | 83 | (118) | 470 |

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| | | | | | |
|-------------------------------------|---------------------------|---------------------------|-----------------------------|------------------------|--------------------------|
| INCOME TAXES | ----- 193 ----- | ----- 120 ----- | ----- (24) (3i) ----- | ----- (17) ----- | ----- 27 ----- |
| NET INCOME | ===== | ===== | ===== | ===== | ===== |
| Average common shares outstanding: | | | | | |
| Basic | ----- 224 ----- | ----- 121 ----- | ----- (46) (3j) ----- | | ----- 29 ----- |
| Diluted | ===== | ===== | ===== | | ===== |
| Earnings per share of common stock: | | | | | |
| Basic | ----- \$ 1.23 ----- | ----- \$ 1.68 ----- | | | ----- \$ 1.2 ----- |
| Diluted | ===== | ===== | | | ===== |

5

FIRSTENERGY CORP.
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2000
(In millions, except per share amounts)

| | FirstEnergy | GPU Prior to Merger Pro Forma | Merger Pro Forma Adjustments | Pending Divestitures (Note 5) | Merger Pro Fo Combin |
|---|-------------------------|--|------------------------------------|-------------------------------------|----------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| REVENUES: | | | | | |
| Electric utilities | \$5,422 | \$4,423 | \$ -- | \$ (479) | \$ 9, |
| Other | 1,607 | 948 | -- | (218) | 2, |
| Total revenues | ----- 7,029 ----- | ----- 5,371 ----- | ----- -- ----- | ----- (697) ----- | ----- 11, ----- |
| EXPENSES: | | | | | |
| Fuel and purchased power | 801 | 2,064 | -- | (18) | 2, |
| Other operating expenses | 3,241 | 1,456 | (18) (3d) | (197) | 4, |
| Provision for depreciation and amortization | 934 | 523 | (51) (3g) (13) (3g) | (80) | 1, |
| General taxes | 548 | 228 | -- | (41) | |
| Total expenses | ----- 5,524 ----- | ----- 4,271 ----- | ----- (82) ----- | ----- (336) ----- | ----- 9, ----- |
| INCOME BEFORE INTEREST AND INCOME TAXES | ----- 1,505 ----- | ----- 1,100 ----- | ----- 82 ----- | ----- (361) ----- | ----- 2, ----- |
| NET INTEREST CHARGES: | | | | | |
| Interest expense | 493 | 479 | 166 (3h) | (226) | |
| Trust preferred securities | -- | 14 | | | |
| Subsidiary-obligated mandatorily redeemable preferred securities | -- | 11 | | | |
| Capitalized interest | (27) | (3) | -- | | |

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| | | | | | |
|---|---------|---------|---------|------|----------|
| Subsidiaries' preferred stock dividends | 63 | 7 | -- | | |
| | ----- | ----- | ---- | | ----- |
| Net interest charges | 529 | 508 | 166 | | (226) |
| | ----- | ----- | ---- | | ----- |
| INCOME TAXES | 377 | 225 | (47) | (3i) | (28) |
| | ----- | ----- | ---- | | ----- |
| NET INCOME | \$ 599 | \$ 367 | \$ (37) | | \$ (107) |
| | ===== | ===== | ===== | | ===== |
| Average common shares outstanding: | | | | | |
| Basic | 222 | 121 | (46) | (3j) | |
| | ===== | ===== | ===== | | ===== |
| Diluted | 222 | 121 | (46) | (3j) | |
| | ===== | ===== | ===== | | ===== |
| Earnings per share of common stock: | | | | | |
| Basic | \$ 2.69 | \$ 3.03 | | | \$ 2 |
| | ===== | ===== | | | ===== |
| Diluted | \$ 2.69 | \$ 3.02 | | | \$ 2 |
| | ===== | ===== | | | ===== |

6

Notes to Unaudited Pro Forma Combined Condensed
Financial Statements

Note 1 - Reclassifications

Certain reclassifications have been made to the FirstEnergy and GPU historical financial statements to conform to the presentation expected to be used by the merged companies.

