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FIRSTENERGY CORP
Form 11-K
June 27, 2003

GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY
IBEW SYSTEM COUNCIL U-3

REPORT ON AUDITS OF FINANCIAL STATEMENTS
for the years ended
December 31, 2002 and 2001

GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3

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INDEPENDENT AUDITORS' REPORT

To the Savings Plan Committee of the
GPU Companies Employee Savings Plan
For Employees Represented by IBEW System Council U-3:

We have audited the accompanying statements of net assets available for plan benefits of GPU Companies Employee Savings Plan for Employees Represented by IBEW System Council U-3 (the "Plan") as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the

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years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Milligan & Company, LLC

April 25, 2003

GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3

STATEMENTS OF NET ASSETS
AVAILABLE FOR PLAN BENEFITS

December 31, 2002 and 2001

| | 2002 ---- | 2001 ---- |
|---------------------------------------------------------------------------|------------------------|------------------------|
| Investment in GPU Companies Master Savings Plan Trust at fair value | \$110,646,469 | \$123,882,487 |
| Participant loans receivable | 3,177,051 ----- | 3,211,381 ----- |
| Net assets available for plan benefits | \$113,823,520 ===== | \$127,093,868 ===== |

The accompanying notes are an integral part of the financial statements.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3

STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS

for the years ended December 31, 2002 and 2001

| | 2002 ---- | 2001 ---- |
|-----------------------------------------------|------------------------|------------------------|
| Net Asset Balances, beginning of year | \$127,093,868 ----- | \$144,479,831 ----- |
| Additions to net assets attributed to: | | |
| Contributions: | | |
| Participants' | 6,779,317 | 7,038,798 |
| Employer's | 2,065,115 | 2,173,911 |
| Rollovers | 8,048 | 16,674 |
| Interest on loans | 248,194 | 244,663 |
| Investment income | 1,776,390 ----- | 2,035,981 ----- |
| Total additions | 10,877,064 ----- | 11,510,027 ----- |
| Deductions from net assets attributed to: | | |
| Net depreciation in fair value of investments | 14,464,875 | 16,269,170 |
| Transfers to affiliated savings plans | 249,808 | 2,527,143 |
| Distributions and Withdrawals | 9,432,729 ----- | 10,099,677 ----- |
| Total deductions | 24,147,412 ----- | 28,895,990 ----- |

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| | | |
|---------------------------------|---------------|---------------|
| Net decrease | (13,270,348) | (17,385,963) |
| | ----- | ----- |
| Net Asset Balances, end of year | \$113,823,520 | \$127,093,868 |
| | ===== | ===== |

The accompanying notes are an integral part of the financial statements.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS

1. General Description of the Plan:

The following description of the GPU Companies Employee Savings Plan for Employees Represented by IBEW System Council U-3 (Plan) provides only general information on the provisions of the Plan in effect as of December 31, 2002. Participants should refer to the Benefits Handbook, Plan document, and prospectus for a more complete description of the Plan's provisions.

General:

The Plan is a defined contribution plan. In general, all FirstEnergy employees represented by IBEW System Council U-3 (Company) are eligible to participate in the Plan if he/she is employed on a full-time basis or if the employee has completed at least 1,000 hours of service in a consecutive twelve-month period.

The Plan is intended to qualify as a cash or deferred profit-sharing plan under Sections 401(a) and 401(k) of the Internal Revenue Code. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). A participant is eligible to transfer his/her account to an affiliated savings plan upon a change in employment status.

The Plan contains additional employer contribution and employee savings features. Participants may "roll over" distributions received from other qualified plans to the Savings Plan.

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Contributions:

The Plan provides two contribution options to a participant. Subject to certain limitations set forth in the Plan, the participant may elect (1) to have his/her base compensation reduced by an amount equal to any whole percentage (before-tax 401(k) contributions), which is contributed on behalf of the employee by the Company; and/or (2) to contribute by payroll deduction any whole percentage of base compensation (after-tax).

Matching Program:

The Company provides a matching contribution to the Plan on behalf of each participant, except certain temporary employees as defined in the Plan document. Effective November 1, 2001 the Company matched 80%, up from 75% prior to November 1, 2001, of a participant's aggregate contributions up to 4% of the participant's base compensation. There was no change in company matching contributions during 2002.

Administration of Plan Assets:

The Plan's assets, which consist principally of stocks, mutual funds and bonds are held by the Trustee of the Plan. Employer and participant contributions are held and managed by the Trustee, which invests cash received, reinvests interest and dividend income, and makes distributions to participants.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS, Continued

1. General Description of the Plan, continued:

Administrative Expenses:

The Company absorbs a small portion of administrative expenses. The majority of the administrative expenses, primarily Investment and Trustee Fees, are paid out of plan assets held in the GPU System Companies Master Trust ("Trust"). Investment gains in the Trust are shown net of these Investment and Trustee Fees.

Investment Funds:

The Plan provides investment options that are participant-directed, which allows participants to choose among various investment alternatives. Participants may change their investment option at any time, subject to certain limitations. Participants may elect to have their Plan accounts invested in one or more of the following investment

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options:

- o Fidelity Puritan Fund: This fund seeks to obtain a balance between

capital appreciation, preservation of capital, and generation of income.
 - o Fidelity Independence Fund*: This fund seeks to provide the opportunity

for significant capital appreciation.
 - o Fidelity OTC Portfolio Fund: This fund seeks long-term capital

appreciation by investing in securities that are traded in the
over-the-counter (OTC) securities market.
 - o Fidelity Overseas Fund: The fund seeks long-term capital appreciation,

primarily through investments in foreign securities.
 - o Interest Income Fund: The return objective of this fund is to

provide a higher rate of return over time than the rate of return
offered by money market funds. The Interest Income Fund invests in
a diversified portfolio of investment contracts issued by only
high-quality financial institutions as well as security-backed
investment contracts supported by high quality fixed income
securities.
 - o Diversified Bond Fund: This fund seeks to match or exceed the

returns of the Lehman Brothers Aggregate Index. The fund invests
primarily in government, corporate, mortgage-backed and
asset-backed securities. The fund invests in only high quality
bonds, that is, those rated at least BBB by Standard & Poor's or
Baa3 by Moody's Investors Service.
 - o Conservative Growth Portfolio: The investment objective of the

Portfolio is to provide income from fixed income securities and
growth of principal from stock funds. The Conservative Growth
Portfolio has an asset allocation target of 35% equities and 65%
fixed income securities.
- * Name changed from Fidelity Retirement Growth Fund effective January 27,
2001.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS, Continued

1. General Description of the Plan, continued:

Investment Funds, continued:

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- o Moderate Growth Portfolio: The investment objective of this

portfolio is to provide growth from stock funds and income from fixed income securities. The Moderate Growth Portfolio has an asset allocation target of 60% equities and 40% fixed income securities.
 - o Aggressive Growth Portfolio: The investment objective of this

portfolio is to provide growth primarily from stock funds with a small income component. The Aggressive Growth Portfolio has an asset allocation target of 80% equities and 20% fixed income securities.
 - o S&P 500 Index Fund: This fund seeks to match the performance of

the Standard & Poor's 500 Index. The Fund invests in all 500 stocks in the S&P 500 Index in proportion to their weighting in the Index. The Fund may also hold 2-5% of its value in futures contracts (an agreement to buy or sell a specific security by a specific date at an agreed upon price).
 - o International Equity Fund: This is an actively managed fund that

seeks to exceed the performance of the Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Index (unhedged) by investing in common stocks of companies headquartered outside the United States.
 - o Small Cap Equity Fund: This is an actively managed fund that seeks

to consistently exceed the total return performance of the Russell 2500 Stock Index while maintaining a similar level of risk. The fund primarily invests in a portfolio of common stock of small to medium-sized domestic companies.
 - o FirstEnergy Stock Fund*: This fund's goal is to provide long-term

growth through capital appreciation and dividend income. The FirstEnergy Stock Fund invests almost exclusively in FirstEnergy Corporation common stock. A small portion of assets is invested in money market securities to meet the fund's cash flow requirements. Dividends paid on the FirstEnergy stock held in this fund are used to purchase additional common shares.
 - o Mutual Fund Window: The Mutual Fund Window (MFW) offers

approximately 3500 mutual funds from more than 200 mutual fund families and approximately 600 no-transaction fee funds currently offered through State Street Brokerage Services, Inc.
- * GPU Stock Fund was converted to the FirstEnergy Stock Fund effective November 7, 2001.

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FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
 NOTES TO FINANCIAL STATEMENTS, Continued

1. General Description of the Plan, continued:

Employee Participation in the Plan:

The number of participating employees with account balances invested in each investment option at December 31, 2002 and 2001 was as follows:

| FUND #/ FUND NAME ----- | NUMBER OF PARTICIPANTS ----- | |
|----------------------------|---------------------------------|--------------|
| | 2002 ---- | 2001 ---- |
| 10 Interest Income | 740 | 684 |
| 20 Diversified Bond | 385 | 288 |
| 30 Conservative Growth | 89 | 65 |
| 35 S&P 500 Index | 875 | 972 |
| 40 Moderate Growth | 606 | 682 |
| 45 Fidelity Puritan | 240 | 243 |
| 50 Aggressive Growth | 195 | 218 |
| 55 Fidelity Independence* | 443 | 515 |
| 60 Small Capital Equity | 247 | 248 |
| 65 Fidelity OTC | 312 | 371 |
| 70 International Equity | 141 | 140 |
| 75 Fidelity Overseas | 115 | 127 |
| 80 FirstEnergy Stock** | 304 | 298 |
| 85 Mutual Fund Window | 55 | 52 |

The total number of participants in the Plan at December 31, 2002 and 2001 was 1,693 and 1,789, respectively. This is less than the sum of the number of participants shown in the schedule above because many participants are investing in more than one option.