Note 2 - Exchange Ratio

The unaudited pro forma combined condensed financial statements assume that 50% of the outstanding GPU common shares were exchanged for cash consideration of \$36.50 per share and 50% of the outstanding GPU common shares were each exchanged for 1.2318 shares of FirstEnergy common stock. With a November 7, 2001 merger effective date, the 20-day trading period used to determine the exchange ratio in accordance with the merger agreement ended on October 29, 2001 and resulted in an average closing price for FirstEnergy's common stock of \$35.67, which is higher than the average closing price range of \$24.2438 to \$29.6313 stated in the merger agreement, and therefore, in accordance with the merger agreement, fixed the exchange ratio at 1.2318.

| | |
|---|------------|
| | (millions) |
| | ----- |
| Cash payment to GPU shareholders | \$2,183 |
| Stock payment to GPU shareholders | 2,594 |
| | ----- |
| Purchase of 119.6 million GPU common shares | \$4,777 |
| | ===== |

Note 3 - Pro Forma Adjustments

(a) As required by Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," pro forma adjustments have been recognized by FirstEnergy to adjust GPU's assets and liabilities to fair value. Such adjustments have been based upon the current estimated fair

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market values of these assets and liabilities which were considered in the preliminary purchase price allocation.

(b) A pro forma adjustment has been made to recognize goodwill in connection with the merger. The goodwill represents the excess of the purchase price over GPU's net assets after taking into account the other adjustments described herein. The pro forma adjustment to record the goodwill resulting from the merger is disclosed below:

| | (millions) |
|---|------------|
| | ----- |
| Purchase of 119.6 million GPU common shares | \$ 4,777 |
| Conversion of GPU stock options | 4 |
| Estimated direct costs incurred in consummating the merger | 50 |
| Elimination of GPU shareholders' equity on June 30, 2001 | (3,449) |
| Addition of GPU goodwill to purchase price | 1,744 |
| Pre-merger impact on regulatory assets (Note 3f) | 160 |
| Fair value adjustments to GPU's assets and liabilities, net | 847 |
| Less amount identified as intangible assets | (10) |
| | ----- |
| Total adjusted goodwill | \$ 4,123 |
| | ===== |

(c) A pro forma adjustment has been made to recognize estimated severance costs.

7

(d) A pro forma adjustment has been made to recognize GPU's net unamortized transition assets and obligations related to certain retirement benefits and the impact of this adjustment on the net periodic benefit cost.

(e) Pro forma equity adjustments have been made to recognize the elimination of GPU's retained earnings and accumulated other comprehensive loss as of the completion of the merger and to reflect payment of stock consideration in the merger as discussed in Note 2.

| | (millions) |
|---|------------|
| | ----- |
| Elimination of GPU shareholders' equity | \$ (3,449) |
| Issuance of stock to purchase GPU common shares | 2,594 |
| | ----- |
| | \$ (855) |
| | ===== |

(f) In September 2001, the New Jersey Board of Public Utilities approved the merger between GPU and FirstEnergy subject to the terms and conditions set forth in a Stipulation of Settlement. In accordance with this Stipulation of Settlement, Jersey Central wrote off \$300 million of its deferred cost upon receipt of final regulatory approval of the merger. Also, in accordance with the Stipulation of Settlement, FirstEnergy agreed to implement a low-income customer assistance program, as well as to provide for technology grants to schools and libraries up to \$6.5 million. In June 2001, the Pennsylvania Public Utility Commission approved a separate Settlement Stipulation with Metropolitan Edison and Pennsylvania Electric. As a result of this Settlement Stipulation, in the second quarter of 2001 Metropolitan Edison

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and Pennsylvania Electric recorded a combined \$29 million reserve against certain deferred energy costs incurred during the first five months of 2001, pending consummation of the merger. This reserve will be reversed immediately before consummation of the merger. As a result, the unaudited pro forma combined condensed balance sheet as of June 30, 2001 has been adjusted to reflect the net write-off of \$271 million of deferred costs.