* Name changed from Fidelity Retirement Growth Fund effective January 27, 2001.

** GPU Stock Fund was converted to the FirstEnergy Stock Fund effective November 7, 2001.

Continued

GPU COMPANIES EMPLOYEE SAVINGS PLAN
 FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
 NOTES TO FINANCIAL STATEMENTS, Continued

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1. General Description of the Plan, continued:

Participant Accounts:

Each participant's account is credited with the participant's own contributions and with the Company's matching contributions. Each account maintained for a participant reflects the number of unitized shares and their value for each mutual fund and for the FirstEnergy Stock Fund. Any portion of a participant's account balance invested in the Mutual Fund Window reflects the number of shares and their value for each mutual fund. All income, gain or loss attributable to the investment of the balance of any account maintained for a participant is recorded to that account.

Vesting:

Participants are 100% vested at all times in their Plan accounts.

Distributions and Withdrawals:

A participant's Plan account balances become distributable upon termination of the participant's employment for any reason. Distributions of account balances in excess of \$5,000 may be deferred, at the participant's election, up to age 70 1/2. If distribution of a participant's account balance has not otherwise started, it must begin by April 1st following the year in which the participant attained age 70 1/2. Distributions generally are a single lump sum payment. The Plan permits withdrawals of account balances in the event of financial hardship or disability as defined in the Plan. A complete description of the Plan's terms and conditions for distributions and withdrawals can be found in the Plan document.

Loans to Participants:

The Plan provides that loans may be made to a participant from the participant's account balance subject to certain conditions. The minimum amount of each loan is \$1,000 with the maximum being \$50,000, or certain lesser amounts as described in the Plan. Interest on the loan is credited to the participant's account. The loans are secured by the balance in the participant's account. Principal and interest are paid ratably through monthly payroll deductions. The rate is determined periodically by the Administrative Committee based on current commercial rates. The interest rates for loans in excess of four years and ten months were 6.85% for the period January 1 through June 30, 2002 and 5.79% for the period July 1 through December 31, 2002. The interest rates for loans four years and ten months or less were 6.38% for the period January 1 through June 30, 2002 and 5.75% for the period July 1 through December 31, 2002.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3 NOTES TO FINANCIAL STATEMENTS, Continued

1. General Description of the Plan, continued:

Plan Termination:

The Company reserves the right at any time to modify, suspend, amend or terminate the Plan. However, the Company cannot do so in such a manner that would cause or permit any part of the Plan's assets to be used for or diverted to purposes other than for the exclusive benefit of participants or their beneficiaries.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the plan are prepared under the accrual method of accounting.

Valuation of Investments:

The amounts shown herein as the investment in the GPU Companies Master Savings Plan Trust reflect the fair value of the assets held in such Trusts and the Plan's relative interest in the Trusts. The Plan's participation is measured at its value at the beginning of the valuation period plus net external cash flow (contributions, distributions, etc.) experienced by the Plan during the valuation period. Investment income, net realized gain (loss) on investments and net unrealized appreciation (depreciation) of investments is allocated to each participating plan based upon its accumulated monthly balance for each investment option (see Note 3).

Investment income from the GPU Companies Master Savings Plan Trust for the years ended December 31, 2002 and 2001, consists of interest and dividend income. The net appreciation (depreciation) in the fair value of investments consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments in the GPU Companies Master Savings Plan Trust.

The fair market value of assets held by the Trust are determined as follows: Stocks and bonds are valued at their closing quoted market prices on the last business day of the year. Short-term group trust funds (investment custodian bank) and insurance contracts are valued at cost plus accrued interest, which approximates market.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS, Continued

3. Investments:

The investments reflected in the December 31, 2002 and 2001 Statements of Net Assets Available for Plan Benefits represent the Plan's 17.34% and 16.71% share, respectively, of total investments held in the GPU Companies Master Savings Plan Trust at December 31, 2002 and 2001.