(g) Pro forma adjustments have been made to eliminate GPU's amortization of goodwill in connection with the implementation of SFAS No. 142, "Goodwill and Other Intangible Assets," and to reduce depreciation expense resulting from the assumed revaluation of GPU's assets described in (a) above.

| | For the six months ended June 30, | | For the year ended December 31, |
|--|--------------------------------------|---------|---------------------------------------|
| | 2001 | 2000 | 2000 |
| | (millions) | | |
| Reversal of amortization of GPU purchased goodwill | \$ (25) | \$ (25) | \$ (51) |
| Reduction in depreciation expense from assumed revaluation of GPU's assets | \$ (6) | \$ (6) | \$ (13) |

(h) A pro forma adjustment reflects the issuance of \$2.183 billion of long-term debt bearing interest at an assumed average effective rate of 7.15%, inclusive of costs of issuance and hedge payments, to fund the cash consideration to be paid to GPU shareholders. The pro forma annual interest expense is \$156 million. Also, pro forma adjustment reflects the issuance of \$1.514 billion of long-term debt, bearing the same assumed average effective rate of 7.15% previously noted to replace outstanding short-term debt. Average interest rates on such short-term debt were approximately 6.5% in 2000 and

8

5.25% in 2001. A 1/8 of 1% variation in the interest rate on the total \$3.7 billion in long-term debt issued would result in a \$4.6 million change to the annual interest expense.

| | For the six months ended June 30, | | For the year ended December 31, |
|--|--------------------------------------|------|---------------------------------------|
| | 2001 | 2000 | 2000 |
| | (millions) | | |

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| | | | |
|---|-------|-------|-------|
| Interest expense on acquisition debt of \$2.183 billion | \$ 78 | \$ 78 | \$156 |
| Reversal of interest expense on short-term debt of \$1.514 billion | (42) | (49) | (98) |
| Interest expense on long-term debt of \$1.514 billion (replacement) | 54 | 54 | 108 |
| | ---- | ---- | ---- |
| | \$ 90 | \$ 83 | \$166 |
| | ===== | ===== | ===== |

(i) Pro forma adjustments have been made for the estimated income tax impacts of the adjustments discussed in (a), (c), (d), (f), (g) and (h) above assuming an income tax rate of 35%.

(j) A pro forma adjustment reflects the issuance of FirstEnergy shares at an exchange ratio of 1.2318 as described in Note 2, net of the elimination of average GPU common shares outstanding.

| Basic Common Shares Outstanding | For the six months ended June 30, | | For the year ended December 31, |
|--|-----------------------------------|---------|---------------------------------|
| | 2001 | 2000 | 2000 |
| | (millions) | | |
| Elimination of average GPU common shares outstanding | (119.5) | (121.3) | (121.2) |
| Purchase of 50% of GPU common shares at an exchange ratio of 1.2318 shares of First-Energy common stock per GPU common share | 73.6 | 74.7 | 74.6 |
| | ---- | ---- | ---- |
| | (45.9) | (46.6) | (46.6) |
| | ===== | ===== | ===== |

| Diluted Common Shares Outstanding | For the six months ended June 30, | | For the year ended December 31, |
|---|-----------------------------------|---------|---------------------------------|
| | 2001 | 2000 | 2000 |
| | (millions) | | |
| Elimination of average GPU common shares outstanding | (119.7) | (121.4) | (121.3) |
| Purchase of 50% of GPU common shares at an exchange ratio | | | |

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of 1.2318 shares of
FirstEnergy common stock
per GPU common share

| | | |
|--------|--------|--------|
| 73.7 | 74.7 | 74.7 |
| ----- | ----- | ----- |
| (46.0) | (46.7) | (46.6) |
| ===== | ===== | ===== |

9

Note 4 - GPU Pro Forma Adjustments Prior to FirstEnergy Merger

The unaudited pro forma condensed consolidated statements of income for the six-month periods ended June 30, 2001 and June 30, 2000, and for the year ended December 31, 2000, are being presented to illustrate the effect that certain acquisition and divestiture activity may have had on GPU's historical financial statements had these transactions occurred on the assumed date of January 1, 2000. The pro forma information is not necessarily indicative of the actual results that would have been realized had these transactions occurred on the assumed date of January 1, 2000, nor are they necessarily indicative of future results. In addition, pro forma information is being presented to eliminate certain costs that GPU incurred in connection with the merger that otherwise would not have been incurred. The GPU pro forma adjustments discussed below are based upon historical information and are for illustrative purposes only.

(a) During the six-month period ended June 30, 2001, GPU sold its interest in Humber Power Limited, an electric generating station in the UK. GPU's unaudited pro forma condensed consolidated statement of income for the six-month period ended June 30, 2001 reflects an adjustment to eliminate the nonrecurring \$12 million after-tax gain realized on the sale. During the same period, GPU incurred \$1 million in merger-related costs. For pro forma purposes, these costs have been eliminated from GPU's unaudited pro forma condensed consolidated statement of income for the six-month period ended June 30, 2001.

Pro forma adjustments by business unit for the six-month period ended June 30, 2001 are summarized as follows:

| | Millions of Dollars | | | | |
|-------------------------|---------------------|----------|-------------------------|--------------|------------|
| | Revenues | Expenses | Net Interest Charges | Income Taxes | Net Income |
| | ----- | ----- | ----- | ----- | ----- |
| GPU Power UK | \$ (18) | \$ -- | -- | \$ (6) | \$ (12) |
| Merger-Related Costs | -- | (1) | -- | -- | 1 |
| | ---- | ----- | ---- | --- | ---- |
| Total Adjust- ments | \$ (18) | \$ (1) | -- | \$ (6) | \$ (11) |
| | ===== | ===== | ===== | ===== | ===== |

(b) During 2000, GPU sold PowerNet Pty Ltd. (June), Jersey Central's Oyster Creek Nuclear Generating Station (August) and GPU International, Inc. (December). In addition, in April 2000, GPU acquired MYR Group Inc. GPU's unaudited pro forma condensed consolidated

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statements of income for the six-month period ended June 30, 2000 and the year ended December 31, 2000 reflect adjustments to (1) eliminate PowerNet's and GPU International's results of operations for the six- and twelve-month periods (including related debt reductions and income tax effects), (2) remove fuel and operation and maintenance expenses associated with Oyster Creek which would not have been incurred in the six- and twelve-month periods had the plant been sold on the assumed date of January 1, 2000, offset by additional purchase power expenses and (3) include the consolidated results of operations of MYR Group, recognizing ownership of these assets for the full six- and twelve-month periods, as well as interest expense and amortization of goodwill resulting from the acquisition (including the related income tax effects).

GPU's unaudited pro forma condensed consolidated statements of income for the six-month period ended June 30, 2000 and the year ended December 31, 2000 also reflect an adjustment to eliminate the nonrecurring \$295 million after-tax loss incurred on the sale of PowerNet. In addition, GPU's unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2000 reflects adjustments to eliminate (1) an \$18 million reduction in GPU's loss on the sale of PowerNet due to a change in estimated tax benefits in the fourth quarter of 2000, (2) the nonrecurring \$89 million after-tax gain realized on the sale of GPU International in December 2000, (3) the nonrecurring gain of \$17 million recognized in income in August 2000 for the reversal of certain deferred taxes and realization of

10

an investment tax credit related to the sale of Oyster Creek and (4) \$12 million of merger-related costs which were incurred during the year.