At December 31, 2002 and 2001, the total fair value of investments held in the GPU Companies Master Savings Plan Trust are summarized as follows:

| | 2002 ---- | 2001 ---- |
|---------------------------------|------------------------|------------------------|
| Aggressive Growth Portfolio | \$ 15,075,559 | \$ 19,770,358 |
| Fidelity Independence Fund** | 54,529,824* | 75,069,658* |
| Small Capital Equity Fund | 18,868,634 | 24,511,906 |
| Fidelity OTC Portfolio Fund | 22,411,142 | 34,321,061 |
| International Equity Fund | 5,502,632 | 7,003,697 |
| Fidelity Overseas Fund | 5,041,915 | 6,803,090 |
| FirstEnergy Stock Fund*** | 15,930,595 | 17,901,466 |
| Mutual Fund Window | 13,681,051 | 17,897,551 |
| Interest Income Fund | 197,678,658* | 181,148,895* |
| Diversified Bond Fund | 45,932,468* | 32,978,648 |
| Conservative Growth Portfolio | 9,891,068 | 8,487,277 |
| S&P 500 Index Fund | 110,297,502* | 160,161,418* |
| Moderate Growth Portfolio | 91,323,742* | 117,554,205* |
| Fidelity Puritan Fund | 31,773,503 | 37,555,463* |
| | ----- | ----- |
| Total investments at fair value | \$637,938,293 ===== | \$741,164,693 ===== |
| Total investments at cost | \$696,561,399 ===== | \$749,027,738 ===== |

* These investments represent 5% or more of the net assets available for benefits.

** Name changed from Fidelity Retirement Growth Fund effective January 27, 2001.

*** GPU Stock Fund was converted to the FirstEnergy Stock Fund effective November 7, 2001.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS, Continued

3. Investments:

Based on participant investment options at December 31, 2002 and 2001 the Plan's investments were allocated as follows:

| | 2002 % BY FUND ----- | 2001 % BY FUND ----- |
|------------------------|----------------------------|----------------------------|
| Interest Income | 29.93% | 22.56% |
| Diversified Bond | 6.85% | 4.05% |
| Conservative Growth | 0.97% | 0.48% |
| S&P 500 Index | 17.53% | 22.34% |
| Moderate Growth | 12.22% | 13.69% |
| Fidelity Puritan | 5.06% | 5.27% |
| Aggressive Growth | 2.77% | 2.82% |
| Fidelity Independence* | 12.36% | 14.83% |
| Small Capital Equity | 2.16% | 2.35% |
| Fidelity OTC | 4.06% | 5.33% |
| International Equity | 0.73% | 0.72% |
| Fidelity Overseas | 0.81% | 0.87% |
| FirstEnergy Stock** | 2.98% | 3.08% |
| Mutual Fund Window | 1.56% | 1.61% |

The net investment losses in the GPU Master Savings Plan Trust for the years ended December 31, 2002 and 2001 were as follows:

| | 2002 ---- | 2001 ---- |
|--------------------------------------------------|-----------------|-----------------|
| Dividends | \$ 1,318,162 | \$ 3,031,891 |
| Interest income | 10,719,496 | 11,395,260 |
| Net depreciation in fair value of investments | (78,302,402) | (86,727,994) |
| | ----- | ----- |
| Net investment losses | \$ (66,264,744) | \$ (72,300,843) |
| | ===== | ===== |

* Name changed to Fidelity Retirement Growth Fund effective January 27, 2001.

** GPU Stock Fund was converted to the FirstEnergy Stock Fund effective November 7, 2001.

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GPU COMPANIES EMPLOYEE SAVINGS PLAN
FOR EMPLOYEES REPRESENTED BY IBEW SYSTEM COUNCIL U-3
NOTES TO FINANCIAL STATEMENTS, Concluded

4. Party-In-Interest Transactions:

Certain Plan investments are shares of mutual funds managed by State Street Bank. State Street Bank is the trustee as defined by the Plan. Therefore, these transactions qualify as party-in-interest transactions.

5. Tax Status:

The Plan obtained its latest determination letter on February 4, 1998, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator and the plan's tax counsel believes that the Plan is currently designed and being operated in compliance with applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been reflected in the Plan's financial statements.

6. Plan Amendments:

The Plan was amended and restated in order to incorporate increased matching contributions, effective January 1, 2001 and November 1, 2001. The Company agreed to increase the match from 70% to 75% of an employee's contributions up to 4% of base compensation for the period of January 1, 2001 through October 31, 2001 and additionally, increased the match to 80% of an employee's contributions up to 4% of base compensation, for the period thereafter.

The Plan was further amended, effective October 1, 2001 to incorporate FirstEnergy Merger Provisions. At the effective date of the merger between GPU Company and FirstEnergy Corporation, all shares of GPU Stock held in the GPU Stock Fund were automatically converted into the right to receive the merger consideration with respect to such shares. The merger consideration, which included both stock and cash with respect to the GPU Stock held in the GPU Stock Fund was reinvested in shares of FirstEnergy Corporation Stock. The effective date of the merger was November 7, 2001.