Pro forma adjustments by business unit for the six months ended June 30, 2000 are summarized as follows:

| | Millions of Dollars | | | | |
|------------------------|---------------------|----------|-------------------------|--------------|------------|
| | Revenues | Expenses | Net Interest Charges | Income Taxes | Net Income |
| PowerNet | \$ (96) | \$ (407) | \$ (45) | \$72 | \$ 284 |
| GPU Inter- national | (47) | (47) | -- | (1) | 1 |
| MYR Group | 196 | 192 | 5 | -- | (1) |
| | ---- | ----- | ---- | --- | ----- |
| Total Adjust- ments | \$ 53 | \$ (262) | \$ (40) | \$71 | \$ 284 |
| | ===== | ===== | ===== | ==== | ===== |

Pro forma adjustments by business unit for the year ended December 31, 2000 are summarized as follows:

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Millions of Dollars

| | Revenues | Expenses | Net Interest Charges | Income Taxes | Net Income |
|-------------------------|----------|----------|-------------------------|--------------|------------|
| PowerNet | \$ (96) | \$ (407) | \$ (45) | \$ 90 | \$ 266 |
| GPU Inter- national | (128) | 60 | (2) | (63) | (123) |
| Jersey Central | -- | -- | -- | 17 | (17) |
| MYR Group | 196 | 192 | 5 | -- | (1) |
| Merger-Related Costs | -- | (12) | -- | 4 | 8 |
| Total Adjust- ments | \$ (28) | \$ (167) | \$ (42) | \$ 48 | \$ 133 |

11

FIRSTENERGY CORP.
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS (Cont'd)

Note 4 - Prior to Merger Pro Forma Adjustments for GPU, Inc. (Cont'd)
SIX MONTHS ENDED JUNE 30, 2001
(in millions, except per share amounts)

| | GPU | Prior to Merger Pro Forma Adjustments (4a) | GPU Prior to Merger Pro Forma |
|--|---------|--|--|
| REVENUES: | | | |
| Electric utilities | \$2,252 | \$ -- | \$2,252 |
| Other | 488 | (18) | 470 |
| Total revenues | 2,740 | (18) | 2,722 |
| EXPENSES: | | | |
| Fuel and purchased power | 1,105 | -- | 1,105 |
| Other operating expenses | 740 | (1) | 739 |
| Provision for depreci- ation and amortization | 269 | -- | 269 |
| General taxes | 114 | -- | 114 |
| Total expenses | 2,228 | (1) | 2,227 |
| INCOME BEFORE INTEREST AND INCOME TAXES | 512 | (17) | 495 |
| NET INTEREST CHARGES: | | | |
| Interest expense | 230 | -- | 230 |
| Trust preferred securities | 7 | -- | 7 |
| Subsidiary-obligated mandatorily redeemable preferred securities | 5 | -- | 5 |

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| | | | |
|--|---------|---------|---------|
| Capitalized interest | (1) | -- | (1) |
| Subsidiaries' preferred stock dividends | 3 | -- | 3 |
| | ----- | ----- | ----- |
| Net interest charges | 244 | -- | 244 |
| | ----- | ----- | ----- |
| INCOME TAXES | 112 | (6) | 106 |
| | ----- | ----- | ----- |
| NET INCOME | \$ 156 | \$ (11) | \$ 145 |
| | ===== | ===== | ===== |
| Average common shares outstanding: | | | |
| Basic | 120 | | 120 |
| | ===== | | ===== |
| Diluted | 120 | | 120 |
| | ===== | | ===== |
| Earnings per share of common stock: | | | |
| Basic | \$ 1.30 | | \$ 1.21 |
| | ===== | | ===== |
| Diluted | \$ 1.30 | | \$ 1.21 |
| | ===== | | ===== |

12

FIRSTENERGY CORP.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS (Cont'd)

Note 4 - Prior to Merger Pro Forma Adjustments for GPU, Inc. (Cont'd)
SIX MONTHS ENDED JUNE 30, 2000
(in millions, except per share amounts)

| | GPU | Prior to Merger Pro Forma Adjustments (4b) | GPU Prior to Merger Pro Forma |
|--|---------|--|--|
| | ----- | ----- | ----- |
| REVENUES: | | | |
| Electric utilities | \$2,225 | \$ (91) | \$2,134 |
| Other | 305 | 144 | 449 |
| | ----- | ----- | ----- |
| Total revenues | 2,530 | 53 | 2,583 |
| | ----- | ----- | ----- |
| EXPENSES: | | | |
| Fuel and purchased power | 858 | 29 | 887 |
| Other operating expenses | 687 | 96 | 783 |
| Loss on sale of investment | 372 | (372) | -- |
| Provision for depreciation and amortization | 264 | (21) | 243 |
| General taxes | 95 | 6 | 101 |
| | ----- | ----- | ----- |
| Total expenses | 2,276 | (262) | 2,014 |
| | ----- | ----- | ----- |
| INCOME BEFORE INTEREST AND INCOME TAXES | 254 | 315 | 569 |
| | ----- | ----- | ----- |
| NET INTEREST CHARGES: | | | |

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| | | | |
|--|-----------|-------|---------|
| Interest expense | 270 | (40) | 230 |
| Trust preferred securities | 7 | -- | 7 |
| Subsidiary-obligated mandatorily redeemable preferred securities | 6 | -- | 6 |
| Capitalized interest | (2) | -- | (2) |
| Subsidiaries' preferred stock dividends | 4 | -- | 4 |
| | ----- | ----- | ----- |
| Net interest charges | 285 | (40) | 245 |
| | ----- | ----- | ----- |
| INCOME TAXES | 49 | 71 | 120 |
| | ----- | ----- | ----- |
| NET INCOME (LOSS) | \$ (80) | \$284 | \$ 204 |
| | ===== | ===== | ===== |
| Average common shares outstanding: | | | |
| Basic | 121 | | 121 |
| | ===== | | ===== |
| Diluted | 121 | | 121 |
| | ===== | | ===== |
| Earnings per share of common stock: | | | |
| Basic | \$ (0.66) | | \$ 1.68 |
| | ===== | | ===== |
| Diluted | \$ (0.66) | | \$ 1.68 |
| | ===== | | ===== |

13

FIRSTENERGY CORP.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS (Cont'd)

Note 4 - Prior to Merger Pro Forma Adjustments for GPU, Inc. (Cont'd)
YEAR ENDED DECEMBER 31, 2000
(in millions, except per share amounts)

| | GPU | Prior to Merger Pro Forma Adjustments (4b) | GPU Prior to Merger Pro Forma |
|---|---------|--|--|
| | ----- | ----- | ----- |
| REVENUES: | | | |
| Electric utilities | \$4,514 | \$ (91) | \$4,423 |
| Other | 885 | 63 | 948 |
| | ----- | ----- | ----- |
| Total revenues | 5,399 | (28) | 5,371 |
| | ----- | ----- | ----- |
| EXPENSES: | | | |
| Fuel and purchased power | 2,030 | 34 | 2,064 |
| Other operating expenses | 1,399 | 57 | 1,456 |
| Loss on sale of business | 240 | (240) | -- |
| Provision for depreciation and amortization | 548 | (25) | 523 |
| General taxes | 221 | 7 | 228 |
| | ----- | ----- | ----- |
| Total expenses | 4,438 | (167) | 4,271 |

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| | | | |
|----------------------------|---------|--------|---------|
| INCOME BEFORE INTEREST AND | ----- | ----- | ----- |
| INCOME TAXES | 961 | 139 | 1,100 |
| | ----- | ----- | ----- |
| NET INTEREST CHARGES: | | | |
| Interest expense | 521 | (42) | 479 |
| Trust preferred securities | 14 | -- | 14 |
| Subsidiary-obligated | | | |
| mandatorily redeemable | | | |
| preferred securities | 11 | -- | 11 |
| Capitalized interest | (3) | -- | (3) |
| Subsidiaries' preferred | | | |
| stock dividends | 7 | -- | 7 |
| | ----- | ----- | ----- |
| Net interest charges | 550 | (42) | 508 |
| | ----- | ----- | ----- |
| INCOME TAXES | 177 | 48 | 225 |
| | ----- | ----- | ----- |
| NET INCOME | \$ 234 | \$ 133 | \$ 367 |
| | ===== | ===== | ===== |
| Average common shares | | | |
| outstanding: | | | |
| Basic | 121 | | 121 |
| | ===== | | ===== |
| Diluted | 121 | | 121 |
| | ===== | | ===== |
| Earnings per share of | | | |
| common stock: | | | |
| Basic | \$ 1.92 | | \$ 3.03 |
| | ===== | | ===== |
| Diluted | \$ 1.92 | | \$ 3.02 |
| | ===== | | ===== |

14

Note 5- Pro Forma Adjustments for Pending Divestitures

The pending divestitures pro forma adjustment column is being presented to illustrate the effect that certain pending divestitures may have had on the pro forma financial statements had these transactions occurred as of the same dates assumed for the merger in the accompanying pro forma financial statements. In addition, the pro forma adjustments reflect a reduction in debt from application of the proceeds from the divestitures, as well as the related reduction in interest costs. The pro forma adjustments are not necessarily indicative of the actual results that would have been realized had these transactions occurred on the assumed dates, nor are they necessarily indicative of the actual results that may be realized as of the date on which these transactions occur. Descriptions of the pending divestitures are discussed below:

(a) On October 18, 2001, FirstEnergy and UtiliCorp United announced that UtiliCorp made an offer to FirstEnergy to purchase, with a financial partner, GPU's wholly-owned Avon Energy Partners Holdings subsidiary, the holding company for Midlands Electricity plc, for a total purchase price of \$2.1 billion, including the assumption of approximately \$1.7 billion of debt. The offer is subject to FirstEnergy's acceptance following completion of its merger with GPU, as well as the receipt by all parties of the applicable regulatory approvals.

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UtiliCorp and its financial partner expect to acquire all of the outstanding shares of Avon Energy Partners Holdings. Assets to be acquired include Midlands Electricity's 38,000-mile electric distribution network, an investment in the 1,875-megawatt Teesside Power generating plant in the United Kingdom, and investments in other energy businesses.

(b) GPU acquired GasNet Pty Ltd. from the State of Victoria in June 1999 as part of the natural gas industry privatization process in that state. As a result of the decision by FirstEnergy and GPU to sell GasNet, GasNet Australia Trust was established to acquire new securities in GasNet and an associated trust. The Trust filed a prospectus dated October 19, 2001 with the Australian Securities and Investments Commission for the public offer of 130,000,000 Units of the Trust at AUS\$2.00 per Unit. The Trust will use the expected net proceeds from the offering of approximately AUS\$260 million to acquire the new GasNet securities and will assume the associated trust's debt (AUS\$566.4 million at June 30, 2001). The net proceeds will then be used by GasNet to cancel and redeem all securities currently held by wholly-owned subsidiaries of GPU in GasNet and the associated trust. The prospectus expires on November 28, 2002.

GasNet is the regulated natural gas transmission provider in Victoria, Australia. It owns and maintains a high-pressure pipeline network, which transports almost all of the natural gas consumed in Victoria. This gas is shipped to approximately 1.4 million residential consumers and approximately 43,000 industrial and commercial users throughout Victoria.

15

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 7, 2001

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FIRSTENERGY CORP.

Registrant

/s/ Harvey L. Wagner

Harvey L. Wagner
Vice President and Controller

16

Exhibit 23(c)